



Interim Report
Q4/2016
Statkraft AS



Key figures

NOK million	Fourth quarter			The year		
	2016	2015	Change	2016	2015	Change
From income statement						
Share of profit/loss in equity accounted investments	368	383	-15	474	683	-209
Gross operating revenues, underlying	17 325	15 484	1 840	53 804	51 262	2 542
Net operating revenues, underlying	7 573	5 880	1 693	23 033	19 938	3 095
EBITDA, underlying	4 947	3 230	1 717	13 863	10 853	3 011
Operating profit, underlying	4 041	2 240	1 801	10 240	7 499	2 741
Operating profit, booked	3 854	499	3 355	3 086	4 497	-1 411
Net financial items	-1 297	-15	-1 282	2 137	-5 318	7 456
Profit before tax	2 556	484	2 073	5 223	-821	6 045
Net profit	748	-70	818	-179	-2 370	2 191
EBITDA margin, underlying (%) ¹⁾	28.6	20.9	7.7	25.8	21.2	4.6
ROACE, underlying (%) ²⁾				11.1	7.8	3.3
Items excluded from the underlying operating profit						
Unrealised changes in value on energy contracts	-59	119	-178	-2 413	609	-3 021
Adjusted significant items	-128	-1 860	1 732	-4 741	-3 610	-1 131
Balance sheet and investments						
Total assets 31.12.				166 630	176 905	-10 275
Equity 31.12.				83 519	88 340	-4 822
Net interest bearing debt 31.12.				32 453	35 036	-2 584
Capital employed 31.12.				83 225	91 104	-7 879
Total investments	1 135	3 425	-2 290	5 657	13 556	-7 899
Cash Flow						
Cash flow from operating activities	3 617	4 597	-980	8 371	8 639	-268
Cash and cash equivalents 31.12.				7 308	9 056	-1 748
Currency rates						
NOK/EUR average rate	9.04	9.34	-0.30	9.29	8.94	0.35
NOK/EUR closing rate 31.12.				9.09	9.60	-0.52

Definitions

¹⁾ EBITDA margin, underlying (%): (Operating result before depreciation and amortisation x 100)/Gross operating revenues.

²⁾ ROACE, underlying (%): (Operating profit adjusted for share of profit/loss in equity accounted investments, unrealised changes in the value of energy contracts and significant items x 100)/Average capital employed (rolling 12 months).

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STRONG OPERATING RESULT IN Q4



The underlying EBITDA is on a very solid level and reflects high production and successful energy management.

Unrealised currency effects held back net profit.

Statkraft recorded an underlying EBITDA of NOK 4947 million in the fourth quarter of 2016. This is an increase of NOK 1717 million compared with the corresponding period in 2015. The quarterly result was held back by unrealised currency effects and showed a net profit of NOK 748 million.

The increase in EBITDA was mainly driven by both higher Nordic power prices and Norwegian hydropower production, combined with successful energy management. The average Nordic power price in the fourth quarter was 34.5 EUR/MWh, an increase of 57% compared with the modest price experienced in the same period in 2015. Statkraft's total production increased by 3.7 TWh from the fourth quarter last year to a total of 19.0 TWh in this quarter.

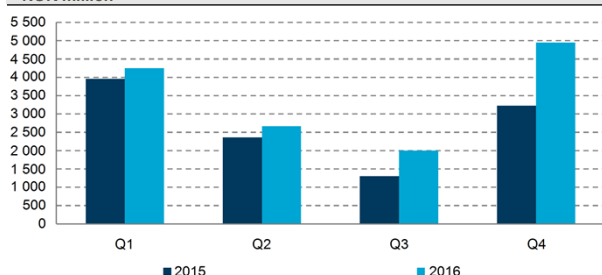
Statkraft's production in 2016 reached a record high 66 TWh compared to 56.3 TWh in 2015. The average system price at Nord Pool was 26.9 EUR/MWh, an increase of 28% from the previous year. For 2016, the underlying EBITDA ended at a solid NOK 13 863 million, compared to NOK 10 853 million in 2015. The result for 2016 was negatively influenced by impairments mainly caused by reduced market expectations, partly offset by positive currency effects. Net profit before tax was NOK 5223 million and net profit after tax ended at NOK -179 million.

Changing market conditions and technological development are resulting in increased competition. Statkraft is adapting to this development through an extensive performance improvement programme and a revised strategy. The performance improvement programme is progressing according to plan. The aim is to strengthen performance and reduce annual costs by NOK 800 million, measured against the actual costs for 2015.

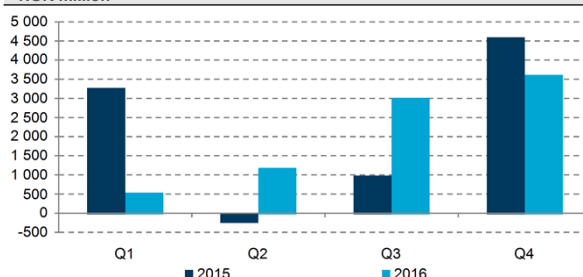
Responsible and effective operations have first priority in all markets. In the revised strategy optimising the value creation in Statkraft's Nordic hydropower fleet will continue to be prioritized. The adjustment of the strategy is that Statkraft in selected international markets will broaden the technology scope to include onshore wind- and solar power, in addition to hydropower. Furthermore, Statkraft will strengthen the focus on business development in Norway in order to explore new opportunities arising from the energy transition.

The revised strategy shall enable Statkraft to become one of the most competitive companies in the industry and strengthen the position for further growth.

EBITDA – underlying
NOK million



Cash flow from operating activities
NOK million



Corporate responsibility and HSE

	Fourth quarter		The year	
	2016	2015	2016	2015
Corporate responsibility and HSE				
Fatalities ¹⁾	0	0	1	0
TRF rate Statkraft ^{1) 2)}	6.7	5.9	4.9	5.9
Serious environmental incidents	0	0	0	0
Full-time equivalents; Group			3 484	3 795
Absence due to illness, Group (%)	3.3	3.0	3.0	3.0

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

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

- The Group's TRF rate was 6.7 in the fourth quarter.
- There were no serious environmental incidents during the fourth quarter.

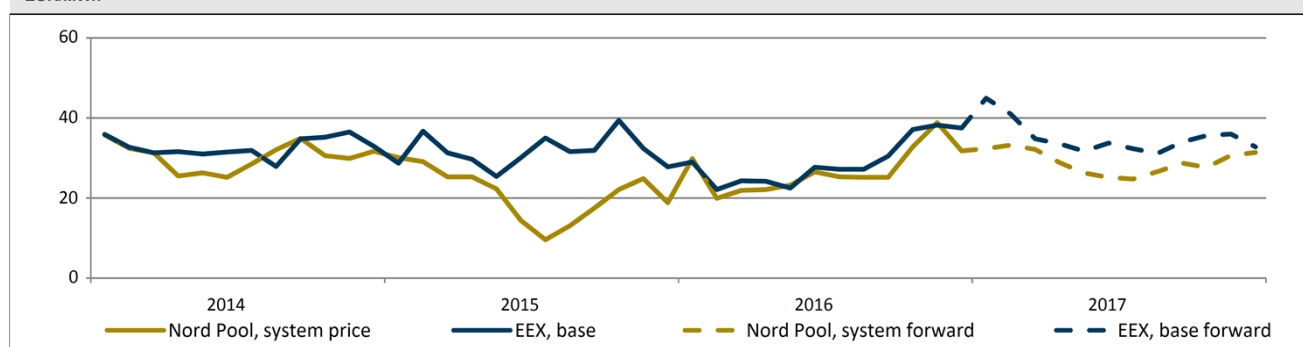
Two serious injuries were reported in the fourth quarter 2016. A Statkraft employee in District heating suffered head injuries due to fall into a slag conveyor. In Zambia a security guard at the Lunsemfa project suffered an eye injury when he was hit by a wire during work. Both accidents have been investigated according to Statkraft's standard 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 and commodity prices for thermal power generation.

POWER PRICES

Electricity, average monthly system price
EUR/MWh



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

The average system price in the Nordic region was 34.5 EUR/MWh in the quarter, an increase of 57% compared with the same period in 2015. The price increase in the fourth quarter was driven by higher fuel prices where the increase in coal prices was the main driver. Forward prices in the Nordic region increased.

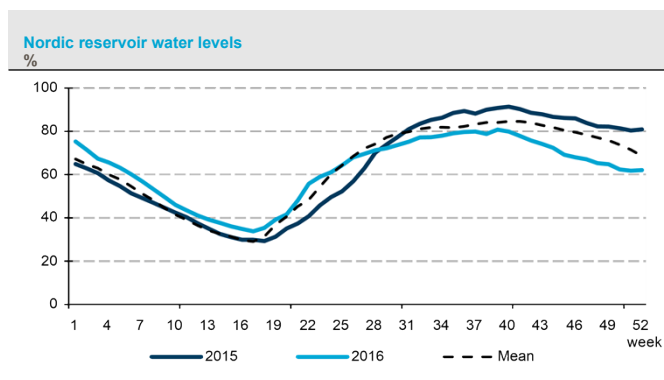
The average spot price in the German market (EEX) was 37.6 EUR/MWh in the quarter, an increase of 13% compared with the same period in 2015. Main drivers for higher prices were strong coal prices combined with high prices in neighboring markets, particularly in France due a tight market affected by outage of several nuclear reactors. Forward prices in Germany increased during the quarter.

The average system price in the UK was 52.5 GBP/MWh in the quarter, an increase of 40% compared with the same period in 2015. Higher gas and coal prices were the main drivers for increased power prices in the fourth quarter.

EUR/MWh	Fourth quarter			The year		
	2016	2015	Change	2016	2015	Change
Prices						
Average system price, Nord Pool	34.5	22.0	12.5	26.9	21.0	5.9
Average spot price (base), EEX	37.6	33.2	4.4	29.0	31.7	-2.7
Average spot price (peak), EEX	47.3	43.0	4.3	35.3	39.1	-3.9
Average gas price, EGT	17.1	17.2	-0.1	14.1	19.9	-5.8

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

CONSUMPTION AND RESOURCE ACCESS IN THE NORDIC REGION



TWh	Fourth quarter		The year	
	2016	2015	2016	2015
Consumption and output				
Nordic				
Nordic consumption	105.1	100.5	385.6	379.4
Nordic output	104.1	103.8	389.3	393.8
Net Nordic import(+)/export(-)	1.0	-3.3	-3.7	-14.4
Norway				
Norwegian consumption	36.6	34.8	132.2	130.1
Norwegian output	39.0	38.4	148.6	144.7
Net Norwegian import(+)/export(-)	-2.4	-3.6	-16.4	-14.6

The inflow was somewhat lower in the period and reservoirs were filled to 62% of total capacity (81% in 2015). The total reservoir level in the Nordic region was 91% of normal level.

In the fourth quarter, a net volume of 1.0 TWh was imported in the Nordic region, compared with a net export of 3.3 TWh in the same period in 2015.

STATKRAFT'S POWER PRODUCTION

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

TWh	Fourth quarter		The year	
	2016	2015	2016	2015
Production, technology				
Hydropower	16.9	14.1	61.2	53.1
Wind power	0.8	0.9	2.3	2.5
Gas power	1.3	0.4	2.2	0.5
Bio power	0.1	0.1	0.3	0.3
Total production	19.0	15.4	66.0	56.3

TWh	Fourth quarter		The year	
	2016	2015	2016	2015
Production, geography				
Norway	15.1	11.8	52.8	44.4
Sweden	1.5	1.8	6.1	7.2
Europe ex. Nordic	1.5	0.5	3.2	1.3
Rest of the world	1.0	1.2	3.9	3.4
Total production	19.0	15.4	66.0	56.3

The Group produced a total of 19.0 TWh in the fourth quarter, an increase of 24% compared with the corresponding period in 2015. The increase was primarily related to higher hydropower production in Norway and higher gas fired power production in Germany. In addition, the Group's district heating deliveries amounted to 0.4 TWh.

Financial performance

NOK million	Fourth quarter			The year		
	2016	2015	Change	2016	2015	Change
Key figures						
Net operating revenues, underlying	7 573	5 880	1 693	23 033	19 938	3 095
EBITDA, underlying	4 947	3 230	1 717	13 863	10 853	3 011
Profit before tax	2 556	484	2 073	5 223	-821	6 045
Net profit	748	-70	818	-179	-2 370	2 191

THE YEAR 2016

The underlying EBITDA was 28% higher than in 2015. The increase in net operating revenues was primarily related to higher Norwegian hydropower production and higher Nordic power prices combined with successful energy management. In addition, the Group's international operations showed an increased contribution. The increase was somewhat offset by lower contribution from origination and market access activities. Operating expenses, excluding depreciations and impairments were on par with 2015. Underlying EBITDA is adjusted for unrealised changes in value on energy contracts, which amounted to NOK -2413 million compared with NOK 609 million in 2015.

Adjusted significant items totalled NOK -4741 million for the year. These were mainly related to impairments for gas fired power plants and other assets in Germany of NOK 2229 million, a hydropower project in Albania of NOK 1071 million, wind farms in Sweden of NOK 585 million and hydropower assets in the Nordics of NOK 573 million. The impairments were primarily connected to Statkraft's lower market expectations. In 2015 the adjusted significant items amounted to NOK -3610 million.

In 2016 there were positive currency effects as a result of a strengthening of NOK compared with GBP and EUR, while there were negative currency effects in 2015, and profit before tax ended at NOK 5223 million compared with NOK -821 million in 2015.

Tax expense amounted to NOK 5402 million giving a net loss of NOK 179 million for the year.

FOURTH QUARTER

The quarterly report shows the development in the fourth quarter of 2016 compared with the fourth quarter of 2015, unless otherwise stated. Figures in parentheses show the comparable figures for the corresponding period in 2015.

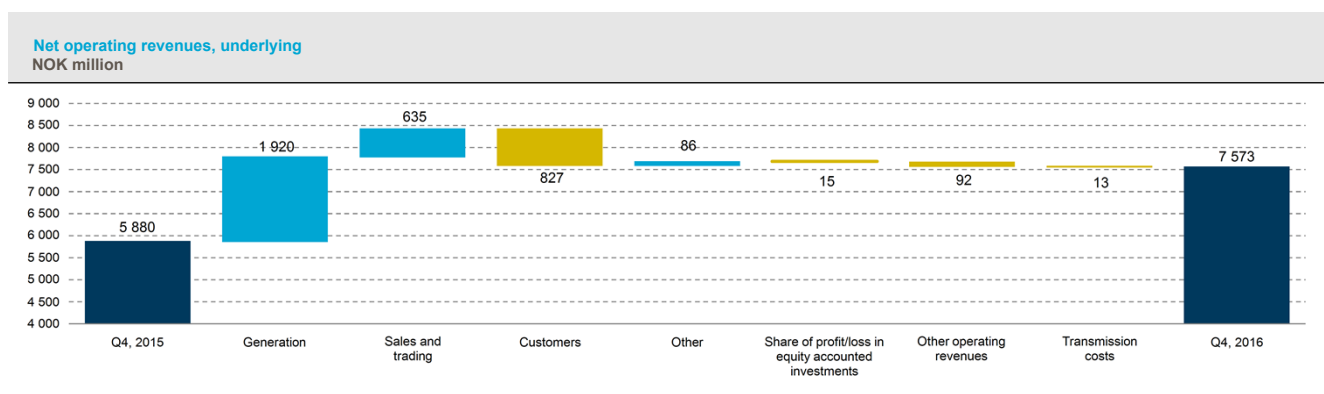
GROSS OPERATING PROFIT (EBITDA) – UNDERLYING

The underlying EBITDA was NOK 4947 million, NOK 1717 million higher than in the same quarter of 2015. The increase was primarily a result of higher Nordic power prices and higher Norwegian hydropower production.

OPERATING REVENUES - UNDERLYING

NOK million	Fourth quarter			The year		
	2016	2015	Change	2016	2015	Change
Net operating revenues, underlying						
Generation	6 084	4 269	1 815	19 402	15 391	4 011
Sales and trading	1 807	681	1 125	5 069	4 267	801
Customers ¹⁾	8 181	9 320	-1 139	25 869	27 969	-2 100
Other ¹⁾	550	403	147	1 926	1 670	256
Sales revenues	16 621	14 674	1 948	52 265	49 297	2 968
Share of profit/loss in equity accounted investments	368	383	-15	474	683	-209
Other operating revenues	335	427	-92	1 065	1 281	-217
Gross operating revenues	17 325	15 484	1 840	53 804	51 262	2 542
Generation	-95	-200	105	-368	-750	382
Sales and trading	-1 321	-830	-490	-3 586	-3 683	97
Customers	-7 816	-8 128	312	-24 963	-25 335	372
Other	-198	-137	-60	-579	-443	-136
Energy purchase	-9 429	-9 296	-134	-29 497	-30 212	714
Transmission costs	-322	-309	-13	-1 273	-1 112	-162
Net operating revenues	7 573	5 880	1 693	23 033	19 938	3 095

1) The figures for the year 2015 are adjusted from the Q2 2016 reporting due to internal eliminations between Customer and Other sales revenues.



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

- Net generation revenues have increased mainly due to higher Nordic power prices and higher Norwegian hydropower production.
- Net revenues from sales and trading have increased mainly due to higher profitability from Continental trading, Dynamic Asset Management Portfolio and Long term contracts.
- Net revenues from customers have decreased partly due to reduced net revenues from the market access activities in UK and Germany.

OPERATING EXPENSES - UNDERLYING

NOK million	Fourth quarter			The year		
	2016	2015	Change	2016	2015	Change
Operating expenses, underlying						
Salaries and payroll costs	-993	-1 005	13	-3 648	-3 545	-103
Depreciation	-906	-990	84	-3 624	-3 354	-270
Property tax and licence fees	-438	-431	-6	-1 733	-1 679	-53
Other operating expenses	-1 196	-1 214	18	-3 789	-3 861	72
Operating expenses	-3 532	-3 640	108	-12 794	-12 440	-354

- Depreciation lower, mainly due to previous impairments.

ITEMS EXCLUDED FROM THE UNDERLYING OPERATING PROFIT

Unrealised changes in value on energy contracts and adjusted significant items have been excluded from the underlying operating profit. The unrealised changes in value are partly due to the Group's energy contracts being indexed against various commodities, currencies and other indexes.

NOK million	Fourth quarter			The year		
	2016	2015	Change	2016	2015	Change
Items excluded from the underlying operating profit						
Unrealised changes in value of energy contracts	-59	119	-178	-2 413	609	-3 022
Adjusted significant items	-128	-1 860	1 732	-4 741	-3 610	-1 131
Gain from sale of assets	-	226	-226	-	226	-226
Impairments and related costs	-128	-2 086	1 958	-4 741	-3 836	-905

- There was a negative development mainly due to realisation of profits on some of the energy contracts. There were also negative effects due to lower forward power prices in Brazil, influencing the value of the long term contracts. There were offsetting effects on long-term power sales agreements denominated in EUR due to a weaker NOK against EUR.

Total adjusted significant items of NOK 128 million booked in the fourth quarter.

- Impairment in Brazil of NOK 23 million related to land areas.
- Increased provision for the Cetin project of NOK 105 million due to prolonged process to find an acceptable solution. This was booked as part of other operating expenses.

FINANCIAL ITEMS

NOK million	Fourth quarter			The year		
	2016	2015	Change	2016	2015	Change
Financial items						
Interest income	92	105	-13	323	378	-55
Other financial income	19	20	-1	58	43	14
Gross financial income	111	125	-15	380	421	-41
Interest expenses	-309	-434	124	-1 301	-1 322	21
Other financial expenses	51	-20	71	-110	-736	626
Gross financial expenses	-258	-453	195	-1 411	-2 058	647
Net currency effects	-678	310	-989	2 847	-3 445	6 292
Other financial items	-472	2	-474	321	-237	558
Net financial items	-1 297	-15	-1 282	2 137	-5 318	7 456

- Interest expenses decreased by NOK 124 million, mainly due to decreased debt.
- Other financial expenses fell by NOK 71 million, mainly due to a reclassification of financial obligations.
- Net currency loss in the fourth quarter amounted to NOK -678 million, primarily related to a weakening of NOK against GBP, EUR and USD.
- Other financial items included gains on interest rate derivatives and obligations linked to equity instruments.

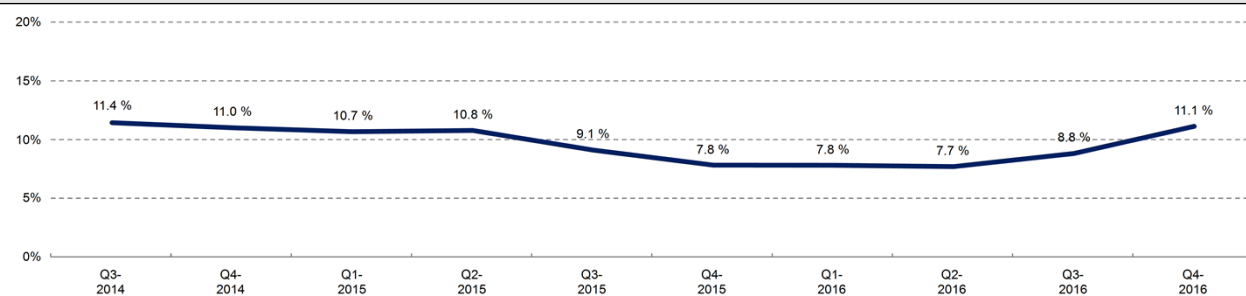
TAXES

A tax expense of NOK 1808 million was recorded in the fourth quarter (NOK 554 million). The increase in tax expense was mainly due to higher result from Norwegian hydropower production.

RETURN

ROACE – underlying, last 12 months

%

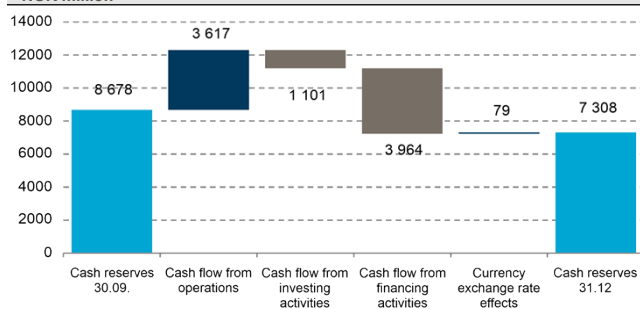


ROACE (%): (Operating profit adjusted for share of profit/loss in equity accounted investments, unrealised changes in the value of energy contracts and significant non-recurring items x 100) / average capital employed.

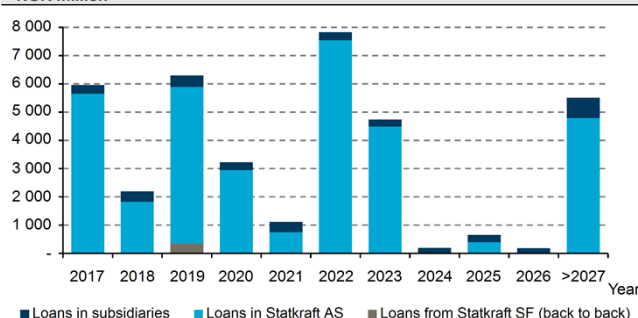
→ The improvement in ROACE compared with the year 2015 was driven by higher underlying operating profit.

CASH FLOW AND CAPITAL STRUCTURE

Cash flow Q4 2016
NOK million



Long-term debt, redemption profile
NOK million



Cash flow fourth quarter

- Cash flow from operating activities amounted to NOK 3617 million (NOK 4597 million). Net income¹⁾, adjusted for non-cash effects, were NOK 3689 million (NOK 4546 million) including changes in short and long term items. The changes in short and long term items had an effect of NOK -722 million (NOK 3879 million), of which short-term items was NOK -578 million (NOK 3331 million). The change in short-term items in fourth quarter 2016 was mainly related to working capital, cash collateral and changes in clearing deposit accounts.
- Net investments²⁾ of NOK -1101 million (NOK -1702 million); primarily maintenance and new capacity investments of NOK -1043 million (NOK -2879 million). There were no investment related to business combinations or divestments (NOK 1270 million).
- Net financial items of NOK -3964 million (NOK -1446 million); related to new debt of NOK 1623 million (NOK 989 million), repayment of debt of NOK -5466 million (NOK -2345 million) and dividend or group contribution of NOK -120 million (NOK -84 million).

Cash flow YTD

- Cash flow from operating activities amounted to NOK 8371 million (NOK 8639 million). Net income¹⁾, adjusted for non-cash effects, were NOK 10 390 million (NOK 11 167 million) including changes in short and long term items. The changes in short and long term items had an effect of NOK -1680 million (NOK 4651 million), of which short-term items were NOK -1312 million (NOK 4241 million). The change in short term items was mainly related to working capital, cash collateral and changes in clearing deposit accounts. Taxes paid were NOK -2564 million (NOK -3062 million) and cash effect from dividend from equity accounted investments were NOK 545 million (NOK 534 million).
- Net investments amounted to NOK -6817 million (NOK -9834 million). This was primarily investments in property, plant and equipment totaling NOK -5331 million (NOK -8720 million), net cash outflow related to loans to third parties of NOK -933 million (NOK 221 million) and deconsolidation of the cash and cash equivalents in Dudgeon Offshore Ltd of NOK -404 million.
- The net liquidity change from financing amounted to NOK -3217 million (NOK -2603 million). New debt totalled NOK 4642 million (NOK 14 409 million), while repayment of debt was NOK -7632 million (NOK -11 864 million). Dividend and group contribution paid amounted to NOK -226 million (NOK -5157 million).

Financial structure

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

- Net interest-bearing debt³⁾ totalled NOK 32 453 million, compared with NOK 35 036 million at the beginning of the year. The decrease was related to less investments in 2016 compared with 2015.
- The net interest-bearing debt-equity ratio was 28.0%, compared with 28.4% at year-end 2015.
- Current assets, except cash and cash equivalents, amounted to NOK 20 041 million.
- Short-term interest-free debt was NOK 21 819 million.
- Statkraft's equity totalled NOK 83 519 million, compared with NOK 88 340 million at the start of the year. This corresponds to 50.1% of total assets. See Statement of changes in equity for further details.

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

²⁾ Net investments include investments paid at the end of the quarter, payments received from sale of non-current assets, net liquidity out from the Group upon acquisition of activities and repayment and disbursement of loans.

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

INVESTMENTS AND PROJECTS

Total investments in the quarter amounted to NOK 1135 million. Maintenance investments and other investments were primarily related to Nordic hydropower and grid in Skagerak Energi. Investments in new capacity were mainly related to construction of hydropower plants in Norway and Albania, as well as wind power projects in Norway and the UK.

NOK mill.	Fourth quarter 2016	The year 2016	The year 2015
Maintenance investments and other investments			
European flexible generation	182	1 154	1 413
Market operations	-1	2	-
International hydropower	38	162	104
Wind power	-7	-	-30
District heating	2	13	10
Industrial ownership	121	387	404
Other activities	4	44	68
Total	339	1 763	1 969
Investment in new capacity			
European flexible generation	140	582	741
Market operations	4	4	-
International hydropower	333	1 250	3 048
Wind power	125	1 457	3 335
District heating	47	142	272
Industrial ownership	94	301	281
Other activities	-1	-	120
Total	742	3 736	7 797
Investment in shareholdings			
Market operations	52	56	25
International hydropower	-	30	3 399
Wind power	-	32	101
District heating	-	-	18
Other activities	1	39	247
Total	53	158	3 790

Projects in consolidated operations

Fourth quarter	Project	Country	New capacity (MW) ¹⁾	Statkraft's ownership share	Planned completion	
Completed projects in the period						
Hydropower	Nedre Røssåga, phase 2	Norway	100	100%	2016	Q4
	Devoll - Banja	Albania	72	100%	2016	Q4
Wind power	Andershaw	UK	36	100%	2016	Q4
District heating	Moss	Norway	21	100%	2016	Q4
Main projects under construction						
Hydropower	Ringedalen	Norway	23	100%	2017	Q3
	Øvre Røssåga	Norway	-	100%	2018	Q4
	Devoll - Moglice	Albania	184	100%	2019	Q2
Wind power	Fosen - Roan	Norway	256	52.1 %	2018	Q4
	Fosen - Hitra II	Norway	94	52.1 %	2019	Q3
	Fosen - Storheia	Norway	288	52.1 %	2019	Q4
	Fosen - Geitfjellet	Norway	155	52.1 %	2020	Q3
	Fosen - Harbaksfjellet	Norway	108	52.1 %	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 2016 Statkraft has changed the segment structure. The two former segments Nordic hydropower and Continental energy and trading are replaced by European flexible generation and Market operations. The reason for changing the segments is to make sure that the reporting structure is aligned with the strategic focus areas and the key priorities within the Group. The developed strategy has led to a clearer distinction between power generating assets and market operations.

The new European flexible generation segment mainly consists of the hydropower business in the Nordic region, Germany and the United Kingdom, as well as the gas power plants, the interconnector Baltic Cable and the bio-power plants in Germany. The main focus for the segment is to maximise the long-term value of the asset base.

The new Market operations segment mainly consists of market access, trading and origination activities. The activities will gradually increase to create new business opportunities in a changing European market. In addition, Statkraft aims to develop market operations in selected international markets where the Group owns assets.

The other segments are not changed compared to previous years.

The comparable figures are restated.

Fourth quarter	Statkraft AS Group	European flexible generation	Market operations	International hydropower*	Wind power	District heating	Industrial ownership	Other activities	Group items
From income statement									
Gross operating revenues, underlying	17 325	5 233	8 483	829	384	254	2 470	269	-597
Net operating revenues, underlying	7 573	4 769	548	740	371	190	1 036	269	-350
EBITDA, underlying	4 947	3 400	392	432	239	118	570	-163	-41
Depreciation, amortisation and impairments, underlying	-906	-443	-3	-170	-83	-43	-143	-22	1
Operating profit, underlying	4 041	2 958	389	262	156	76	428	-185	-43
Operating profit, booked	3 854	3 144	217	134	156	76	336	-187	-22
EBITDA-margin (%), underlying	28.6	65.0	4.6	52.1	62.2	46.7	23.1	n/a	n/a
Maintenance investments and other investments	339	182	-1	38	-7	2	121	4	-
Investments in new capacity	742	140	4	333	125	47	94	-1	-
Investments in shareholdings	53	-	52	-	-	-	-	1	-
Production									
Production, volume sold (TWh)	19.0	16.0	-	1.0	0.6	-	1.3	-	-
- whereof hydropower (TWh)	16.9	14.7	-	0.9	-	-	1.3	-	-
- whereof wind power (TWh)	0.8	-	-	0.1	0.6	-	-	-	-
- whereof gas power (TWh)	1.3	1.3	-	-	-	-	-	-	-
- whereof bio power (TWh)	0.1	0.1	-	-	-	-	-	-	-
Production, district heating (TWh)	0.4	-	-	-	-	0.3	0.0	-	-

*) International hydropower will change name to International power from first quarter 2017 based on the revised strategy. There will be no changes in the segment's financial figures.

EUROPEAN FLEXIBLE GENERATION

NOK million	Fourth quarter		The year	
	2016	2015	2016	2015
Sales revenues, underlying	4 974	3 577	15 693	12 679
Share of profit/loss in equity accounted investments	-	-	-	-
Other operating revenues, underlying	259	225	764	685
Gross operating revenues, underlying	5 233	3 802	16 457	13 364
Net operating revenues, underlying	4 769	3 358	14 865	11 636
EBITDA, underlying	3 400	2 130	10 131	7 427
Operating profit, underlying	2 958	1 658	8 380	5 664
Unrealised value changes energy contracts	186	30	-1 048	557
Adjusted significant items	-	-	-2 802	-
Operating profit, booked	3 144	1 688	4 529	6 221
Maintenance investments and other investments	182	398	1 154	1 413
Investments in new capacity	140	213	582	741
Investments in shareholdings	-	-2	-	-
Production, volume sold (TWh)	16.0	11.8	54.4	44.6

Quarterly financial performance

- Underlying EBITDA was higher than in the same quarter of 2015, mainly driven by higher Nordic power prices and higher Norwegian hydropower production. Operating expenses were higher, due to higher maintenance expenses.

Quarterly investments

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

Financial performance for the year

- The increase in EBITDA was primarily due to the same factors as for the fourth quarter.

MARKET OPERATIONS

NOK million	Fourth quarter		The year	
	2016	2015	2016	2015
Sales revenues, underlying	8 448	8 563	26 331	28 399
Share of profit/loss in equity accounted investments	-1	-	-2	-
Other operating revenues, underlying	36	28	110	124
Gross operating revenues, underlying	8 483	8 591	26 439	28 524
Net operating revenues, underlying	548	422	1 238	2 052
EBITDA, underlying	392	151	414	1 062
Operating profit, underlying	389	145	400	1 024
Unrealised value changes energy contracts	-171	-1	-1 158	-471
Adjusted significant items	-	-	-	-
Operating profit, booked	217	144	-758	553
Maintenance investments and other investments	-1	-	2	-
Investments in new capacity	4	-	4	-
Investments in shareholdings	52	25	56	25
Production, volume sold (TWh)	-	-	-	-

Quarterly financial performance

- Underlying EBITDA was higher compared with the same quarter of 2015 mainly due to better results from the Continental trading portfolio and Dynamic Asset Management Portfolios.

Financial performance for the year

- The decrease in EBITDA was mainly due to lower results from origination and market access activities. Operating expenses were lower, mainly due to provision for an onerous power purchase contract in the second quarter in 2015. This provision was reversed in the fourth quarter in 2016.

INTERNATIONAL HYDROPOWER

NOK million	Fourth quarter		The year	
	2016	2015	2016	2015
Sales revenues, underlying	644	554	2 501	1 715
Share of profit/loss in equity accounted investments	192	82	16	-196
Other operating revenues, underlying	-7	44	42	81
Gross operating revenues, underlying	829	680	2 559	1 600
Net operating revenues, underlying	740	596	2 234	1 378
EBITDA, underlying	432	316	1 195	572
Operating profit, underlying	262	122	517	181
Unrealised value changes energy contracts	-	-	-	-
Adjusted significant items	-128	-2 086	-1 336	-2 086
Operating profit, booked	134	-1 964	-819	-1 905
Maintenance investments and other investments	38	55	162	104
Investments in new capacity	333	1 242	1 250	3 048
Investments in shareholdings	-	15	30	3 399
Production, volume sold (TWh)	1.0	1.2	4.3	3.6

Highlights in the quarter

- On 31 October the Banja hydropower plant in Albania started regular operations.
- Increased provision for the Cetin project due to prolonged process to find an acceptable solution. This was adjusted for in underlying operating profit.

Quarterly financial performance

- The increase in underlying EBITDA was primarily related to new capacity from Banja in Albania, higher contribution from Pilmaiquén in Chile and Khimti in Nepal.
- Share of profit from equity accounted investments was affected by positive one-off effects in Chile due to a settlement related to tunnel collapse in 2011 and from updated estimate for deferred tax asset.

Quarterly investments

- Investments in new capacity were mainly related to construction of hydropower plants in Albania.

Financial performance for the year

- The increase in EBITDA was mainly due to full consolidation of Statkraft Energias Renováveis (SKER) in Brazil and full effects from new capacity.

WIND POWER

NOK million	Fourth quarter		The year	
	2016	2015	2016	2015
Sales revenues, underlying	250	208	649	587
Share of profit/loss in equity accounted investments	98	13	41	55
Other operating revenues, underlying	36	33	112	114
Gross operating revenues, underlying	384	253	802	755
Net operating revenues, underlying	371	237	759	712
EBITDA, underlying	239	37	192	76
Operating profit, underlying	156	-50	-196	-257
Unrealised value changes energy contracts	-	-	-	-
Adjusted significant items	-	-	-585	-1 750
Operating profit, booked	156	-50	-781	-2 008
Maintenance investments and other investments	-7	-30	-	-30
Investments in new capacity	125	1 135	1 457	3 335
Investments in shareholdings	-	2	32	101
Production, volume sold (TWh)	0.6	0.7	1.9	2.2

Highlights in the quarter

- The construction of the Andershaw onshore wind farm (36 MW) was completed, but connection to the grid is delayed. Full connection is expected in mid-February.

Quarterly financial performance

- The underlying EBITDA was positively influenced by significantly higher prices compared with the fourth quarter of 2015. Lower wind speeds, however, resulted in less production despite new capacity.
- Gain from currency and interest hedges in Dudgeon had a positive impact in the quarter.
- Operating expenses were lower than in the same quarter of 2015 due to reduced activity.

Quarterly investments

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

Financial performance for the year

- The underlying EBITDA was influenced by lower production than normal despite new capacity in Sweden. Higher prices and lower operating expenses compensated for the low production and influenced the EBITDA positively.

DISTRICT HEATING

NOK million	Fourth quarter		The year	
	2016	2015	2016	2015
Sales revenues, underlying	252	197	761	629
Share of profit/loss in equity accounted investments	-	-1	-	1
Other operating revenues, underlying	2	3	6	5
Gross operating revenues, underlying	254	199	767	636
Net operating revenues, underlying	190	145	552	465
EBITDA, underlying	118	79	279	213
Operating profit, underlying	76	39	107	50
Unrealised value changes energy contracts	-	-	-	-
Adjusted significant items	-	-	-18	-
Operating profit, booked	76	39	89	50
Maintenance investments and other investments	2	3	13	10
Investments in new capacity	47	65	142	272
Investments in shareholdings	-	18	-	18
Production, volume sold (TWh)	0.3	0.3	0.9	0.8

Highlights in the quarter

- Statkraft sold the small heating plants in Klæbu and Levanger with formal takeover in January 2017.

Quarterly financial performance

- EBITDA was higher compared with the fourth quarter of 2015, primarily due to higher volume, better prices on heating and waste handling as well as high availability and good fuel mix.

Quarterly investments

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

Financial performance for the year

- In addition to the factors influencing the fourth quarter result, the increase in EBITDA was due to full-year effect of the acquisition of Gardermoen heating plant and new customers in existing activities.

INDUSTRIAL OWNERSHIP¹⁾

NOK million	Fourth quarter		The year	
	2016	2015	2016	2015
Sales revenues, underlying	2 321	1 660	7 044	5 796
Share of profit/loss in equity accounted investments	85	297	432	835
Other operating revenues, underlying	64	106	194	344
Gross operating revenues, underlying	2 470	2 064	7 671	6 975
Net operating revenues, underlying	1 036	1 108	3 602	3 820
EBITDA, underlying	570	656	2 041	2 171
Operating profit, underlying	428	497	1 496	1 627
Unrealised value changes energy contracts	-92	75	-237	359
Adjusted significant items	-	-	-	-
Operating profit, booked	336	571	1 259	1 986
Maintenance investments and other investments	121	115	387	404
Investments in new capacity	94	114	301	281
Investments in shareholdings	-	-	-	-
Production, volume sold (TWh)	1.3	1.5	5.5	5.5

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

Highlights in the quarter

- BKK put the new 300 (420) kV power line Kollsnes-Mongstad into operation.

Quarterly financial performance

- The decrease in underlying EBITDA compared with the fourth quarter in 2015 was mainly related to negative unrealised value changes from energy contracts in Agder Energi.

Quarterly investments

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

Financial performance for the year

- The decrease in underlying EBITDA year to date was primarily due to negative unrealised changes in energy contracts in equity accounted investments, partly offset by higher income from generation and grid operations.

OTHER ACTIVITIES¹⁾

NOK million	Fourth quarter		The year	
	2016	2015	2016	2015
Sales revenues, underlying	18	31	3	-27
Share of profit/loss in equity accounted investments	-5	-7	-13	-12
Other operating revenues, underlying	257	241	950	756
Gross operating revenues, underlying	269	265	939	716
Net operating revenues, underlying	269	263	938	707
EBITDA, underlying	-163	-159	-343	-679
Operating profit, underlying	-185	-192	-418	-801
Unrealised value changes energy contracts	-3	23	37	138
Adjusted significant items	-	226	-	226
Operating profit, booked	-187	57	-381	-437
Maintenance investments and other investments	4	16	44	68
Investments in new capacity	-1	40	-	120
Investments in shareholdings	1	1	39	247
Production, volume sold (TWh)	-	0.1	-	0.4

¹⁾ Other activities includes innovation and Group functions.

Quarterly financial performance

- A provision in Statkraft Tofte related to refurbishment of dams led to a lower EBITDA in the fourth quarter. This was offset by an increase in internal invoicing of corporate services and thus the EBITDA was on par with the fourth quarter of 2015.

Quarterly investments

- Investments in the quarter were mainly related to office facilities and IT.

Financial performance for the year

- The increase in EBITDA was mainly due to increased internal invoicing of corporate services.

Outlook

There is an increased focus on climate challenges globally and the majority of countries are now committing themselves to reducing the greenhouse gas emission levels through the Paris agreement. For the energy sector, changing framework conditions and technological development are resulting in increased competition, but also offer new business opportunities.

Statkraft's performance improvement programme will strengthen the competitiveness and reduce costs. Long term contracts are stabilizing the Group's revenues and Statkraft will continue to utilize the large hydropower reservoir capacity to optimise the production. The Group's investment level has been adjusted down in accordance with reduced investment capacity.

A key priority is to operate and develop the Norwegian and Swedish hydropower portfolio effectively. After a consolidation period Statkraft will invest in selected growth markets and explore new business development opportunities in Norway. The ambition is to strengthen the position in renewable energy and be a competitive supplier in all markets where Statkraft has operations.

Oslo, 15 February 2017
The Board of Directors of Statkraft AS

Statkraft AS Group Interim Financial Statements

NOK million	Fourth quarter		The year	
	2016	2015	2016	2015
COMPREHENSIVE INCOME				
PROFIT AND LOSS				
Sales revenues	16 528	15 183	49 448	51 586
Share of profit/loss in equity accounted investments	368	383	474	683
Other operating revenues	335	653	1 065	1 507
Gross operating revenues	17 231	16 219	50 987	53 777
Energy purchase	-9 395	-9 685	-29 093	-31 892
Transmission costs	-322	-309	-1 273	-1 112
Net operating revenues	7 514	6 225	20 621	20 773
Salaries and payroll costs	-993	-1 005	-3 648	-3 545
Depreciation, amortisation and impairments	-929	-2 286	-8 260	-6 401
Property tax and licence fees	-438	-431	-1 733	-1 679
Other operating expenses	-1 301	-2 003	-3 894	-4 650
Operating expenses	-3 661	-5 725	-17 535	-16 275
Operating profit/loss	3 854	499	3 086	4 497
Financial income	111	125	380	421
Financial expenses	-258	-453	-1 411	-2 058
Net currency effects	-678	310	2 847	-3 445
Other financial items	-472	2	321	-237
Net financial items	-1 297	-15	2 137	-5 318
Profit/loss before tax	2 556	484	5 223	-821
Tax expense	-1 808	-554	-5 402	-1 548
Net profit/loss	748	-70	-179	-2 369
Of which non-controlling interest	92	123	-62	-597
Of which majority interest	657	-193	-117	-1 772
OTHER COMPREHENSIVE INCOME				
Items in other comprehensive income that recycle over profit/loss:				
Changes in fair value of financial instruments	-110	-115	1 235	-937
Income tax related to changes in fair value of financial instruments	11	-19	-320	142
Items recorded in other comprehensive income in equity accounted investments	220	224	445	204
Currency translation effects	2 086	1 922	-4 851	6 138
Reclassification currency translation effects related to foreign operations disposed of in the year	-	0	6	772
Items in other comprehensive income that will not recycle over profit/loss:				
Estimate deviation pensions	253	267	-52	758
Income tax related to estimate deviation pensions	-117	-137	-17	-314
Other comprehensive income	2 343	2 141	-3 554	6 761
Comprehensive income	3 091	2 071	-3 733	4 392
Of which non-controlling interest	357	443	217	-133
Of which majority interest	2 734	1 628	-3 950	4 525

NOK million	31.12.2016	31.12.2015
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Intangible assets	4 533	5 822
Property, plant and equipment	103 303	111 207
Equity accounted investments	19 438	19 388
Other non-current financial assets	8 961	7 874
Derivatives	3 047	4 675
Non-current assets	139 282	148 965
Inventories	2 653	1 044
Receivables	10 219	10 675
Short-term financial investments	532	513
Derivatives	6 637	6 651
Cash and cash equivalents (included restricted cash)	7 308	9 056
Current assets	27 349	27 940
Assets	166 630	176 905
EQUITY AND LIABILITIES		
Paid-in capital	58 411	57 111
Retained earnings	17 360	22 787
Non-controlling interest	7 747	8 443
Equity	83 519	88 340
Provisions	19 195	21 228
Long-term interest-bearing liabilities	31 886	37 410
Derivatives	1 805	3 736
Long-term liabilities	52 885	62 374
Short-term interest-bearing liabilities	8 407	7 196
Taxes payable	4 764	2 825
Other interest-free liabilities	11 918	10 781
Derivatives	5 137	5 388
Current liabilities	30 226	26 190
Equity and liabilities	166 630	176 905

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 01.01.2015	56 361	-2 421	21 641	4 654	23 876	80 235	7 823	88 059
Net profit/loss	-	-	-1 772	-	-1 772	-1 772	-598	-2 369
Items in other comprehensive income that recycles over profit/loss:								
Changes in fair value of financial instruments	-	-925	-	-	-925	-925	-12	-937
Income tax related to changes in fair value of financial instruments	-	149	-	-	149	149	-7	142
Items recorded in other comprehensive income in equity accounted investments	-	204	-	-	204	204	-	204
Reclassification currency translation effects related to foreign operations disposed of in the year	-	-	-	772	772	772	-	772
Currency translation effects	-	-	-	5 732	5 732	5 732	406	6 138
Items in OCI that will not recycle over profit/loss:								
Estimate deviation pensions	-	-	637	-	637	637	120	758
Income tax related to estimate deviation pensions	-	-	-273	-	-273	-273	-42	-314
Total comprehensive income for the period	-	-572	-1 407	6 504	4 525	4 525	-133	4 391
Dividend and Group contribution paid	-	-	-5 600	-	-5 600	-5 600	-307	-5 907
Business combinations/divestments	-	-	-	-	-	-	318	318
Transactions with non-controlling interests	-	-	-12	-	-12	-12	-14	-26
Capital increase	750	-	-	-	-	750	756	1 506
Balance as of 31.12.2015	57 111	-2 993	14 622	11 158	22 787	79 898	8 443	88 340
Net profit/loss	-	-	-117	-	-117	-117	-62	-179
Items in other comprehensive income that recycles over profit/loss:								
Changes in fair value of financial instruments	-	1 198	-	-	1 198	1 198	37	1 235
Income tax related to changes in fair value of financial instruments	-	-309	-	-	-309	-309	-11	-320
Items recorded in other comprehensive income in equity accounted investments	-	445	-	-	445	445	-	445
Reclassification currency translation effects related to foreign operations disposed of in the year	-	-	-	6	6	6	-	6
Currency translation effects	-	-	-	-5 101	-5 101	-5 101	250	-4 851
Items in OCI that will not recycle over profit/loss:								
Estimate deviation pensions	-	-	-59	-	-59	-59	7	-52
Income tax related to estimate deviation pensions	-	-	-13	-	-13	-13	-4	-17
Total comprehensive income for the period	-	1 333	-189	-5 095	-3 950	-3 950	217	-3 733
Dividend and Group contribution	-	-	-1 604	-	-1 604	-1 604	-226	-1 830
Changes in provision in connection with equity instruments over non-controlling interests	-	-	245	-	245	245	-	245
Transactions with non-controlling interests	-	-	-138	-	-138	-138	138	-
Reclassification of loan to non-controlling interests ¹⁾	-	-	-	-	-	-	-825	-825
Capital increase in joint ventures from other shareholders	-	-	20	-	20	20	-	20
Capital increase	1 300	-	-	-	-	1 300	-	1 300
Balance as of 31.12.2016	58 411	-1 659	12 957	6 063	17 360	75 771	7 747	83 519

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

NOK million	Fourth quarter		The year	
	2016	2015	2016	2015
STATEMENT OF CASH FLOW				
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax	2 556	484	5 223	-821
Profit/loss on disposal of non-current assets	2	42	-15	43
Depreciation, amortisation and impairments	929	2 286	8 260	6 401
Profit/loss from the sale of business	-	-221	-	-221
Profit/loss from the sale of shares and equity accounted investments	-4	0	-8	471
Share of profit/loss in equity accounted investments	-368	-383	-474	-683
Realised currency effect from internal loans	100	586	-1 216	2 635
Unrealised changes in value	1 196	-2 127	300	-1 308
Changes in long term items	-144	548	-368	410
Changes in short term items	-578	3 331	-1 312	4 241
Dividend from equity accounted investments	1	-18	545	534
Taxes	-73	69	-2 564	-3 062
Cash flow from operating activities	A	3 617	4 597	8 639
CASH FLOW FROM INVESTING ACTIVITIES				
Investments in property, plant and equipment ¹⁾	-1 043	-2 879	-5 331	-8 720
Proceeds from sale of non-current assets	24	16	31	152
Reclassification of joint arrangement ²⁾	-	-	-404	-
Business divestments net liquidity inflow to the Group	-	1 311	25	1 691
Business combinations and asset purchase, net liquidity outflow from the Group ³⁾	-	-41	-59	-2 889
Loans to third parties	-172	-404	-1 526	-407
Repayment of loans from third parties	138	321	593	628
Considerations regarding investments in other companies ³⁾	-48	-25	-148	-289
Cash flow from investing activities	B	-1 101	-1 702	-9 834
CASH FLOW FROM FINANCING ACTIVITIES				
New debt	1 623	989	4 642	14 409
Repayment of debt	-5 466	-2345	-7 632	-11 864
Dividend and group contribution paid	-120	-84	-226	-5 157
Share issue in subsidiary to non-controlling interests	-	-6	-	9
Cash flow from financing activities	C	-3 964	-1 446	-2 603
Net change in cash and cash equivalents	A+B+C	-1 448	-1 663	-3 797
Currency exchange rate effects on cash and cash equivalents	79	55	-85	190
Cash and cash equivalents 01.10/01.01	8 678	7 552	9 056	12 663
Cash and cash equivalents 31.12/31.12 ⁴⁾	7 308	9 056	7 308	9 056
Unused committed credit lines			11 016	13 000
Unused overdraft facilities			2 015	2 200
Restricted cash			49	32

¹⁾ Investments in property, plant and equipment in the cash flow year to date are NOK 168 million lower than investments shown in the segment reporting due to acquisition of assets not paid as of fourth quarter 2016.

²⁾ Net cash deconsolidated from the Group due to reclassification of Dudgeon. See note 13 for further information.

³⁾ Investments in shareholdings in the cash flow year to date are NOK 49 million higher than investments shown in the segment reporting. This is mainly due to investments by Statkraft Forsikring not presented as investments in the segment reporting.

⁴⁾ Included in cash and cash equivalents are NOK 110 million related to joint operations as of fourth quarter 2016.

NOK million	Statkraft AS Group ¹⁾	European flexible generation	Market operations	International hydropower	Wind power	District heating	Industrial ownership	Other activities	Group items
SEGMENTS									
4th quarter 2016									
Operating revenue external, underlying	16 863	5 163	8 502	607	44	253	2 367	56	-129
Operating revenue internal, underlying	-	70	-18	30	242	1	18	218	-561
Share of profit/loss from associates and joint ventures	368	-	-1	192	98	-	85	-5	-1
Gross operating revenues, underlying	17 231	5 233	8 483	829	384	254	2 470	269	-691
Net operating revenues, underlying	7 514	4 769	548	740	371	190	1 036	269	-409
Operating profit/loss, underlying	3 854	2 958	389	262	156	76	428	-185	-230
Unrealised value change energy derivatives	-	186	-171	-	-	-	-92	-3	80
Adjusted significant items	-	-	-	-128	-	-	-	-	128
Operating profit/loss	3 854	3 144	217	134	156	76	336	-187	-22
The year 2016									
Operating revenue external, underlying	50 513	16 223	26 549	2 429	94	765	7 181	128	-2 856
Operating revenue internal, underlying	-	234	-108	114	667	2	58	824	-1 791
Share of profit/loss in equity accounted investments	474	-	-2	16	41	-	432	-13	-
Gross operating revenues, underlying	50 987	16 457	26 439	2 559	802	767	7 671	939	-4 647
Net operating revenues, underlying	20 621	14 865	1 238	2 234	759	552	3 602	938	-3 567
Operating profit/loss, underlying	3 086	8 380	400	517	-196	107	1 496	-418	-7 200
Unrealised value change energy derivatives	-	-1 048	-1 158	-	-	-	-237	37	2 406
Adjusted significant items	-	-2 802	-	-1 336	-585	-18	-	-	4 741
Operating profit/loss	3 086	4 529	-758	-819	-781	89	1 259	-381	-52
Balance sheet 31.12.2016									
Equity accounted investments	19 438	-	55	5 860	3 522	-	9 979	18	4
Other assets	147 192	57 240	124	27 896	9 138	3 521	15 381	24 042	9 850
Total assets	166 630	57 240	179	33 756	12 660	3 521	25 360	24 060	9 854
Depreciations, amortisation and impairments	-8 260	-4 554	-14	-1 910	-973	-190	-544	-74	-2
Maintenance investments and other investments	1 763	1 154	2	162	-	13	387	44	-
Investments in new generating capacity	3 736	582	4	1 250	1 457	142	301	-	-
Investments in other companies	158	-	56	30	32	-	-	39	1
4th quarter 2015									
Operating revenue external, underlying	15 836	3 469	8 294	597	50	195	1 754	106	1 371
Operating revenue internal, underlying	-	333	297	1	190	5	13	166	-1 005
Share of profit/loss from associates and joint ventures	383	-	-	82	13	-1	297	-7	-1
Gross operating revenues, underlying	16 219	3 802	8 591	680	253	199	2 064	265	365
Net operating revenues, underlying	6 225	3 358	422	596	237	145	1 108	263	96
Operating profit/loss, underlying	499	1 658	145	122	-50	39	497	-192	-1 720
Unrealised value change energy derivatives	-	30	-1	-	-	-	75	23	-127
Adjusted significant items	-	-	-	-2 086	-	-	-	226	1 860
Operating profit/loss	499	1 688	144	-1 964	-50	39	571	57	14
The year 2015									
Operating revenue external, underlying	53 094	13 002	26 789	1 742	-15	628	6 098	707	4 143
Operating revenue internal, underlying	-	362	1 735	54	715	7	42	21	-2 936
Share of profit/loss in equity accounted investments	683	-	-	-196	55	1	835	-12	-
Gross operating revenues, underlying	53 777	13 364	28 524	1 600	755	636	6 975	716	1 207
Net operating revenues, underlying	20 773	11 636	2 052	1 378	712	465	3 820	707	3
Operating profit/loss, underlying	4 497	5 664	1 024	181	-257	50	1 627	-801	-2 991
Unrealised value change energy derivatives	-	557	-471	-	-	-	359	138	-583
Adjusted significant items	-	-	-	-2 086	-1 750	-	-	226	3 610
Operating profit/loss	4 497	6 221	553	-1 905	-2 008	50	1 986	-437	37
Balance sheet 31.12.2015									
Equity accounted investments	19 388	-	13	6 094	3 649	8	9 604	16	4
Other assets	157 517	62 390	246	28 215	10 087	3 620	15 197	28 088	9 673
Total assets	176 905	62 390	259	34 309	13 736	3 628	24 801	28 104	9 677
Depreciations, amortisation and impairments	-6 401	-1 763	-38	-1 688	-2 083	-163	-544	-122	-
Maintenance investments and other investments	1 969	1 413	-	104	-30	10	404	68	-
Investments in new generating capacity	7 797	741	-	3 048	3 335	272	281	120	-
Investments in other companies	3 790	-	25	3 399	101	18	-	247	-

¹⁾ The Statkraft AS Group figures are booked amounts.

Selected notes to the accounts

1. FRAMEWORK AND MATERIAL ACCOUNTING POLICIES

The consolidated financial statements for the fourth quarter of 2016, closed on 31 December 2016, have been prepared in accordance with the accounting principles in International Financial Reporting Standards (IFRS) and consist of Statkraft AS and its subsidiaries and associates. The interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. As the information provided in the interim financial statements is less comprehensive than that contained in the annual financial statements, these statements should therefore be read in conjunction with the consolidated annual financial statements for 2015. The interim accounts have not been audited. The accounting principles applied in the interim financial statements are the same as those used for the annual financial statements.

Presentation of share of profit or loss from equity accounted investments with operations closely related to Statkraft's operations is from first quarter 2016 presented as a separate line item under gross operating revenues and part of operating profit/loss. Earlier, profit or loss from equity accounted investments was presented on a separate line between operating profit/loss and net financial items.

Presentation of the disclosures of sales revenue and energy purchase is changed from first quarter 2016 with the purpose to better present the Group's main revenue streams.

The comparable figures are restated.

2. PRESENTATION OF FINANCIAL STATEMENTS

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

3. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The most important assumptions regarding future events and other significant sources of uncertainty in relation to the estimates, and which may involve a significant risk of material changes to the amounts recognised in future financial periods, are discussed in the annual financial statements for 2015.

In preparing the consolidated financial statements for the fourth quarter, the Group's management has exercised its judgment in relation to the same areas where such judgment has had material significance in relation to the figures included in the Group's income statement and balance sheet, as discussed in the annual financial statements for 2015.

4. SEGMENT REPORTING

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

In 2016 Statkraft has changed the segment structure. The two former segments Nordic hydropower and Continental energy and trading are replaced by European flexible generation and Market operations. The reason for changing the segments is to make sure that the reporting structure is aligned with the strategic focus areas and the key priorities within the Group. The developed strategy has led to a clearer distinguishment between power generating assets and market operations.

See page 10 for more information.

5. UNREALISED EFFECTS PRESENTED IN THE INCOME STATEMENT

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

NOK million	Fourth quarter 2016			The year 2016		
	Unrealised	Realised	Total	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN P&L						
Generation	311	6 084	6 395	-426	19 402	18 976
Sales and trading	-86	1 606	1 520	-493	4 128	3 634
Customers	-251	8 314	8 063	-849	25 762	24 913
Other	-	549	549	-	1 925	1 925
Total sales revenues	-26	16 553	16 528	-1 768	51 216	49 448
Generation	-	-95	-95	-	-368	-368
Sales and trading	-3	-1 321	-1 324	338	-3 586	-3 249
Customers	37	-7 816	-7 779	66	-24 963	-24 897
Other	-	-198	-198	-	-579	-579
Total energy purchase	34	-9 429	-9 395	404	-29 497	-29 093
Net currency effects	-934	256	-678	557	2 290	2 847
Other financial items	-270	-201	-472	507	-186	321
Total unrealised effects	-1 196			-300		

NOK million	Fourth quarter 2015			The year 2015		
	Unrealised	Realised	Total	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN P&L						
Generation	451	4 269	4 720	790	15 391	16 181
Sales and trading	495	128	623	922	4 488	5 410
Customers	339	9 061	9 401	316	28 009	28 326
Other	0	439	439	0	1 670	1 670
Total sales revenues	1 285	13 898	15 183	2 028	49 558	51 586
Generation	64	-200	-136	86	-750	-665
Sales and trading	-456	-830	-1 287	-1 754	-3 683	-5 437
Customers	2	-8 128	-8 126	-12	-25 335	-25 347
Other	0	-137	-137	0	-443	-443
Total energy purchase	-390	-9 296	-9 686	-1 681	-30 212	-31 892
Net currency effects	1 224	-914	310	1 171	-4 616	-3 445
Other financial items	3	-1	2	-215	-22	-237
Total unrealised effects	2 122			1 303		

6. CURRENCY EFFECTS ON INTERNAL LOANS

Net currency effects on internal loans as of the fourth quarter amounted to NOK 308 million, of which NOK -908 million was unrealised and NOK 1216 million was realised. The positive effects are mainly due to NOK weakening against USD.

7. HEDGE ACCOUNTING

Statkraft has used hedge accounting in 2016 that has reduced the volatility in the income statement. A major share of the debt in EUR has been hedged against market rate changes.

Statkraft has set up hedge accounting of parts of the net investments in Statkraft Treasury Centre SA in EUR, as well as parts of the net investments in Statkraft UK Ltd in GBP. The effect of this is that a year to date gain of NOK 1058 million in 2016 is recognised in other comprehensive income instead of in the income statement.

8. BRAZIL

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

The Brazilian Federal Prosecutor is currently investigating potential crimes committed by representatives of the four main pension funds in Brazil and representatives of companies in which the pension funds invested, as well as any other individual who may have been involved in the alleged scheme, related to historical investments made by the pension funds. FUNCEF, which invested in Desenvix (now SKER) in 2009 and 2010, and now owns 18.7% of SKER, is one of these pension funds.

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

9. TURKEY

The civil works contract for the Cetin hydropower project in Turkey was terminated in April 2016. There are a number of issues still unresolved in relation to the termination. At this stage it is not possible to estimate the financial outcome of these matters.

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

10. NOTICE OF REASSESSMENT RELATED TO PREVIOUS YEARS TAX

On 16 December 2015 Statkraft AS received a notice of reassessment from Norwegian tax authorities regarding the income tax returns for the fiscal years 2008-2014 related to its investment in the Statkraft Treasury Centre SA in Belgium. The notice was of a preliminary nature with a number of reservations, and it is therefore not possible to quantify any potential exposure. There has been no development in 2016 that has an impact on Statkraft's assessment. Statkraft disagrees that there is a legal basis for any reassessment, and has made no provision for potential tax liabilities.

11. TAXABLE OWNERSHIP OF SØNNÅ HØY HYDROPOWER PLANT

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

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

12. TRANSACTIONS

On 21 June 2016 Statkraft sold its 30% holding in the associate Nividhu Pvt. Ltd. in Sri Lanka. There were no material effects on the financial statements related to the transaction.

13. RECLASSIFICATION OF JOINT ARRANGEMENTS

Dudgeon Offshore Wind Ltd. (Dudgeon) was until May 2016 classified as a joint operation and accounted for in accordance with the proportionate consolidation method. A restructuring of the company's debt was finalised in May 2016. Subsequent to the restructuring, external project financing provide 52.5% of the funding for the entity and the shareholders provide the remaining 47.5%. Statkraft has provided a sponsor loan with a share similar to its ownership of 30%. The criteria for accounting the investment as a joint operation according to IFRS 11 are not met and as per second quarter Statkraft's investment in Dudgeon is presented according to the equity method in the Group's financial statements.

Fixed and intangible assets amounting to NOK 2734 million, liabilities of NOK 820 million as well as cash and cash equivalents of NOK 404 million are deconsolidated in the Groups financial statement in the second quarter. As per 30 June 2016 the net investment in Dudgeon and the sponsor loan were recognised in the balance sheet and the carrying amount was NOK 695 million and NOK 2144 million respectively.

The change in classification of Dudgeon does not represent a change of control and no gain or loss has been recognised in the income statement.

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

Underlying line items are performance measures that are adjusted for significant items and unrealised value of energy contracts. Unrealised energy contracts within trading and origination activities are not adjusted, as the market portfolios are followed up on market values.

Adjusted significant items are items that are material and can be described as revenues/gains and/or expenses/losses that are not expected to occur on a regular basis. The effects are adjusted in order to have comparable figures in the financial analysis for periodic performance.

Relevant significant items in the period:

- **Impairment** is excluded from underlying operating profit since they affect the economics of an asset for the lifetime of that asset; not only the period in which it is impaired or the impairment is reversed.
- **Gain from sales of assets** is eliminated from the measure since the gain does not give an indication of future performance or periodic performance; such a gain is related to the cumulative value creation from the time the asset is acquired until it is sold.

Equity accounted investments are not adjusted for unrealised value of energy contracts and significant items.

Capital employed and **Net interest bearing debt** are defined in the table below:

NOK million	31.12.2016	31.12.2015
ALTERNATIVE PERFORMANCE MEASURES		
CAPITAL EMPLOYED		
Intangible assets	4 533	5 822
Property, plant and equipment	103 303	111 207
Inventories	2 653	1 044
Receivables	10 219	10 675
- Receivables related to cash collateral	-1 226	-2 477
- Short-term loans to equity accounted investments	-381	-335
Provisions	-19 195	-21 228
Taxes payable	-4 764	-2 825
Other interest-free liabilities	-11 918	-10 781
- Group contribution allocated, not paid	2	2
Capital employed	83 225	91 104
Average capital employed ¹⁾	87 757	87 112
NET INTEREST BEARING DEBT		
Long-term interest bearing liabilities	31 886	37 410
Short-term interest bearing liabilities	8 407	7 196
Cash and cash equivalents (including restricted cash)	-7 308	-9 056
Short-term financial investments	-532	-513
Net interest bearing debt	32 453	35 036

¹⁾ Average capital employed is based on the average for the last four quarters.



Interim Report
Q4/2016
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