



Q4

Key figures

NOK million	Fourth quarter			The year		
	2018	2017	Change	2018	2017	Change
Income statement						
Gross operating revenues and other income underlying	16 958	14 249	2 709	55 573	52 883	2 690
Net operating revenues and other income underlying	8 108	6 699	1 409	26 925	23 350	3 575
EBITDA underlying	5 785	4 297	1 488	18 520	14 486	4 034
Operating profit/loss (EBIT) underlying	4 884	3 348	1 536	14 953	10 824	4 129
Operating profit/loss (EBIT) IFRS	5 884	4 858	1 026	15 446	11 928	3 518
Share of profit/loss in equity accounted investments	-102	460	-563	790	-79	869
Net financial items	-1 885	1 455	-3 340	4 412	3 818	594
Profit/loss before tax	3 897	6 774	-2 877	20 649	15 668	4 981
Net profit/loss	1 572	5 293	-3 721	13 390	11 710	1 680
Key financial metrics						
EBIT margin underlying (%)	28.8	23.5	5.3	26.9	20.5	6.4
ROACE (%)				14.7	10.5	4.1
ROAE (%)				5.9	-0.5	6.4
Balance sheet and investments						
Assets				182 388	169 108	13 280
Equity				98 004	91 627	6 377
Net interest-bearing debt				12 921	24 845	-11 924
Capital employed				106 380	103 922	2 458
Equity accounted investments				13 105	13 335	-230
Total investments	3 174	1 261	1 913	6 981	3 895	3 086
Cash Flow						
Cash flow from operating activities	3 680	-390	4 069	15 286	8 865	6 421
Cash and cash equivalents (incl. restricted cash)				23 175	14 217	8 958
Currency rates						
NOK/EUR average rate	9.64	9.62	0.02	9.60	9.33	0.27
NOK/EUR closing rate				9.95	9.84	0.11

Changes in the financial statements and comparable figures

See note 5.

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 AND STRONG PERFORMANCE FOR THE YEAR



High Nordic power prices were the main driver behind a solid quarter and a strong underlying EBIT for the year.

Acquisition of hydropower plants and a portfolio of wind projects have strengthened Statkraft’s position as a leading renewable company.

Statkraft recorded an underlying EBIT amounting to NOK 4884 million in the fourth quarter of 2018. This was an increase of NOK 1536 million from the same period last year. The increase was mainly driven by higher Nordic power prices.

The average Nordic system price in the quarter was 47.7 EUR/MWh, an increase of 56 per cent from the fourth quarter in 2017. Total generation was 16.1 TWh in the quarter, a reduction of 1.2 TWh.

The quarterly net profit ended at NOK 1572 million.

For the year 2018, Statkraft’s generation reached 61.7 TWh, down 1 per cent from 2017. The average system price at Nord Pool was 44.0 EUR/MWh, an increase of 49 per cent year-on-year. The underlying EBIT ended at a solid NOK 14 953 million, compared with NOK 10 824 million in 2017. The result for 2018 was positively influenced by significant gains from transactions. Profit before tax was NOK 20 649 million and net profit ended at NOK 13 390 million.

Cash flow from operating activities reached NOK 3.7 billion in the quarter and NOK 15.3 billion for the year.

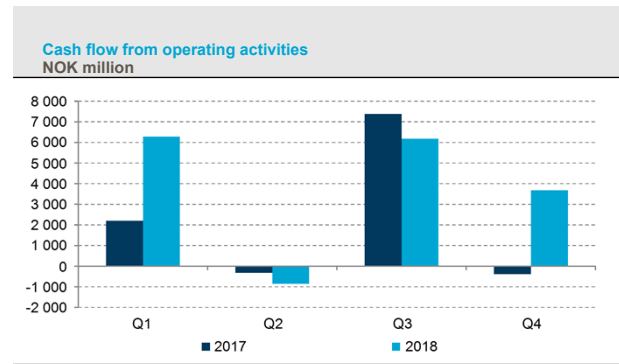
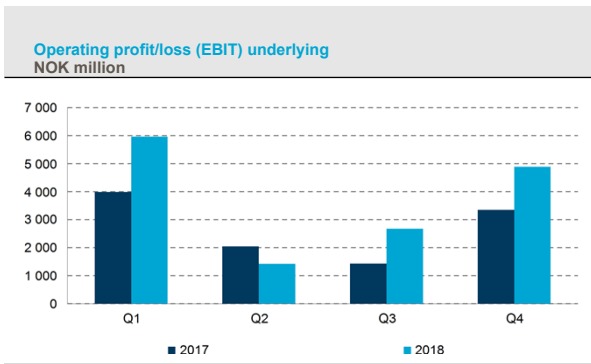
The Performance Improvement Programme will yield annual net cost reductions amounting to NOK 800 million. Cost reductions amounting to around NOK 625 million have been achieved by the end of 2018, and further savings will be realised in 2019. The Corporate-wide Programme is now closed and the remaining activities will be followed up through the line organisation.

In December, Statkraft entered into two eight year power contracts with Norske Skog with a total delivery of 14 TWh. Statkraft also signed an agreement to sell power from six German community-owned wind farms to Mercedes-Benz Cars from 2021. This deal demonstrates a growing trend that industrial customers are interested in sourcing green energy to meet ambitious internal sustainability targets.

The construction of the 256 MW Roan wind farm is completed. The wind farm is part of the Fosen project portfolio and is Norway’s largest wind farm to date. The completion of the remaining five wind farms in the 1057 MW Fosen project portfolio and the acquisition of the Irish and UK wind development business of the Element Power Group with a project portfolio of 1550 MW will strengthen Statkraft’s position as the leading renewable company in Europe.

In the quarter, Statkraft also acquired eight operational hydropower plants in Brazil with a total installed capacity of 132 MW. The acquisition increases the installed capacity in Brazil to around 450 MW and positions Statkraft for further growth in this market.

Statkraft’s growth strategy is to combine flexible hydropower with intermittent onshore wind- and solar power to deliver reliable, renewable and cost competitive energy to customers in Europe, South America and India.



Corporate responsibility and HSE

	Fourth quarter		The year	
	2018	2017	2018	2017
Corporate responsibility and HSE				
Fatalities ¹⁾	0	0	1	0
Serious environmental incidents	0	0	0	0
Absence due to illness, Group (%)	3.4	3.3	3.3	3.5
TRF rate ¹⁾²⁾	5.3	6.2	5.3	5.2
Full-time equivalents, Group			3 229	3 310

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

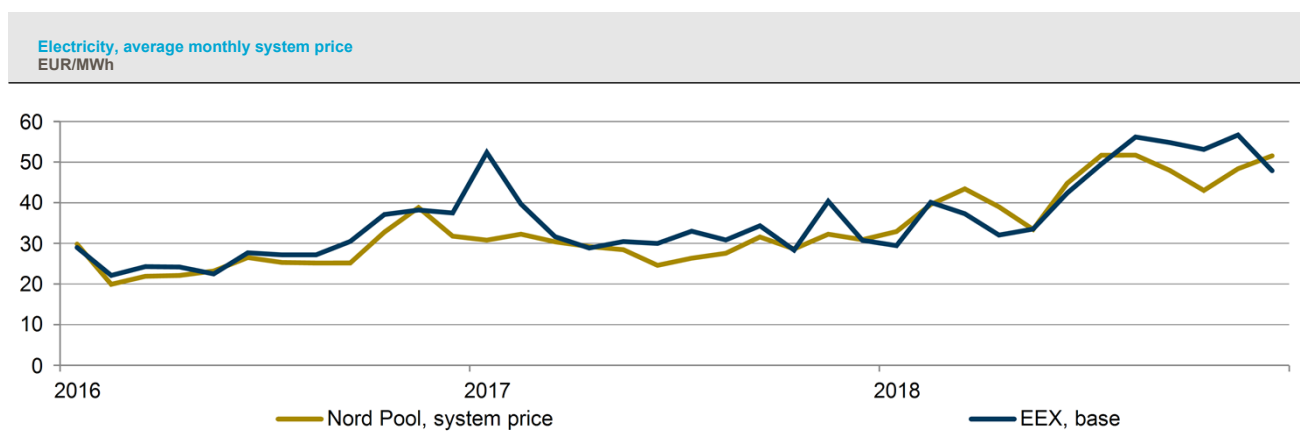
²⁾ TRF rate rolling 12 months: Number of injuries per million hours worked.

Three serious injuries reported in the quarter, one in Albania and two in associated companies 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).

	Fourth quarter			The year		
	2018	2017	Change	2018	2017	Change
Market prices (average)						
System price, Nord Pool (EUR/MWh)	47.7	30.6	17.0	44.0	29.4	14.5
Spot price (base), EEX (EUR/MWh)	52.6	33.2	19.4	44.4	34.2	10.2
Spot price (peak), EEX (EUR/MWh)	63.5	46.4	17.1	51.4	42.8	8.7
Spot price (base), N2EX UK (GBP/MWh)	63.0	50.3	12.7	57.4	45.3	12.1

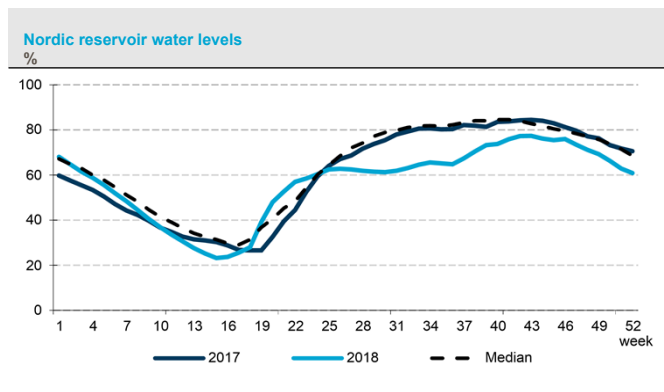
Sources: Nord Pool and European Energy Exchange (EEX).

The average system price in the Nordic region was 47.7 EUR/MWh in the quarter, an increase of 56%. The price increase was mainly due to higher Continental prices as well as a weaker hydrological balance in the Nordics.

The average base price in the German market (EEX) was 52.6 EUR/MWh in the quarter, an increase of 58%. The price increase was mainly driven by higher CO₂ and gas prices.

The average base price in the UK was 63.0 GBP/MWh in the quarter, an increase of 25%. The price increase was mainly driven by higher CO₂ and gas prices.

CONSUMPTION AND RESOURCE ACCESS IN THE NORDIC REGION



Source: Nord Pool.

The total reservoir level for all producers in the Nordic region was 89% of median level at the end of the quarter, corresponding to 60.9% of total capacity.

STATKRAFT'S POWER GENERATION

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

TWh	Fourth quarter		The year	
	2018	2017	2018	2017
Generation, technology				
Hydropower	14.5	15.8	57.2	57.4
Wind power	0.9	0.8	2.7	2.7
Gas power	0.7	0.7	1.5	2.2
Other power ¹⁾	0.1	0.1	0.3	0.3
Total generation	16.1	17.3	61.7	62.6

¹⁾ Biomass and solar power.

TWh	Fourth quarter		The year	
	2018	2017	2018	2017
Consumption and output				
Nordic				
Nordic consumption	108.9	106.4	394.6	388.2
Nordic output	108.7	108.7	396.8	397.3
Net Nordic import(+)/export(-)	0.3	-2.3	-2.1	-9.1
Norway				
Norwegian consumption	38.1	37.4	136.2	133.6
Norwegian output	41.2	40.6	146.4	148.7
Net Norwegian import(+)/export(-)	-3.1	-3.2	-10.2	-15.1

The Group generated a total of 16.1 TWh in the quarter, a decrease of 7%. Wind power generation increased, driven by new capacity at Fosen in Norway. The Group's district heating deliveries amounted to 0.1 TWh.

Financial performance

NOK million	Fourth quarter			The year		
	2018	2017	Change	2018	2017	Change
Net operating revenues and other income underlying	8 108	6 699	1 409	26 925	23 350	3 575
Operating profit/loss (EBIT) underlying	4 884	3 348	1 536	14 953	10 824	4 129
Operating profit/loss (EBIT) IFRS	5 884	4 858	1 026	15 446	11 928	3 518
Net financial items	-1 885	1 455	-3 340	4 412	3 818	594
Profit/loss before tax	3 897	6 774	-2 877	20 649	15 668	4 981
Tax expense	-2 325	-1 480	-844	-7 258	-3 957	-3 301
Net profit/loss	1 572	5 293	-3 721	13 390	11 710	1 680

FINANCIAL PERFORMANCE FOURTH QUARTER

The underlying EBIT was NOK 4884 million, an increase of 46%. The increase was mainly driven by higher Nordic power prices.

Net financial items were affected by negative currency effects.

FINANCIAL PERFORMANCE FOR THE YEAR

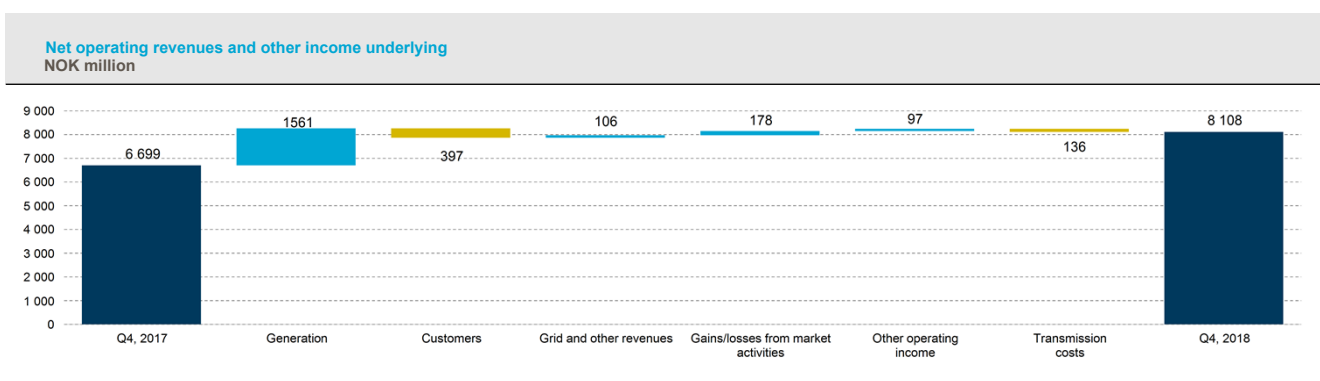
The underlying EBIT was NOK 14 953 million, an increase of 38%. The increase in net operating revenues and other income was mainly driven by higher Nordic power prices compared with last year. Salaries and payroll costs were down due to reduced number of employees. The listing and subsequent deconsolidation of Fjordkraft from March 2018 decreased the underlying EBIT by NOK 230 million.

Profit before tax was positively affected by substantial gains from transactions. The listing and subsequent deconsolidation of Fjordkraft in March led to a gain of NOK 1659 million, whereof NOK 227 million was reported as share of profit in equity accounted investment in BKK. The divestment of the 30% shareholding in the Dudgeon offshore wind farm led to a gain of NOK 5106 million, which was reported as other financial items. In addition, there were negative currency effects under financial items amounting to NOK 464 million, mainly due to a weakening of NOK against EUR and USD.

Net profit ended at NOK 13 390 million, an increase of 14%.

NET OPERATING REVENUES AND OTHER INCOME UNDERLYING

NOK million	Fourth quarter			The year		
	2018	2017	Change	2018	2017	Change
Net operating revenues and other income						
Generation	7 602	5 995	1 607	26 973	20 864	6 108
Sale of gas	-	-	-	-	2 763	-2 763
Customers	7 823	7 191	631	25 220	24 744	476
Grid and other revenues	847	651	196	2 482	2 291	191
Sales revenues	16 271	13 837	2 434	54 674	50 662	4 012
Gains/losses from market activities	327	149	178	-232	1 242	-1 474
Other operating income	361	264	97	1 131	979	152
Gross operating revenues and other income	16 958	14 249	2 709	55 573	52 883	2 690
Generation	-562	-517	-46	-1 334	-1 408	74
Purchase of gas	-	-	-	-	-2 895	2 895
Customers	-7 458	-6 430	-1 028	-24 556	-23 138	-1 418
Other	-292	-201	-91	-917	-766	-151
Energy purchase	-8 313	-7 148	-1 165	-26 808	-28 207	1 400
Transmission costs	-538	-402	-136	-1 840	-1 326	-515
Net operating revenues and other income	8 108	6 699	1 409	26 925	23 350	3 575



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

- Net revenues from Generation increased, mainly driven by higher Nordic power prices.
- Net revenues from Customers decreased, mainly due to the deconsolidation of Fjordkraft in March 2018 and lower contribution from market access activities.
- Gains/losses from market activities increased, mainly driven by higher contribution from Nordic trading and Dynamic asset management portfolios, partly offset by lower contribution from Nordic origination and Long-term contracts.
- Transmission costs increased, mainly driven by higher Nordic power prices.

OPERATING EXPENSES UNDERLYING

NOK million	Fourth quarter			The year		
	2018	2017	Change	2018	2017	Change
Operating expenses						
Salaries and payroll costs	-1 050	-1 011	-39	-3 615	-3 707	92
Depreciation and amortisation	-901	-949	48	-3 567	-3 662	95
Property tax and licence fees	-395	-353	-42	-1 352	-1 341	-11
Other operating expenses	-877	-1 038	160	-3 439	-3 816	377
Operating expenses	-3 224	-3 351	127	-11 972	-12 526	554

- The decrease in depreciation was mainly due to extended useful life for hydropower and wind farms in Norway and Sweden.
- Property tax and licence fees were higher, mainly due to higher property tax in Norway driven by a change in tax base related to the years 2016-2018. This was partly offset by reduced property tax in Sweden related to a lower tax rate.
- Other operating expenses were lower mainly due to the deconsolidation of Fjordkraft in March and a VAT refund in Norway for the period 2016-2018.

ITEMS EXCLUDED FROM THE UNDERLYING OPERATING PROFIT/LOSS

Unrealised value changes from energy derivatives, gains/losses from divestments of business activities and impairments are excluded from the underlying operating profit/loss. The unrealised value changes are related to embedded derivatives and certain derivatives entered into for risk reduction purposes where the related item is carried at cost or not recognised in the statement of financial position.

NOK million	Fourth quarter			The year		
	2018	2017	Change	2018	2017	Change
Items excluded from the underlying operating profit/loss						
Unrealised value changes from energy derivatives	1 008	602	406	-789	1 289	-2 078
<i>Embedded derivatives</i>	515	665	-150	-333	1 173	-1 506
<i>Derivatives entered into for risk reduction purposes</i>	493	-63	556	-456	116	-572
Gains/losses from divestments of business activities	-	2	-2	1 449	315	1 133
Impairments	-7	906	-913	-167	-500	333
Items excluded from the underlying operating profit/loss	1 001	1 510	-509	493	1 105	-611

- Embedded derivatives: There was a positive effect on long-term power sales agreements denominated in EUR due to a weakening of NOK vs. EUR.
- Derivatives entered into for risk reduction purposes: The increase was mainly driven by lower forward UK power prices.

FINANCIAL ITEMS

NOK million	Fourth quarter			The year		
	2018	2017	Change	2018	2017	Change
Financial items						
Interest income	112	96	16	404	374	30
Interest expenses	-240	-315	75	-905	-1 234	330
Net currency effects	-1 753	-1 472	-281	-464	-2 069	1 605
Other financial items	-5	3 146	-3 151	5 377	6 748	-1 371
Net financial items	-1 885	1 455	-3 340	4 412	3 818	594

- Interest expenses decreased by NOK 75 million, mainly due to lower average interest rates and repayment of interest-bearing debt.
- Net currency loss in the quarter amounted to NOK 1 753 million, primarily related to a weakening of NOK against EUR and GBP.
- Other financial items decreased by NOK 3 151 million, mainly due to gains from divestments in offshore wind in the comparable period the previous year.

TAX EXPENSE

NOK million	Fourth quarter			The year		
	2018	2017	Change	2018	2017	Change
Tax expense						
Profit/loss before tax	3 897	6 774	-2 877	20 649	15 668	4 981
Nominal tax rate in Norway	23%	24%	-1%	23%	24%	-1%
Tax calculated at nominal Norwegian tax rate	896	1 626	-729	4 749	3 760	989
Tax on share of profit/loss in equity accounted investments	24	-110	134	-182	19	-201
Resource rent tax payable	1 030	662	368	3 678	2 451	1 227
Resource rent tax deferred	448	254	194	444	483	-39
Other differences from the nominal Norwegian tax rate	-73	-951	878	-1 431	-2 756	1 325
Tax expense	2 325	1 480	844	7 258	3 957	3 301
Effective tax rate	60%	22%	38%	35%	25%	10%

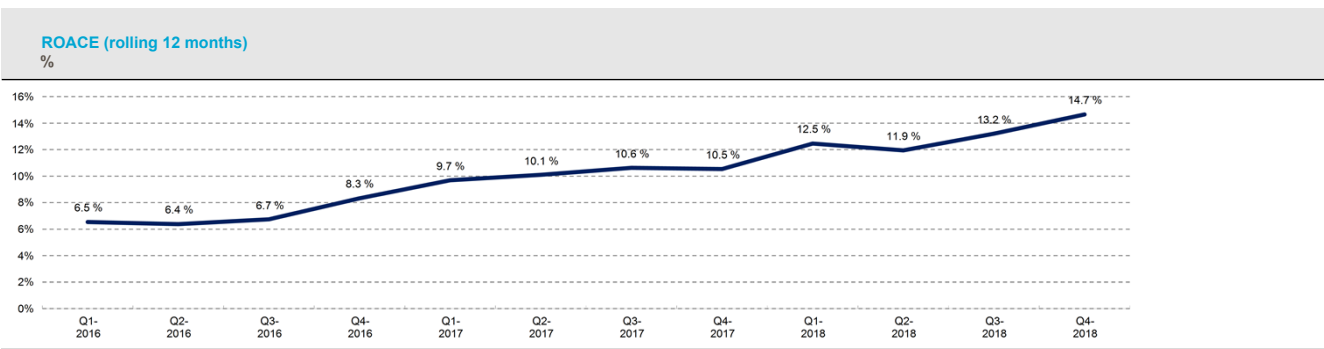
Tax expense fourth quarter

- Resource rent tax payable increased with NOK 368 million mainly due to higher Nordic power prices and a higher tax rate.
- Resource rent tax deferred increased with NOK 194 million mainly due to changes in unrecognised resource tax loss carryforwards in the comparable period.
- Negative other differences from the nominal Norwegian tax rate of NOK 73 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 951 million were mainly due to tax-exempt gains from divestment of offshore wind.

Tax expense for the year

- Resource rent tax payable increased with NOK 1227 million mainly due to higher Nordic power prices and a higher tax rate.
- Resource rent tax deferred decreased with NOK 39 million mainly due to changes in value of embedded derivatives in the comparable period.
- Negative other differences from the nominal Norwegian tax rate of NOK 1431 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.
- Negative other differences from the nominal Norwegian tax rate last year of NOK 2756 million were mainly due to:
 - Changes in unrecognised deferred tax assets in Sweden and Germany.
 - Recycling of currency from other comprehensive income without tax effect.
 - A tax-exempt gain from the divestment of SN Power.
 - Tax-exempt gains from divestment of offshore wind.

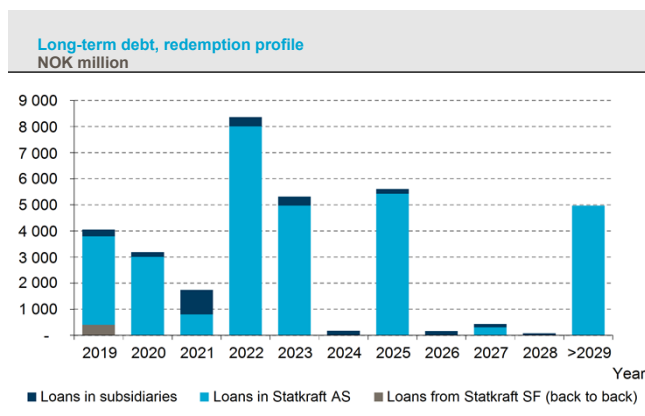
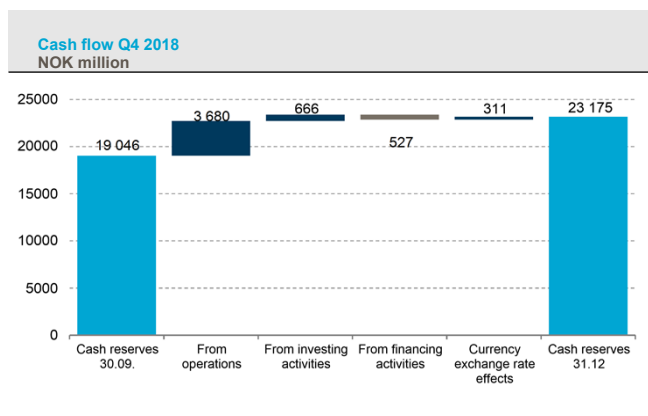
RETURN



The improvement in ROACE was due to higher underlying operating profit (rolling 12 months), primarily driven by higher Nordic power prices. Average capital employed was on the same level as year-end 2017.

The increase from the third quarter in 2018 was mainly driven by higher Nordic power prices in the fourth quarter 2018 compared with the same period in 2017.

CASH FLOW AND NET INTEREST-BEARING DEBT REPAYMENT PLAN



Cash flow fourth quarter

- The operating activities amounted to NOK 3680 million, mainly impacted by a positive underlying EBIT partly offset by an increase in working capital. Net cash income was NOK 3684 million.
- The investing activities were mainly related to repayment of loans from Dudgeon Offshore Wind Ltd., partly offset by investments in property, plant and equipment and acquisition of shares.
- The financing activities were mainly related to the repayment of interest-bearing debt.

Cash flow for the year

- The operating activities amounted to NOK 15 286 million, mainly impacted by a positive underlying EBIT. Net cash income was NOK 18 285 million.
- The investing activities amounted to NOK 5301 million, mainly related to positive effects from divestments of NOK 7316 million and NOK 3894 million repayment of loans from Dudgeon Offshore Wind Ltd., partly offset by investments in property, plant and equipment and acquisition of shares.
- The financing activities amounted to NOK -11 689 million, mainly related to dividend paid and repurchase and repayment of interest-bearing debt.

Net interest-bearing debt

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

- Net interest-bearing debt totalled NOK 12 921 million.
- Net interest-bearing debt-equity ratio was 11.6%.

INVESTMENTS AND PROJECTS

Total investments in the quarter amounted to NOK 3174 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 wind power projects in Norway.

NOK million	Fourth quarter 2018	The year 2018	The year 2017
Maintenance investments and other investments			
European flexible generation	358	1 185	1 053
Market operations	1	10	5
International power	35	155	173
Wind power	3	4	12
District heating	1	9	7
Industrial ownership	166	663	566
Other activities	11	40	4
Total	576	2 067	1 820
Investment in new capacity			
European flexible generation	22	67	117
Market operations	11	24	103
International power	282	894	794
Wind power	324	1 623	500
District heating	56	134	130
Industrial ownership	143	309	320
Total	838	3 053	1 964
Investment in shareholdings			
Market operations	24	39	91
International power	1 344	1 345	-
Wind power	372	381	-
Other activities	20	97	19
Total	1 760	1 862	111
Total investments	3 174	6 981	3 895

Projects in consolidated operations

Fourth quarter	Project	Country	New capacity (MW) ¹⁾	Statkraft's ownership share	Planned completion
Completed projects in the period					
Hydropower	Øvre Røssåga	Norway	-	100%	2018 Q4
Wind power	Fosen - Roan	Norway	256	52%	2018 Q4
Main construction projects					
Hydropower	Devoll - Moglice	Albania	184	100%	2020 Q1
	Songa and Trollaldalen Dams	Norway	-	100%	2020 Q4
	Tidong	India	100	100%	2021 Q1
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.

The reportable segments are defined as:

European flexible generation includes 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 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.

Wind power includes development and operation of onshore wind power. The segment operates in Norway, Sweden, Ireland and the United Kingdom.

District heating includes development and operation 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, Agder Energi, Fjordkraft and Istad. Skagerak Energi is included in the consolidated financial statements, while the other companies are reported as equity accounted investments at year-end. Statkraft has divested shares in Fjordkraft and Istad in 2018, see note 12.

In addition:

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

Group items include eliminations.

Fourth quarter	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
Income statement									
Gross operating revenues and other income underlying	16 958	5 974	9 011	630	516	296	1 055	272	-796
Net operating revenues and other income underlying	8 108	4 945	970	556	501	210	951	272	-297
EBITDA, underlying	5 785	3 820	626	289	283	132	634	-181	182
Operating profit/loss (EBIT) underlying	4 884	3 403	623	96	201	91	487	-198	181
Operating profit/loss (EBIT) IFRS	5 884	3 918	1 114	90	202	90	487	-198	181
Key financial metrics									
EBIT-margin (%) underlying	28.8	57.0	6.9	15.3	38.9	30.6	46.2	n/a	n/a
ROACE (%)	14.7	23.3	-6.9	2.9	6.3	5.9	10.1	n/a	n/a
ROAE (%) ¹⁾	5.9	n/a	n/a	7.8	3.2	n/a	6.1	n/a	n/a
Investments									
Total investments	3 174	380	37	1 661	698	56	310	31	-
Generation									
Generation, volume sold (TWh)	16.1	12.6	0.0	1.2	0.8	-	1.5	-	-
- hydropower (TWh)	14.5	11.9	-	1.1	-	-	1.5	-	-
- wind power (TWh)	0.9	-	-	0.1	0.8	-	-	-	-
- gas power (TWh)	0.7	0.7	-	-	-	-	-	-	-
- other power (TWh) ²⁾	0.1	0.1	-	-	-	-	-	-	-0
Production, district heating (TWh)	0.4	-	-	-	-	0.3	0.0	-	-

¹⁾ Return on average equity accounted investments.

²⁾ Biomass and solar power.

EUROPEAN FLEXIBLE GENERATION

NOK million	Fourth quarter		The year	
	2018	2017	2018	2017
Gross operating revenues and other income	5 974	4 805	21 602	17 084
Net operating revenues and other income	4 945	4 019	18 765	14 508
EBITDA, underlying	3 820	2 815	14 635	10 151
Operating profit/loss (EBIT) underlying	3 403	2 378	12 943	8 447
Unrealised value changes from energy derivatives	515	665	-333	1 173
Gains/losses from divestments of business activities	-	-	-	-
Impairments	-	914	-	1 084
Operating profit/loss (EBIT) IFRS	3 918	3 957	12 610	10 704
Share of profit/loss in equity accounted investments	-	-	-	-
Gains/losses from divestments of equity accounted investments*)	-	-	-	-
ROACE (rolling 12 months)			23.3	15.2
ROAE (rolling 12 months) ^{†)}			n/a	n/a
Maintenance investments and other investments	358	325	1 185	1 053
Investments in new capacity	22	8	67	117
Investments in shareholdings	-	-	-	-
Production, volume sold (TWh)	12.6	13.8	48.9	50.4

^{†)} Included in Other financial items.

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

Key events

- Statkraft has entered into two long-term power contracts with Norske Skog for the period 1 December 2018 to 31 December 2026 (total volume 14 TWh).
- In November, a dispute with Sydvatten was settled regarding compensation for diversion of water from Bolmen lake in Sweden. The Supreme Court verdict led to a recognised gain of 184 MNOK.

Quarterly financial performance

- The increase in underlying EBIT was mainly driven by higher Nordic power prices.
- Operating expenses decreased, partly due to lower property tax in Sweden driven by a lower tax rate.

Financial performance for the year

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

Financial metrics

- An increase in the underlying EBIT has led to a high ROACE, up due to higher Nordic power prices.

Quarterly investments

- Mainly maintenance investments in Nordic hydropower.

MARKET OPERATIONS

NOK million	Fourth quarter		The year	
	2018	2017	2018	2017
Gross operating revenues and other income	9 011	6 249	25 957	25 378
Net operating revenues and other income	970	651	834	1 983
EBITDA, underlying	626	394	-303	1 068
Operating profit/loss (EBIT) underlying	623	391	-321	1 057
Unrealised value changes from energy derivatives	493	-63	-456	116
Gains/losses from divestments of business activities	-2	-	15	-
Impairments	-	-	-	-
Operating profit/loss (EBIT) IFRS	1 114	328	-761	1 173
Share of profit/loss in equity accounted investments	1	2	2	2
Gains/losses from divestments of equity accounted investments*)	-	-	-	-
ROACE (rolling 12 months)			-6.9	27.2
ROAE (rolling 12 months) ^{†)}			n/a	n/a
Maintenance investments and other investments	1	-	10	5
Investments in new capacity	11	84	24	103
Investments in shareholdings	24	67	39	91
Production, volume sold (TWh)	-	-	-	-

^{†)} Included in Other financial items.

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

Key events

- Statkraft signed a power purchase agreement with Mercedes-Benz Cars for delivery of power from 2021 to 2025 (total volume 0.3 TWh). The power will be generated from six wind farms after EEG (Erneuerbare Energien Gesetz) funding expires.
- Statkraft signed a 10-year power purchase agreement to deliver power to the Spanish electricity supplier Fortia Energia (total volume 3 TWh).

Quarterly financial performance

- The increase in underlying EBIT was mainly driven by higher contribution from Nordic trading and both Nordic and Continental Dynamic asset management portfolio.
- The increase was partly offset by lower contribution from market access activities.

Financial performance for the year

- The decrease in underlying EBIT was primarily driven by a negative contribution from Nordic origination.

Financial metrics

- A negative underlying EBIT in 2018 led to a negative ROACE.

INTERNATIONAL POWER

NOK million	Fourth quarter		The year	
	2018	2017	2018	2017
Gross operating revenues and other income	630	713	2 641	2 630
Net operating revenues and other income	556	554	2 244	2 143
EBITDA, underlying	289	291	1 382	1 162
Operating profit/loss (EBIT) underlying	96	90	631	394
Unrealised value changes from energy derivatives	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	76
Impairments	-6	-7	-160	-1 392
Operating profit/loss (EBIT) IFRS	90	83	471	-922
Share of profit/loss in equity accounted investments	6	198	143	-744
Gains/losses from divestments of equity accounted investments*)	-	-	-	2 091
ROACE (rolling 12 months)			2.9	1.7
ROAE (rolling 12 months)**)			7.8	-17.5
Maintenance investments and other investments	35	108	155	173
Investments in new capacity	282	207	894	794
Investments in shareholdings	1 344	-	1 345	-
Production, volume sold (TWh)	1.2	1.2	4.9	4.5

*) Included in Other financial items.

***) Return on average equity accounted investments.

Key events

- Statkraft acquired eight operational hydropower plants in Brazil. See note 12.

Quarterly financial performance

- The underlying EBIT increased mainly due to positive market effects in Brazil. Kargi hydropower plant in Turkey was back in operation and the comparable period result had negative impact from Kargi repair costs.
- The change in share of profit/loss in equity accounted investments was mainly due to positive one-off effects in Chile in the comparable period.

Financial performance for the year

- The increase in underlying EBIT was mainly due to Kargi hydropower plant in Turkey back in operation from November 2017.

Financial metrics

- The ROACE increased due to higher underlying EBIT. The capital employed is high mainly due to newly built and acquired assets leading to high carrying values.
- The ROAE decreased mainly due to positive one-off effects from the Chilean assets in the comparable period which are no longer included in the rolling 12 months profit/loss.

Quarterly investments

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

WIND POWER

NOK million	Fourth quarter		The year	
	2018	2017	2018	2017
Gross operating revenues and other income	516	259	1 367	761
Net operating revenues and other income	501	247	1 320	716
EBITDA, underlying	283	126	738	234
Operating profit/loss (EBIT) underlying	201	32	429	-132
Unrealised value changes from energy derivatives	-	-	-	-
Gains/losses from divestments of business activities	1	2	1	258
Impairments	-	-	-	-187
Operating profit/loss (EBIT) IFRS	202	35	431	-61
Share of profit/loss in equity accounted investments	28	156	30	213
Gains/losses from divestments of equity accounted investments*)	-	3 061	5 106	3 061
ROACE (rolling 12 months)			6.3	-1.9
ROAE (rolling 12 months)**)			3.2	9.2
Maintenance investments and other investments	3	-	4	12
Investments in new capacity	324	136	1 623	500
Investments in shareholdings	372	-	381	-
Production, volume sold (TWh)	0.8	0.7	2.2	2.2

*) Included in Other financial items.

***) Return on average equity accounted investments.

Key events

- In the Fosen project, Roan wind farm (256 MW) came into full operation.

Quarterly financial performance

- The increase in underlying EBIT was mainly driven by higher power and el-cert prices, in addition to new capacity from Fosen.

Financial performance for the year

- The increase in underlying EBIT was mainly driven by higher power and el-cert prices.

Financial metrics

- The ROACE has a positive development, driven by improved results from Nordic wind farms.
- The ROAE is reduced due to divested offshore assets which are no longer included in the rolling 12 months profit/loss.

Quarterly investments

- The investments in new capacity were mainly related to the Fosen project in Norway.
- Investments in shareholdings were mainly related to the acquisition of the Irish and UK wind development business of the Element Power Group, see note 12.

DISTRICT HEATING

NOK million	Fourth quarter		The year	
	2018	2017	2018	2017
Gross operating revenues and other income	296	261	908	789
Net operating revenues and other income	210	187	650	580
EBITDA, underlying	132	120	371	326
Operating profit/loss (EBIT) underlying	91	76	206	155
Unrealised value changes from energy derivatives	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-
Impairments	-1	-1	-7	-4
Operating profit/loss (EBIT) IFRS	90	75	199	151
Share of profit/loss in equity accounted investments	-	-	-	-
Gains/losses from divestments of equity accounted investments ^{*)}	-	-	-	-
ROACE (rolling 12 months)			5.9	4.4
ROAE (rolling 12 months)			n/a	n/a
Maintenance investments and other investments	1	4	9	7
Investments in new capacity	56	36	134	130
Investments in shareholdings	-	-	-	-
Production, volume sold (TWh)	0.3	0.3	1.0	0.9

^{*)} Included in Other financial items.

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

Quarterly financial performance

- The underlying EBIT increased due to higher heating prices, partly offset by higher energy purchase prices and higher other operating expenses.

Financial performance for the year

- The increase in underlying EBIT was driven by higher volume delivered to customers and better prices on both heating and waste handling. This was partly offset by higher energy purchase prices, lower waste volume and higher other operating expenses.

Financial metrics

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

Quarterly investments

- The investments were primarily related to pipelines.

INDUSTRIAL OWNERSHIP

NOK million	Fourth quarter		The year	
	2018	2017	2018	2017
Gross operating revenues and other income	1 055	2 251	4 631	7 262
Net operating revenues and other income	951	1 075	3 284	3 602
EBITDA, underlying	634	608	2 041	1 944
Operating profit/loss (EBIT) underlying	487	453	1 467	1 369
Unrealised value changes from energy derivatives	-	-	-	-
Gains/losses from divestments of business activities	-	-	1 432	11
Impairments	-	-	-	-
Operating profit/loss (EBIT) IFRS	487	453	2 899	1 380
Share of profit/loss in equity accounted investments	-128	112	635	473
Gains/losses from divestments of equity accounted investments ^{*)}	-	-	343	-
ROACE (rolling 12 months)			10.1	9.3
ROAE (rolling 12 months) ^{*)}			6.1	4.9
Maintenance investments and other investments	166	212	663	566
Investments in new capacity	143	83	309	320
Investments in shareholdings	-	-	-	-
Production, volume sold (TWh)	1.5	1.7	5.7	5.4

^{*)} Included in Other financial items.

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

Quarterly financial performance

- The increase in underlying EBIT was mainly due to higher power prices. This was partly offset by the listing and subsequent deconsolidation of Fjordkraft.
- The decrease in share of profit/loss in equity accounted investments was mainly due to negative unrealised effects on energy contracts. This was partly offset by higher power prices.

Financial performance for the year

- The increase in underlying EBIT was primarily driven by the same factors as for the quarter.
- The increase in share of profit/loss in equity accounted investments was mainly due to higher power prices. This was partly offset by negative unrealised effects on energy contracts and decreased results from grid operations.

Financial metrics

- The ROACE has increased, mainly due to increased EBIT.
- The ROAE has increased, primarily driven by higher power prices.

Quarterly investments

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

OTHER ACTIVITIES

NOK million	Fourth quarter		The year	
	2018	2017	2018	2017
Gross operating revenues and other income	272	273	1 011	987
Net operating revenues and other income	272	273	1 011	987
EBITDA, underlying	-181	-87	-485	-375
Operating profit/loss (EBIT) underlying	-198	-102	-545	-441
Unrealised value changes from energy derivatives	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-30
Impairments	-	-	-	-
Operating profit/loss (EBIT) IFRS	-198	-102	-545	-471
Share of profit/loss in equity accounted investments	-9	-8	-20	-23
Gains/losses from divestments of equity accounted investments*)	-	-	-	14
Maintenance investments and other investments	11	-10	40	4
Investments in new capacity	-	-	-	-
Investments in shareholdings	20	-	97	19
Production, volume sold (TWh)	-	-	-	-

*) Included in Other financial items.

Quarterly financial performance

- The decrease in underlying EBIT was mainly related to higher operating expenses due to insurance and outsourcing costs.

Financial performance for the year

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

Quarterly investments

- The investments were mainly related to a biomass facility in Norway and a capital injection in Grønn Kontakt AS.

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. In 2018, Statkraft has successfully extended some of the long-term industry contracts that will expire in the next couple of years and will continue to work on new contracts to keep the position as a large supplier to the industry in Norway.

Strong underlying operations, the completion of a corporate-wide performance improvement programme and successful divestments provide Statkraft with a solid financial foundation to meet the new growth phase that is set out in the strategy.

The 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 maintain and further grow the hydropower portfolio, develop a portfolio of 8000 MW onshore wind and solar power, increase the market activities and develop district heating and develop new businesses with international potential. Statkraft is planning 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 partial divestments to financial investors. The investment programme has a large degree of flexibility and will be adapted to the company's financial capacity and rating target.

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

Oslo, 13 February 2019
The Board of Directors of Statkraft AS

Statkraft AS Group Interim Financial Statements

NOK million	Fourth quarter		The year	
	2018	2017	2018	2017
COMPREHENSIVE INCOME				
PROFIT AND LOSS				
Sales revenues	16 947	13 953	55 350	50 778
Gains/losses from market activities	659	634	-1 696	2 414
Other operating income	360	266	2 580	1 325
Gross operating revenues and other income	17 966	14 854	56 233	54 517
Energy purchase	-8 313	-7 148	-26 808	-28 207
Transmission costs	-538	-402	-1 840	-1 326
Net operating revenues and other income	9 115	7 303	27 585	24 984
Salaries and payroll costs	-1 050	-1 011	-3 615	-3 707
Depreciations and amortisations	-901	-949	-3 567	-3 662
Impairments	-7	906	-167	-500
Property tax and licence fees	-395	-353	-1 352	-1 341
Other operating expenses	-877	-1 038	-3 439	-3 846
Operating expenses	-3 231	-2 445	-12 139	-13 056
Operating profit/loss (EBIT)	5 884	4 858	15 446	11 928
Share of profit/loss in equity accounted investments	-102	460	790	-79
Interest income	112	96	404	374
Interest expenses	-240	-315	-905	-1 234
Net currency effects	-1 753	-1 472	-464	-2 069
Other financial items	-5	3 146	5 377	6 748
Net financial items	-1 885	1 455	4 412	3 818
Profit/loss before tax	3 897	6 774	20 649	15 668
Tax expense	-2 325	-1 480	-7 258	-3 957
Net profit/loss	1 572	5 293	13 390	11 710
Of which non-controlling interest	56	100	680	-95
Of which owners of the parent	1 516	5 193	12 710	11 805
OTHER COMPREHENSIVE INCOME				
Items in other comprehensive income that recycle over profit/loss:				
Changes in fair value of financial instruments, net of tax	-27	-52	8	-160
Items recorded in other comprehensive income in equity accounted investments	-113	10	-131	-170
Recycling of financial instruments related to cash flow hedges/net investment hedges, net of tax	-	-	-	1 115
Recycling of currency translation effects related to foreign operations disposed	-	17	-54	-2 491
Currency translation effects	3 626	1 472	-316	667
Items in other comprehensive income that will not recycle over profit/loss:				
Changes in fair value of equity instruments, net of tax	-27	-	-27	2
Estimate deviation pensions, net of tax	-100	-122	-153	-47
Other comprehensive income	3 359	1 325	-673	-1 084
Comprehensive income	4 931	6 618	12 717	10 625
Of which non-controlling interest	125	123	642	-465
Of which owners of the parent	4 805	6 496	12 075	11 090

NOK million	31.12.2018	31.12.2017
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Deferred tax assets	676	962
Intangible assets	3 909	3 313
Property, plant and equipment	105 744	103 193
Equity accounted investments	13 105	13 335
Other financial assets	3 986	4 368
Derivatives	2 926	4 023
Non-current assets	130 345	129 194
Inventories	6 316	2 871
Receivables	12 831	15 372
Financial investments	604	918
Derivatives	9 118	6 537
Cash and cash equivalents (incl. restricted cash)	23 175	14 217
Current assets	52 044	39 914
Assets	182 388	169 108
EQUITY AND LIABILITIES		
Paid-in capital	59 219	59 219
Retained earnings	34 815	28 842
Non-controlling interest	3 970	3 567
Equity	98 004	91 627
Deferred tax	9 826	9 792
Pension liability	2 655	2 539
Provisions allocated to capital employed	2 552	2 894
Other provisions	637	598
Interest-bearing liabilities	30 354	36 285
Derivatives	1 253	1 101
Non-current liabilities	47 277	53 210
Interest-bearing liabilities	6 346	3 694
Taxes payable	7 391	4 010
Interest-free liabilities allocated to capital employed	9 742	9 086
Other interest-free liabilities	503	593
Derivatives	13 124	6 888
Current liabilities	37 107	24 271
Equity and liabilities	182 388	169 108

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 01.01.2017 - as previously reported	58 411	-1 659	12 957	6 063	17 361	75 772	7 747	83 519
Changes in accounting principle - Note 6	-	-	-101	-	-101	-101	-25	-126
Balance as of 01.01.2017	58 411	-1 659	12 856	6 063	17 260	75 671	7 722	83 393
Net profit/loss	-	-	11 805	-	11 805	11 805	-95	11 710
Items in other comprehensive income that recycles over profit/loss:								
Changes in fair value of financial instruments, net of tax	-	-161	-	-	-161	-161	4	-160
Items recorded in other comprehensive income in equity accounted investments	-	-170	-	-	-170	-170	-1	-170
Recycling of financial instruments related to cash flow hedges/net investment hedges, net of tax	-	1 115	-	-	1 115	1 115	-	1 115
Recycling of currency translation effects related to foreign operations disposed	-	-	-	-2 491	-2 491	-2 491	-	-2 491
Currency translation effects	-	-	-	1 063	1 063	1 063	-396	667
Items in OCI that will not recycle over profit/loss:								
Changes in fair value of equity instruments, net of tax	-	2	-	-	2	2	-	2
Estimate deviation pensions, net of tax	-	-	-72	-	-72	-72	25	-47
Total comprehensive income for the period	-	786	11 733	-1 428	11 090	11 090	-465	10 625
Dividend	-1 332	-	-3 018	-	-3 018	-4 350	-1 036	-5 386
Change in option recognised in equity	-	-	890	-	890	890	-	890
Business combinations/divestments	-	-	-	-	-	-	-36	-36
Transactions with non-controlling interests	-	-	2 620	-	2 620	2 620	-2 620	-
Capital increase	2 140	-	-	-	-	2 140	-	2 140
Balance as of 31.12.2017	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 other comprehensive income that recycles 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

NOK million	Fourth quarter		The year	
	2018	2017	2018	2017
STATEMENT OF CASH FLOW				
CASH FLOW FROM OPERATING ACTIVITIES				
Operating profit/loss (EBIT)	5 884	4 858	15 446	11 928
Depreciations, amortisations and impairments	908	43	3 734	4 162
Gains/losses from divestments and disposals of assets	39	29	-1 399	-129
Unrealised effects included in operating profit/loss (EBIT)	1 030	542	4 557	940
Dividend from equity accounted investments	39	-	606	558
Changes in working capital	-2 595	-2 171	-2 201	-1 551
Cash effects from foreign exchange derivatives related to operations	-335	-158	-451	-260
Taxes paid	-43	-1 937	-3 605	-4 843
Other changes	-1 248	-1 596	-1 401	-1 940
Cash flow from operating activities	A	3 680	-390	15 286
CASH FLOW FROM INVESTING ACTIVITIES				
Investments in property, plant and equipment and intangible assets ¹⁾	-1 597	-1 043	-4 713	-3 610
Business divestments, net liquidity inflow	-	5 226	7 316	7 309
Acquisitions of shares in subsidiaries, net liquidity outflow	-1 599	-	-1 587	-
Loans to equity accounted investments	-	-498	-3	-1 258
Repayment of loans from equity accounted investments ²⁾	3 455	1 971	3 894	2 291
Interests received from loans to equity accounted investments ²⁾	49	72	102	200
Other investments	358	12	292	-298
Cash flow from investing activities	B	666	5 740	4 634
CASH FLOW FROM FINANCING ACTIVITIES				
New debt	581	701	759	5 250
Repayment of debt	-1 011	-1 590	-5 535	-7 647
Interests paid	-237	-207	-1 104	-1 231
Interests received from cash and other assets	78	36	284	161
Dividend paid to Statkraft SF	-	-	-6 040	-2 052
Transactions with non-controlling interests	62	-107	-53	-1 037
Cash flow from financing activities	C	-527	-1 167	-6 556
Net change in cash and cash equivalents	A+B+C	3 819	4 183	8 998
Currency exchange rate effects on cash and cash equivalents	311	43	59	-36
Cash and cash equivalents 01.10/01.01	19 046	9 991	14 217	7 308
Cash and cash equivalents 31.12 ³⁾	23 175	14 217	23 175	14 217
Unused committed credit lines			9 189	10 083
Unused overdraft facilities			1 002	2 041
Restricted cash			61	70

¹⁾ Investments in property, plant and equipment and intangible assets in the cash flow year to date are NOK 407 million lower than investments (excluding investments in other companies) shown in the segment reporting. This is due to capitalised borrowing costs of NOK -119 million, capitalised decommissioning of NOK -36 million and timing differences between capitalisation and payment date of NOK -252 million.

²⁾ Effects from loan to Dudgeon Offshore Wind Ltd is included. Dudgeon was divested in the first quarter Q1 2018. See note 12 for more information.

³⁾ Included in cash and cash equivalents are NOK 357 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 below reconcile the Group IFRS figures with the Group underlying figures. The rationale for reporting underlying figures is described in the Alternative Performance Measures section.

The underlying adjustments are:

- Sales revenues: gains or losses from hedges (IFRS 9) within market access activities (customers) are reclassified from “Gains/losses from market activities” to “Sales revenues”. Hence, these gains/losses are not included in Sales revenues for the IFRS figures.
- Gains/losses from market activities:
 - Unrealised value changes from embedded derivatives in energy contracts are not included in the underlying figures.
 - Unrealised gains/losses from certain derivatives entered into for risk reduction purposes are not included in the underlying figures.
- Other operating income: gains from divestment of subsidiaries and joint operations are not included in the underlying figures.
- Impairments: related to intangible assets, property, plant and equipment are excluded from underlying figures.
- Other operating expenses: losses from divestment of subsidiaries and joint operations are not included in the underlying figures.

RECONCILIATION OF IFRS VERSUS SEGMENT FIGURES

NOK million	Fourth quarter 2018			Fourth quarter 2017		
	IFRS	Adjustments	Underlying	IFRS	Adjustments	Underlying
Sales revenues	16 947	-676	16 271	13 953	-116	13 837
Gains/losses from market activities	659	-333	327	634	-485	149
Other operating income	360	-	361	266	-2	264
Gross operating revenues and other income	17 966	-1 008	16 958	14 854	-604	14 249
Energy purchase	-8 313	-	-8 313	-7 148	-	-7 148
Transmission costs	-538	-	-538	-402	-	-402
Net operating revenues and other income	9 115	-1 008	8 108	7 303	-604	6 699
Salaries and payroll costs	-1 050	-	-1 050	-1 011	-	-1 011
Depreciations and amortisations	-901	-	-901	-949	-	-949
Impairments	-7	7	-	906	-906	-
Property tax and license fees	-395	-	-395	-353	-	-353
Other operating expenses	-877	-	-877	-1 038	-	-1 038
Operating expenses	-3 231	7	-3 224	-2 445	-906	-3 351
Operating profit/loss (EBIT)	5 884	-1 001	4 884	4 858	-1 510	3 348

NOK million	The year 2018			The year 2017		
	IFRS	Adjustments	Underlying	IFRS	Adjustments	Underlying
Sales revenues	55 350	-676	54 674	50 778	-116	50 662
Gains/losses from market activities	-1 696	1 464	-232	2 414	-1 172	1 242
Other operating income	2 580	-1 449	1 131	1 325	-346	979
Gross operating revenues and other income	56 233	-660	55 573	54 517	-1 634	52 883
Energy purchase	-26 808	-	-26 808	-28 207	-	-28 207
Transmission costs	-1 840	-	-1 840	-1 326	-	-1 326
Net operating revenues and other income	27 585	-660	26 925	24 984	-1 634	23 350
Salaries and payroll costs	-3 615	-	-3 615	-3 707	-	-3 707
Depreciations and amortisations	-3 567	-	-3 567	-3 662	-	-3 662
Impairments	-167	167	-	-500	500	-
Property tax and license fees	-1 352	-	-1 352	-1 341	-	-1 341
Other operating expenses	-3 439	-	-3 439	-3 846	30	-3 816
Operating expenses	-12 139	167	-11 972	-13 056	530	-12 526
Operating profit/loss (EBIT)	15 446	-493	14 953	11 928	-1 105	10 824

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
SEGMENTS									
Fourth quarter 2018									
Gross operating revenues and other income, external	16 958	5 896	8 948	613	165	307	1 025	44	-39
Gross operating revenues and other income, internal	-	78	63	17	351	-11	30	228	-756
Gross operating revenues and other income underlying	16 958	5 974	9 011	630	516	296	1 055	272	-795
Net operating revenues and other income underlying	8 108	4 945	970	556	501	210	951	272	-299
Operating profit/loss (EBIT) underlying	4 884	3 403	623	96	201	91	487	-198	181
Unrealised value changes from energy derivatives	1 008	515	493	-	-	-	-	-	-
Gains/losses from divestments of business activities	-0	-	-2	-	1	-	-	-	-
Impairments	-7	-	-	-6	-	-1	-	-	-
Operating profit/loss (EBIT) IFRS	5 884	3 918	1 114	90	202	90	487	-198	181
Share of profit/loss in equity accounted investments	-102	-	1	6	28	-	-128	-9	-
The year 2018									
Gross operating revenues and other income, external	55 573	21 158	26 007	2 502	399	907	4 537	134	-71
Gross operating revenues and other income, internal	-	444	-50	139	968	1	94	877	-2 473
Gross operating revenues and other income underlying	55 573	21 602	25 957	2 641	1 367	908	4 631	1 011	-2 544
Net operating revenues and other 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	-	-	-
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	85	24 976	8 018	3 461	15 494	369	-
Equity accounted investments	13 105	-	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	11 765	30 137	9 998	3 741	26 613	40 795	-132
Assets not included in capital employed	-56 323	-35	-203	-4 011	-1 461	-	-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	14 728	-7 061	-
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 investment (ROAE)	5.9%	n/a	n/a	7.8%	3.2%	n/a	6.1%	n/a	n/a
Depreciations, amortisation and impairments	-3 734	-1 692	-17	-910	-309	-172	-574	-59	-
Maintenance investments and other investments	2 067	1 185	10	155	4	9	663	40	-
Investments in new generating capacity	3 053	67	24	894	1 623	134	309	-	-
Investments in other companies	1 862	-	39	1 345	381	-	-	97	-

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
SEGMENTS									
Fourth quarter 2017									
Gross operating revenues and other income, external	14 249	4 801	6 153	685	56	260	2 234	30	31
Gross operating revenues and other income, internal	-	4	96	28	203	1	17	243	-592
Gross operating revenues and other income underlying	14 249	4 805	6 249	713	259	261	2 251	273	-561
Net operating revenues and other income underlying	6 699	4 019	651	554	247	187	1 075	273	-307
Operating profit/loss (EBIT) underlying	3 348	2 378	391	90	32	76	453	-102	30
Unrealised value changes from energy derivatives	602	665	-63	-	-	-	-	-	0
Gains/losses from divestments of business activities	2	-	-	-	2	-	-	-	-
Impairments	906	914	-	-7	-	-1	-	-	-
Operating profit/loss (EBIT) IFRS	4 858	3 957	328	83	35	75	453	-102	30
Share of profit/loss in equity accounted investments	460	-	2	198	156	-	112	-8	-
The year 2017									
Gross operating revenues and other income, external	52 883	16 908	25 294	2 522	55	788	7 209	134	-28
Gross operating revenues and other income, internal	-	176	84	108	706	1	53	853	-1 981
Gross operating revenues and other income underlying	52 883	17 084	25 378	2 630	761	789	7 262	987	-2 009
Net operating revenues and other income underlying	23 350	14 508	1 983	2 143	716	580	3 602	987	-1 170
Operating profit/loss (EBIT) underlying	10 824	8 447	1 057	394	-132	155	1 369	-441	-25
Unrealised value changes from energy derivatives	1 289	1 173	116	-	-	-	-	-	-
Gains/losses from divestments of business activities	315	-	-	76	258	-	11	-30	-
Impairments	-500	1 084	-	-1 392	-187	-4	-	-	0
Operating profit/loss (EBIT) IFRS	11 928	10 704	1 173	-922	-61	151	1 380	-471	-25
Share of profit/loss in equity accounted investments	-79	-	2	-744	213	-	473	-23	-
Assets and capital employed 31.12.2017									
Property, plant and equipment and intangible assets	106 506	58 329	161	22 634	6 317	3 510	15 188	368	-
Equity accounted investments	13 335	-	86	1 821	1 771	-	9 640	16	-
Loans to equity accounted investments	6 182	-	-	1 640	667	-	16	3 860	-
Other assets	43 085	1 895	7 905	1 788	538	258	2 340	29 110	-748
Total assets	169 108	60 224	8 152	27 882	9 293	3 767	27 184	33 354	-748
Assets not included in capital employed	-49 197	-29	-206	-3 702	-2 449	-	-10 125	-32 686	-
Liabilities included in capital employed	-15 990	-3 010	-4 655	-1 633	-358	-197	-2 106	-4 778	748
Capital employed	103 922	57 185	3 292	22 546	6 486	3 571	14 953	-4 111	-
Return on average capital employed (ROACE)	10.5%	15.2%	27.2%	1.7%	-1.9%	4.4%	9.3%	n/a	n/a
Return on average equity accounted investment (ROAE)	-0.5%	n/a	n/a	-17.5%	9.2%	n/a	4.9%	n/a	n/a
Depreciations, amortisation and impairments	-4 162	-620	-12	-2 160	-553	-175	-575	-66	-
Maintenance investments and other investments	1 820	1 053	5	173	12	7	566	4	-
Investments in new generating capacity	1 964	117	103	794	500	130	320	-	-
Investments in other companies	111	-	91	-	-	-	-	19	1

Selected notes to the accounts

1. FRAMEWORK AND MATERIAL ACCOUNTING POLICIES

The consolidated financial statements for the fourth quarter of 2018, closed on 31 December 2018, 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 2017.

Since the financial statement for the period ended 31 December 2017 Statkraft has adopted IFRS 15 *Revenues from contracts with customers* and IFRS 9 *Financial instruments*. The impact on the financial statements from the new standards and the changes in accounting principles are described in note 5.

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 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 2017.

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 income statement and balance sheet, as discussed in the annual financial statements for 2017.

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. CHANGES IN THE FINANCIAL STATEMENTS AND COMPARABLE FIGURES

Compared with 2017, Statkraft has changed the Group's statement of comprehensive income. Gains/losses from market activities are separated from Sales revenues. The line item Gains/losses from market activities contains trading, origination, risk reducing energy derivatives and embedded derivatives. Furthermore, Statkraft's share of profit and loss in equity accounted investments is from 2018 recognised below the operating profit/loss on a separate financial statement line item in the statement of comprehensive income. Comparable figures have been restated.

The specification of Net financial items in the statement of comprehensive income have changed, however without effect on total net financial items. Comparable figures have been restated.

The statement of cash flow has changed. Interest payments and cash effects from derivatives related to debt are from 2018 no longer presented as a part of cash flows from operating activities. This has led to an increase in cash flow from operating activities of NOK 445 million for the year 2017. In addition, cash flows from operating activities are reconciled from operating profit/loss (EBIT) instead of profit before tax. Comparable figures have been restated.

The implementation of IFRS 15 Revenues from contracts with customers has impacted the accounting principles and the comparable figures. See note 6 for more information.

The implementation of IFRS 9 Financial instruments had no significant impact.

6. REVENUE SPECIFICATION PER SEGMENT

Accounting principles IFRS 15 revenues from contracts with customers

The main principle under IFRS 15 is to recognise revenue at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. To achieve this, IFRS 15 establishes a five-step model to account for revenues arising from contracts with customers.

The main accounting principles for the defined revenue streams are:

Generation

The revenues originate from generation of hydropower, gas-fired power, wind power and district heating.

The revenues from Generation bears the characteristic of delivering power at a certain price. The performance obligation is to deliver a series of distinct goods (power) and the transaction price is the consideration Statkraft expects to receive, at either spot price, regulated price or contract price. The performance obligation is satisfied over time which entails that revenue should be recognised for each unit delivered at the transaction price. Statkraft applies a practical expedient under IFRS 15 whereby the revenue from power for most of the contracts is recognised at the amount of which the entity has a right to invoice. The right to invoice power arises when power is produced and delivered and the right to invoice the consideration will normally correspond directly with the value to the customer.

In arrangements where Statkraft sells power on an exchange (e.g. Nord Pool), the exchange is determined to be the customer. This is based on the fact that Statkraft has enforceable contracts with the exchanges.

In certain jurisdictions, Statkraft is required by law to cede a share of the power production to counties and municipalities where the power is produced. Statkraft has concluded that income from delivery of concessionary power does not arise from a contract with a customer under IFRS 15. However, Statkraft applies the principles and policies in IFRS 15 by analogy and presents income from sale of concessionary power as revenues.

With respect to district heating, the Group receives monetary contributions from customers related to infrastructure assets. Refer to Grid and Other revenues for further description.

For some of the Statkraft generation, the company is entitled to green certificates. Income from sale of such green certificates is presented as part of revenues.

Sale of gas

Statkraft has entered into gas-fired purchase agreements related to certain gas power plants. Excess volume under these purchase contracts were sold in the market. These arrangements were terminated in the autumn of 2017.

Customers

This includes revenues related to market access activities, sale to end users and sale of power which has been purchased by Statkraft.

When other parties are involved in providing goods or services to Statkraft's customers, Statkraft has to determine whether its performance obligation is to provide the good or service itself (i.e. Statkraft is a principal) or to arrange for those goods or services to be provided by another party (i.e. Statkraft is an agent). In assessing whether Statkraft is agent or principal, Statkraft considers its contractual rights to direct the use of the electricity, balancing risk, discretion prices of the deliveries and whether Statkraft acts as the primary obligor of the deliveries. Based on such assessment, we have determined that Statkraft is a principal in some contracts for which the price received from the customer is presented as revenues, and an agent in other contracts for which the compensation for the Statkraft service is presented as revenues.

Grid and other sales revenues

This mainly include revenues from grid activities and revenues from a subsea cable.

Revenues from grid activities have the same characteristics as those described under Generation. Statkraft applies a practical expedient under IFRS 15 whereby the revenues from transportation of power is recognised at the amount of which the entity has a right to invoice.

The Group receives monetary contributions from customers in different jurisdictions in aid of construction of infrastructure connecting the customer to the grid for electricity or to district heating. Statkraft owns and controls the infrastructure and the total cost should therefore be recognised as assets in line with IAS 16. Statkraft has concluded that contributions to infrastructure assets represent payments which are to be evaluated together with pricing of future deliveries by Statkraft to the customer (one performance obligation). Revenue is therefore recognised over time. During 2018 the pattern of revenue recognition has been further discussed, and Statkraft has concluded that it is more appropriate to recognise the revenue over the expected useful life of the infrastructure. Therefore the period over which the contributions from customers are recognised is changed from estimated customer life to the expected useful life of the infrastructure. The changes did not have a significant impact on the financial statement of the Group.

Effective 1 January 2017 Statkraft has adopted the requirements of IFRS 15 using the full retrospective method.

The impact on the equity as of 01.01.2017 was as follows:

- Contribution from customers recognised over time had a negative impact on equity of NOK 126 million. The amount was adjusted compared to the reported impact in the first quarter 2018 due to updated figures.

The impacts to statement of comprehensive income in the fourth quarter 2017 (full year in brackets) were as follows:

- Contribution from customers recognised over time had a negative impact on Generation revenues of NOK 27 million (NOK 19 million) and a negative impact on share of profit/loss from equity accounted investments of NOK 2 million (NOK 6 million).
- Revenues from market access and end-user activities, presented net after adopting IFRS 15, had a negative impact on the revenue stream Customer of NOK 2822 million (NOK 7835 million) and NOK 351 million (NOK 991 million), respectively.

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
Fourth quarter 2018									
Generation	7 602	5 567	33	561	503	286	738	-	-86
Customers	8 498	-	8 251	-	-	-	-	-	247
Grid and other sales revenues	847	273	197	62	-	6	330	-	-21
Sales revenues	16 947	5 839	8 481	622	503	292	1 069	-	139
The year 2018									
Generation	26 973	20 092	185	2 387	1 267	881	2 451	-	-290
Customers	25 896	-	25 103	-	-	-	1 183	-	-390
Grid and other sales revenues	2 482	798	319	214	-	12	1 189	-	-50
Sales revenues	55 350	20 890	25 607	2 601	1 267	893	4 822	-	-730
Fourth quarter 2017									
Generation	5 995	4 385	103	635	245	257	484	-	-114
Sale of gas	-	-	-	-	-	-	-	-	-
Customers	7 308	-	5 942	-	-	-	1 352	-	14
Grid and other sales revenues	651	221	16	46	-	2	367	-	-1
Sales revenues	13 953	4 606	6 060	681	245	259	2 203	-	-101
The year 2017									
Generation	20 864	15 429	666	2 376	733	783	1 555	-	-678
Sale of gas	2 763	-	2 763	-	-	-	-	-	-
Customers	24 860	-	20 537	-	-	-	4 322	-	1
Grid and other sales revenues	2 291	885	36	181	-	2	1 225	-	-38
Sales revenues	50 778	16 314	24 001	2 557	733	785	7 102	-	-714

7. UNREALISED EFFECTS PRESENTED IN THE PROFIT AND LOSS

The tables below disclose the effects on the 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.

In 2018 Statkraft reassessed the classification related to variation margin with respect of realised vs. unrealised in disclosures to the financial statement.

Some exchange traded contracts, typically futures, require that the mark-to-market exposure is covered by a variation margin which is paid between Statkraft and a clearing house. Variation margins are paid on a daily basis.

In previous periods, variation margins payments were classified as realised in the profit and loss. After the reassessment the variation margin payments are classified as unrealised upon delivery on the underlying contract. At the delivery date, the cumulative unrealised gains or losses will be reclassified to realised. Statkraft does not view variation margin payments as partial settlements. The comparable figures are restated.

NOK million	Fourth quarter 2018			The year 2018		
	Unrealised	Realised	Total	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN P&L						
Generation	-	7 602	7 602	290	26 683	26 973
Customers	53	8 446	8 498	-115	26 010	25 896
Grid and other revenues	-	847	847	-	2 482	2 482
Total sales revenues	53	16 894	16 947	175	55 175	55 350
Gains/losses from market activities	-1 248	1 907	659	-4 897	3 201	-1 696
Generation	-	-562	-562	-	-1 334	-1 334
Customers	165	-7 623	-7 458	165	-24 721	-24 556
Other purchase	-	-292	-292	-	-917	-917
Total energy purchase	165	-8 478	-8 313	165	-26 973	-26 808
Unrealised effects included in EBIT ¹⁾	-1 030			-4 557		
Net currency effects ²⁾	-1 089	-664	-1 753	606	-1 070	-464
Other financial items	-57	52	-5	27	5 350	5 377
Total financial items	-1 146			633		
Total unrealised effects	-2 176			-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 was realised.

NOK million	Fourth quarter 2017			The year 2017		
	Unrealised	Realised	Total	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN P&L						
Generation	-147	6 142	5 995	-150	21 014	20 864
Sale of gas	-	0	0	-	2 763	2 763
Customers	63	7 245	7 308	44	24 816	24 860
Grid and other revenues	-	651	651	-	2 291	2 291
Total sales revenues	-85	14 038	13 953	-106	50 884	50 778
Gains/losses from market activities	-477	1 111	634	-832	3 247	2 414
Generation	-	-517	-517	-	-1 408	-1 408
Purchase of gas	-	0	0	-	-2 895	-2 895
Customers	20	-6 450	-6 430	-1	-23 137	-23 138
Other purchase	-	-201	-201	-	-766	-766
Total energy purchase	20	-7 167	-7 148	-1	-28 206	-28 207
Unrealised effects included in EBIT ¹⁾	-542			-940		
Net currency effects ²⁾	-1 303	-169	-1 472	-109	-1 960	-2 069
Other financial items	32	3 114	3 146	-681	7 430	6 748
Unrealised effects included in financial items	-1 270			-791		
Total unrealised effects	-1 813			-1 730		

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

²⁾ Losses for the year from internal loans were NOK -220 million, of which NOK -860 million was realised.

8. NORWEGIAN HYDROPOWER AND RELATED BUSINESS

This note discloses selected financial figures from Norwegian hydropower and related business. Please see note 4 in the annual report of 2017 for further information.

NOK million	"Norwegian hydropower" from:			Sum "Norwegian hydropower, excluding related business"	Associated regional companies	Sum "Norwegian hydropower and related business"
	Statkraft AS Group	Statkraft Energi AS	Skagerak Kraft Group			
2018 (the year)						
Gross operating revenues and other income	56 233	17 499	2 118	19 587		19 587
Net operating revenues and other 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
Profit/loss after tax	13 390	5 576	458	6 034	596	6 630
Profit/loss after tax (majority share)	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 production capacity	3 053	62	25	87		87
Investments in shares	1 862	-	-	-		-

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			
2017 (the year)						
Gross operating revenues and other income	54 517	15 666	1 651	17 303		17 303
Net operating revenues and other income	24 984	12 943	1 571	14 514		14 514
Operating profit/loss (EBIT)	11 928	9 303	955	10 258		10 258
Share of profit/loss in equity accounted investments	-79	-	-	-	471 ¹⁾	471
Net financial items	3 818	-136	-83	-218		-218
Tax expense	-3 957	-4 687	-522	-5 210		-5 210
Profit/loss after tax	11 710	4 480	350	4 830	471	5 301
Profit/loss after tax (majority share)	11 805	4 480	232	4 711	471	5 182
Paid dividend and group contribution to Statkraft		3 758 ²⁾	76 ³⁾	3 834	528 ³⁾	4 362
Balance sheet 31.12.17						
Equity accounted investments	13 335	-	1	1	9 484 ¹⁾	9 485
Other assets	155 773	37 930	5 356	43 287		43 287
Total assets	169 108	37 930	5 357	43 288	9 484	52 772
EBITDA	16 090	10 066	1 146	11 212		11 212
Depreciation, amortisation and impairment	-4 162	-763	-191	-954		-954
Maintenance investments and other investments	1 820	950	95	1 046		1 046
Investments in new production capacity	1 964	22	4	26		26
Investments in shares	111	-	-	-		-

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

9. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

NOK million	31.12.2018	31.12.2017
INTANGIBLE ASSETS		
Balance as of 01.01.	3 313	3 858
Additions	1 017	65
Reclassifications	-28	25
Disposals	-96	-4
Currency translation effects	-120	-168
Amortisation	-143	-157
Impairment	-35	-307
Balance as of end of period	3 909	3 313
PROPERTY, PLANT AND EQUIPMENT		
Balance as of 01.01.	103 193	103 304
Additions	6 564	3 643
Reclassifications	28	-25
Disposals	-278	-577
Capitalised borrowing costs	119	76
Currency translation effects	-325	470
Depreciation	-3 424	-3 505
Impairment	-132	-193
Balance as of end of period	105 744	103 193

Accounting policies, judgement and assumptions for impairment are described in note 14 in the annual report 2017.

An impairment loss of NOK 132 million was recognised on two hydropower plants in Peru.

10. BRAZIL

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

The Brazilian Federal Prosecutor has been investigating potential crimes committed by representatives of the four main pension funds in Brazil and representatives of companies in which the pension funds invested, as well as any other individual who may have been involved in the alleged scheme, related to historical investments made by the pension funds, including FUNCEF, which invested in Desenvix (now SKER) in 2009 and 2010, and now owns 18.7% of SKER. The Prosecutor has concluded the investigation in relation to FUNCEF and filed the criminal lawsuit against the individuals, including the shareholders of Jackson and former officers of FUNCEF. In August 2017, the Federal Judge in charge of the criminal investigation issued a resolution stating that no information had been found relating SKER with the alleged illicit activities and therefore decided to release guarantees and other precautionary measures imposed on SKER. 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 case could have potential negative effects on SKER.

11. 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 that has an impact on Statkraft's assessment.

12. TRANSACTIONS

On 7 March, an agreement to divest Statkraft's 30% share in the joint venture Dudgeon Offshore Wind Ltd was closed. The counterparty was a consortium led by China Resources Company Limited. Net cash inflow from the transaction was NOK 5947 million and resulted in a gain of NOK 5106 million recognised as Other financial items. A shareholder loan of NOK 317 million

from Statkraft UK Ltd provided to Dudgeon was repaid by the joint venture in the first quarter. Statkraft UK Ltd provided a sponsor loan to Dudgeon of NOK 3534 million. The sponsor loan was not part of the transaction and was repaid in the fourth quarter. The investment in Dudgeon has been classified as Held for sale in 2018 and thus no share of profit/loss from the company has been recognised.

On 21 March, Fjordkraft concluded a successful Initial Public Offering and was listed on Oslo Stock Exchange at a share price of 31 NOK/share. The cash flow from the transaction was NOK 673 million. In the statement of comprehensive income for the year to date 2018, Statkraft has a total gain from the sale of NOK 1659 million. The gain consists of gain from sale of shares owned by Statkraft Industrial Holding and Skagerak of NOK 562 million and a true-up to fair value of NOK 869 million (excess values) on the remaining shares held by Skagerak in Fjordkraft. In addition, BKK sold parts of its shareholding in Fjordkraft. Statkraft's share of the gain recognised by BKK is NOK 227 million and is recognised as share of profit/loss in equity accounted investments. Both Statkraft's and BKK's remaining shares are classified as investment in an associated company and presented according to the equity method.

The excess values of NOK 869 million have been analysed and allocated to identifiable intangible assets. NOK 255 million (before tax) are allocated to customer portfolios and will be depreciated over six years. The depreciations will affect share of profit/loss in equity accounted investments. The remaining excess values are allocated to brand name and goodwill, which both have indefinite useful life. The excess values are presented net as a part of equity accounted investments in the statement of financial position.

On 11 June, an agreement where BKK acquires its own B-shares from Statkraft, corresponding to 1.7% of the company's total share capital, was closed. Net cash inflow from the transaction was NOK 350 million. Of the total gain of NOK 141 million, NOK 72 million was recognised on the line item Other financial items in the second quarter. The remaining gain of NOK 69 million was recognised in the third quarter, as BKK finalised the acquisition of Tysnes Kraftlag, using the acquired shares from Statkraft as consideration.

On 3 September, Statkraft closed the agreement to divest 49% of the shares in Istad AS. Net cash inflow from the transaction was NOK 380 million and a gain of NOK 168 million was recognised as Other financial items in the third quarter.

On 4 September, Statkraft acquired 100% of the shares in NSL Tidong Power Generation Private Ltd. Tidong is a hydropower project in India with a planned capacity of 100 MW. Both the net assets in the company and the cost price of the shares were close to zero. The net assets in the company consisted mainly of assets under construction of NOK 396 million, interest-bearing debt of NOK 344 million and working capital. There were no material excess values from the purchase price allocation.

On 7 September, Statkraft sold 90% of the shares in solar park Lange Runde in the Netherlands. The cash inflow from the transaction was NOK 130 million, including repayment of a loan. The gain from the sale was NOK 15 million.

On 14 September, an agreement where BKK acquires its own B-shares from Statkraft, corresponding to 0.35% of the company's total share capital, was closed. BKK has used the acquired shares as consideration when acquiring Etne Elektrisitetslag. Net cash inflow from the transaction was NOK 72 million and a gain of NOK 34 million was recognised as Other financial items in the third quarter.

On 2 October, Statkraft entered into an agreement with Hudson Clean Energy Partners AIV LP to acquire 100% of the shares in the Irish and UK wind development business of the Element Power Group. The purchase price of the shares was NOK 372 million. In addition, loans to former shareholders of a total of NOK 40 million were repaid in connection to the transaction.

On 21 December, Statkraft acquired 100% of the shares in the two companies Santa Fé Energia S.A. and Tamar Pequenas Centrais Hidroelectricas S.A., consisting of eight operational hydropower plants in the state of Espírito Santo in Brazil. The shares were acquired from EDP Energias do Brasil for a total of NOK 1344 million. The portfolio has a total installed capacity of 132 MW and will expand Statkraft's operations in Brazil.

13. SUBSEQUENT EVENTS

There are no significant subsequent events.

14. IFRS STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 16 Leases is 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 will be 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 will, with effect from 1 January 2019, adopt IFRS 16 using the modified retrospective approach. Accordingly, comparable information will not be restated.

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

At the date of initial application of IFRS 16, the Group will recognise a lease liability for leases previously classified as operating leases under IAS 17 in accordance with the transition requirements. The Group will measure the lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. Stakraft 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, will the right-of-use assets on a lease-by-lease basis be measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Statkraft has nearly completed its analysis of the effects of the new standard and concluded on the impact on the financial statement for contracts previously accounted for as operating leases:

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

The contracts that will largely affect 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 will be accounted for at fair value with value changes through profit and loss.

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 will also be chosen to be excluded from IFRS 16, hence leased concessions or payments for power production licenses, for instance, will not be 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 not be presented separately in the statement of financial position but will be disclosed in a separate note.

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 is 3.22% and the effect of discounting the nominal values is approximately NOK 427 million. Minimum lease expense recognised in 2018 was NOK 202 million.

The estimated impacts on the financial statement and key figures for 2019 considering the current lease contracts are:

- Recognition of short-term and long-term lease liabilities of approximately NOK 1.5 billion.
- Recognition of right-of-use assets on approximately NOK 1.6 billion, including prepayments of lease contracts of NOK 100 million.
- Recognition of power purchase agreements at their fair value of approximately NOK 667 million as derivatives under assets. A similar amount will be recognised as an increase in equity as of 1 January 2019.

- Annual lease operating expenses will be reduced and impact the EBITDA positively with approximately NOK 204 million.
- Annual depreciation will increase by approximately NOK 174 million.
- Annual interest expenses will increase by approximately NOK 50 million.
- Annual gains/loss from financial instruments will be recognised.
- Improved cash flow from operating activities, due to the principal portion of the lease payments being classified as finance activity, whereas the whole lease payment was previously classified as operating activity (IFRS 16 has no impact on the cash position of the Group).

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.

From 2018, ROACE and ROAE are disclosed on segment level. Previously, Statkraft had only disclosed ROACE on Group level. For other changes in the financial statements, see note 5 in the interim financial statements.

Statkraft uses the following APMs:

EBITDA underlying is defined as underlying operating profit/loss before depreciation and amortisation. 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:

1. **Unrealised value changes from energy derivatives**
 - **Embedded derivatives** are excluded since they only represent part of an energy contract and the other parts of these energy contracts are not reported based on fair market values.
 - **Derivatives entered into for risk reduction purposes** are excluded. This is done where the related item is carried at cost or not recognised in the statement of financial position.
2. **Impairments** are excluded 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.
3. **Gains/losses from divestments of business activities** are excluded 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.

The same items as above are also excluded from **Gross operating revenues and other income underlying** and **Net operating revenues and other income underlying**, see section Segments on page 20.

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 and is presented in a table on the next page.

Net interest-bearing debt is used to measure indebtedness. The components are presented in a table on the next page.

Net cash income is defined as cash flow from operating activities excluding taxes paid and cash effects from equity accounted investments. This is used to measure cash flow from operations from consolidated business in the Group.

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 revenues and other income underlying.

NOK million	Fourth quarter		The year	
	2018	2017	31.12.2018	31.12.2017
ALTERNATIVE PERFORMANCE MEASURES				
RECONCILIATION OF OPERATING PROFIT/LOSS (EBIT) UNDERLYING TO EBITDA UNDERLYING				
Operating profit/loss (EBIT) underlying (see page 20)	4 884	3 348	14 953	10 824
Depreciation and amortisation	901	949	3 567	3 662
EBITDA underlying	5 785	4 297	18 520	14 486
Operating profit/loss (EBIT) margin underlying (%)	28.8	23.5	26.9	20.5
RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES TO NET CASH INCOME				
Cash flow from operating activities	3 680	-390	15 286	8 865
Taxes paid	43	1 937	3 605	4 843
Dividend from equity accounted investments	-39	-	-606	-558
Net cash income	3 684	1 547	18 285	13 150
FINANCIAL STATEMENT LINE ITEMS INCLUDED IN CAPITAL EMPLOYED				
Intangible assets			3 909	3 313
Property, plant and equipment			105 744	103 193
Other non-current financial assets			3 986	4 368
- Loans to equity accounted investments ¹⁾			-2 244	-2 223
- Bonds and other long-term investments ¹⁾			-232	-299
- Pension assets ¹⁾			-494	-480
- Other shares and shareholdings ¹⁾			-316	-299
Inventories			6 316	2 871
Receivables			12 831	15 372
- Receivables related to cash collateral ²⁾			-3 351	-1 931
- Short-term loans to equity accounted investments ²⁾			-75	-3 959
- Other receivables not part of capital employed ²⁾			-8	-15
Provisions allocated to capital employed			-2 552	-2 894
Taxes payable			-7 391	-4 010
Interest-free liabilities allocated to capital employed			-9 742	-9 086
Capital employed			106 380	103 922
Average capital employed ³⁾			102 020	102 726
RECONCILIATION OF CAPITAL EMPLOYED TO TOTAL ASSETS				
Capital employed			106 380	103 922
Deferred tax assets			676	962
Equity accounted investments			13 105	13 335
Other non-current financial assets ¹⁾			3 286	3 301
Derivatives, long term			2 926	4 023
Receivables ²⁾			3 434	5 905
Short-term financial investments			604	918
Derivatives, short term			9 118	6 537
Cash and cash equivalents (incl. restricted cash)			23 175	14 217
Liabilities allocated to capital employed, see table above			19 685	15 990
Total assets as of the statement of financial position			182 388	169 108
RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)				
Operating profit/loss (EBIT) underlying, rolling 12 months			14 953	10 824
Average capital employed			102 020	102 726
ROACE			14.7%	10.5%
RETURN ON AVERAGE EQUITY ACCOUNTED INVESTMENTS (ROAE)				
Share of profit/loss in equity accounted investments, rolling 12 months			790	-79
Average equity accounted investments ³⁾			13 359	16 339
ROAE			5.9%	-0.5%
NET INTEREST-BEARING DEBT				
Long-term interest bearing liabilities			30 354	36 285
Short-term interest bearing liabilities			6 346	3 694
Cash and cash equivalents (incl. restricted cash)			-23 175	-14 217
Short-term financial investments			-604	-918
Net interest-bearing debt			12 921	24 845
NET INTEREST-BEARING DEBT-EQUITY RATIO				
Net interest-bearing debt			12 921	24 845
Equity			98 004	91 627
Net interest-bearing debt - equity ratio			11.6%	21.3%

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.



Interim Report
Q4/2018
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