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Statkraft is a leading renewable energy company with activities on three continents within hydro, wind and solar. Through our market activities and production assets we create value for our owner, our customers and the societies we operate in.
Statkraft at a glance

- Statkraft has 4,000 employees in 16 countries

Europe’s largest producer of renewable energy

- **EBIT underlying**: 17.6 NOK BILLION
- **Net profit**: 11.3 NOK BILLION
- **Cash flow from operations**: 12.0 NOK BILLION
- **ROACE**: 16.3 PER CENT
- **Net interest-bearing debt**: 16.0 NOK BILLION
- **Dividend paid in 2019**: 8.5 NOK BILLION

Countries: USA, Peru, Chile, Brazil
Investments in 2019
7.4 NOK BILLION

Power generated in 2019
61 TWH

Share renewable energy
93 PER CENT

Standard & Poor’s long-term rating
A-

Fitch Ratings’ long-term rating
BBB+

Norway
Sweden
The Netherlands
United Kingdom
Ireland
France
Spain
Albania
Turkey
Nepal
India

59% Norway
27% Europe
14% Outside Europe
The Board of Directors

Thorhild Widvey
Born 1956, Norwegian
Chair of the board, member since 2016.
Current board positions: Chair: Antidoping Norway, Concert Hall Stavanger, Bergen International Festival.
Chair of the Compensation Committee

Peter Mellbye
Born 1949, Norwegian
Vice Chair of the board, member since 2016.
Member of the Compensation Committee

Hilde Drønen
Born 1961, Norwegian
Board member, member since 2014.
Chair of the Audit Committee
Current board positions: Board member: DOF Subsea and various subsidiaries in the DOF ASA Group, Beerenberg.

Mikael Lundin
Born 1966, Norwegian
Board member, member since 2018.
Member of the Audit Committee

Bengt Ekenstierna
Born 1953, Swedish
Board member, member since 2016.
Current board positions: Chair: Wrams Gunnarstorps Castle.
Experience: Beken: Senior advisor (present). Several CEO positions within E.ON Group. Sydkraft Bredband and Baltic Cable. Sydkraft Elnät: COO.

Ingelise Arntsen
Born 1966, Danish
Board member, member since 2017.
Member of the Audit Committee
Current board positions: Chair of the board: Asplan Viak. Board member: Export Credit Norway, Beerenberg.

Vilde Eriksen Bjerknes
Born 1975, Norwegian
Employee-elected board member, member since 2014.
Employee in Statkraft since: 2001
Current work position: Statkraft: Vendor Manager IT.

Thorbjørn Holes
Born 1960, Norwegian
Employee-elected board member, member since 2014.
Employee in Statkraft since: 1978
Current work position: Statkraft: Head union representative, Mechanical maintenance worker.

Asbjørn Sevlejordet
Employee-elected board member, member since 2014.
Employee in Statkraft since: 2001
Current work position: Statkraft: Vendor Manager IT.

Asbjørn Sevlejordet
Born 1960, Norwegian
Employee-elected board member, member since 2014.
Employee in Statkraft since: 1978
Current work position: Statkraft: Head union representative, Mechanical maintenance worker.
The Corporate Management

From the left: Jon Vatnaland, Anne Harris, Steinar Bysveen, Christian Rynning-Tønnesen, Hallvard Granheim, Hilde Bakken and Jürgen Tzschoppe.

Christian Rynning-Tønnesen
Born 1959, Norwegian
Group management since 2010
Position: CEO
With Statkraft in 1992-2005 and since 2010
Education: MSc NTH, Trondheim
Norwegian Army officer education
Current board positions: Board member, Kaveness, UMOE. Chair: VCOM. Advisory board member: Det Norske Veritas.

Anne Harris
Born 1960, Norwegian
Group management since 2019
Position: CFO
Education: MSc Finance BI, Oslo.
Current board positions: Board member IFE (Institutt for energiteknikk).

Hallvard Granheim
Born 1976, Norwegian
Group management since 2014
Position: EVP Markets and IT
With Statkraft since 2012
Education: MSc Finance NHH, Bergen

Jon Vatnaland
Born 1975, Norwegian
Group management since 2017
Position: EVP Corporate Staff and Industrial Ownership
With Statkraft since 2009
Education: Cand. polit. sociology and Ph.D. innovation studies, UiO.
Former positions: Statkraft: EVP Corporate Staff and various positions within the Generation and Market business. Norsk Hydro: various mgmt. and engineering positions.
Current board positions: Board member: Yara International.

Hilde Bakken
Born 1966, Norwegian
Group management since 2010
Position: EVP Production
With Statkraft since 2000
Education: MSc NTH, Trondheim and TU Delft, Netherlands
Former positions: Statkraft: EVP Corporate Staff and various positions within the Generation and Market business. Norsk Hydro: various mgmt. and engineering positions.
Current board positions: Board member: Yara International.

Steinar Bysveen
Born 1958, Norwegian
Group management since 2010
Position: EVP European Wind and Solar
With Statkraft since 2010
Education: MSc NTH, Trondheim. Business studies BI.
Current board positions: Chair: Fosen Vind DA.

Jürgen Tzschoppe
Born 1968, German
Group management since 2015
Position: EVP International Power
With Statkraft since 2002
Education: Ph.D. Electrical engineering. RWTH Aachen
2019 was a solid year for Statkraft and the company continued to deliver on its strategy.

High standards of health, safety, security and environment, human rights and business ethics are integral parts of our business models and form the basis for interaction with all our business partners. A fatal accident occurred in India in January 2020, while there were no serious injuries in 2019. We will continue to strengthen and improve Statkraft’s safety culture and performance across the organisation.

Statkraft reported a record-high underlying EBIT of NOK 17.6 billion, equivalent to 16.3 per cent return on average capital employed. Net profit ended at a solid NOK 11.3 billion. The proposed dividend for 2019 amounts to NOK 6.5 billion. Net profit, taxes and salaries contributed with NOK 22 billion in total value creation from Statkraft to the Norwegian society in 2019.

Statkraft’s ambition is to be one of the world’s leading renewable energy companies by 2025. The strategy is to expand in hydropower, ramp up as a wind and solar developer, be a leading provider of market solutions and develop new business. We delivered on our strategy through organic growth, investments and acquisitions across markets in Europe, South America and India in 2019.

During the year, Statkraft continued to reinvest in hydropower operations in Norway, focusing on maintenance, upgrades and expansions. In the Nordic region, the company has worked on approximately 140 ongoing hydropower projects of different sizes throughout 2019. Statkraft also has hydropower construction projects in Albania, India and Chile.

As part of growing the company’s wind and solar business, Statkraft acquired nine Irish solar projects with a planned combined output of 320 MW. In addition, we acquired UK onshore wind developer Airvolution Clean Energy Ltd. In Brazil, Statkraft was awarded contracts securing grid connection for almost 400 MW of new wind power capacity. We also acquired three wind power projects in Chile with a planned installed capacity of 110 MW.

In Norway, three of the wind farms in Fosen are now in full production, while the remaining three will open in 2020, completing the largest onshore wind project in Europe.

It is our ambition to be a leading provider of market solutions for renewable energy to large customers in all our markets. We entered into new industrial power supply agreements in Norway and confirmed our leading position within the fast-growing European market for power purchase agreements by signing several new long-term power contracts in 2019.

Statkraft also continued to develop new business opportunities including advanced biofuel, data centres and hydrogen. We sold our first data centre site to Google, paving the way for hyperscale data centres in Norway, a fast-growing power intensive industry. In addition, Statkraft expanded the electric vehicles charging business by taking control of Norway’s Grønn Kontakt and acquiring German EV charging company E-Wald.

Looking ahead, Statkraft will continue to aim for capturing value from new projects and acquisitions, while at the same time managing cost levels. Statkraft has a high employee engagement and will continue to motivate and develop all employees going forward.

Statkraft has been making renewable energy possible for over a century, long before climate change was a crisis. To keep our planet’s temperature increase well below 2 degrees and meet growing energy demand, renewables can’t be part of the solution. Renewable energy must be the energy solution.

Christian Rynning-Tønnesen
President and CEO
Electricity has transformed humanity. It lights our homes, our schools, our offices. It powers our machines. It makes modern transportation and communication possible. It's an inseparable part of how we live, work, and advance as a society.
Report from the Board of Directors

Caring for people is at the core of Statkraft’s company culture and everyone should return home safely from work for the company. There were no fatal accidents in 2019, but one fatal accident occurred in January 2020 in India. There were seven serious injuries in 2019. Statkraft is not satisfied with this. Strengthening the safety culture and the performance - across the organisation and among subcontractors - is top priority and has high attention throughout the organisation.

The underlying EBIT of NOK 17.6 billion in 2019 was the highest ever achieved in Statkraft’s history. The increase from the previous year was mainly driven by higher contributions from Market operations. Profit before tax ended at NOK 19 billion and net profit at NOK 11.3 billion.

Statkraft has a solid financial position to deliver on the current growth strategy. The company’s commitment to act in a sustainable and responsible manner continues to be a foundation for all activities.

VALUES

The values that shall govern Statkraft’s actions and provide guidance for the employees are:

- **Competent.** Use knowledge and experience to achieve ambitious goals and to be recognised as a leading player.
- **Responsible.** Create values, whilst showing respect and care for employees, customers, the environment and society.
- **Innovative.** Creative thinking, identify opportunities and develop effective solutions.

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

SUSTAINABILITY

Statkraft is committed to responsible business practices and to combat climate change. The company’s approach to sustainability is continuously evolving, along with the company’s business strategy and international developments.

The Code of Conduct sets out Statkraft’s fundamental principles for responsible behaviour. Suppliers are expected to meet the requirements in Statkraft’s Supplier Code of Conduct.

In its work with sustainability Statkraft is also guided by international frameworks addressing anti-corruption, environment, human and labour rights. Statkraft believes business plays an important role in contributing to the realisation of the UN Sustainable Development Goals, and the company is a member of the UN Global Compact.

Statkraft recognises that there are dilemmas related to sustainability. The company seeks to understand and manage such dilemmas through a risk-based approach, carefully weighing different concerns, and implementing mitigating activities where needed.

Key topics within sustainability in 2019 include:

- Installed renewables capacity increased with 613 MW to 16 055 MW.
- The Group’s CO\textsubscript{2} emissions are amongst the lowest in the global energy sector. In 2019, 93% of Statkraft’s power generation was based on renewable energy sources. Carbon intensity increased to 26 kg/MWh due to increased gas-fired generation. This reflects a shift from coal to gas in the European power sector.
- Within health, safety, security and environment (HSSE) there was continued focus on key issues through the ‘Powered by care’ programme.
- In the area of business ethics particular attention was paid to growth activities, and a new dilemma training toolkit and competition law e-learning were launched.
- Human rights risks were addressed through an update of the corporate level human rights impact assessment, and a continued focus on training for key personnel.
- Responsible supply chain management was addressed in an improvement project.

The Board of Directors follows up the company’s sustainability work through its regular meetings. More detailed information
related to Statkraft’s sustainability management and performance is presented in the sustainability chapter in this report.

**STRATEGY**

**Market development**

The trends that laid the foundation for the new corporate strategy in 2018 are confirmed and in some cases also strengthened. Statkraft sees increasing volumes of renewable energy, particularly solar, being developed. This massive growth increases the need for flexible generation.

Decreasing costs of solar and wind power will move the industry away from subsidies and into an energy system with new ways of selling power, and that customers are taking a stronger interest in renewable energy. The access to cheap and clean energy makes electrification the most effective solution to the climate challenge and contributes to lead the world in the direction of a low-carbon economy.

Statkraft’s corporate strategy aims to respond to these developments.

**Statkraft’s competitive position**

Statkraft has a solid foundation for further growth. From being a supplier of hydropower to Norwegian industry and general consumption, Statkraft has become Europe’s largest producer of renewable energy and has a growing presence in other international markets.

**Unique and large flexible portfolio**

Statkraft’s unique hydropower portfolio in the Nordics constitutes Europe’s largest reservoir capacity and a fleet of flexible power plants that enables optimisation of power generation based on market needs. The strong competence in optimising profitability with an integrated energy management, operations and maintenance processes, makes Statkraft an excellent owner of flexible hydropower.

**Strong track record in wind power**

Statkraft is the largest owner and operator of onshore wind power assets in the Nordics and has a strong track record with developing, constructing and operating wind power plants. Statkraft is currently constructing the largest onshore wind power project in Europe, Fosen Vind in Norway, and is expanding internationally with large wind power portfolios under development in Brazil, UK and Ireland.

**Deep market understanding**

The Group possesses deep market understanding across many markets. The market activities includes securing profitable long-term power purchase agreements, providing market access services, energy management and trading and origination. The skill-set, originated from managing flexible hydropower, forms the foundation for the large market access business of wind and solar power in many countries.

**Financial solidity**

Statkraft has a strong financial foundation and has demonstrated the ability to make solid returns in changing markets. A significant portfolio of long-term power contracts and hedging has a stabilising effect on revenues and net profit. Statkraft will have a high focus on cost optimisation as the company continues to grow.

**A market-centric approach**

Statkraft will continue to pursue a market-centric approach. This means building on the Group’s deep market understanding to find the best opportunities in renewable energy within each market across technologies.

Statkraft focuses on building scale in the countries where it already has presence, i.e. the Nordics, Europe, South America and India, and will own, develop, acquire and operate renewable assets. To further strengthen the position in each market, Statkraft will expand its market activities and offer products and services to other power producers and large consumers.

The rapid changes in the energy markets necessitate some flexibility in the targets and opportunities pursued. Statkraft continuously monitors the market and technology development to identify business risks and opportunities arising.

**Strategic priorities**

**Optimise and expand hydropower**

The need for flexibility in the energy market increases and provides a unique starting point for a flexible hydropower generator with market expertise. Statkraft will optimise and expand its strong hydropower portfolio.

The Nordic portfolio is a unique and important source of flexible and stable power generation. Given the age of the Nordic hydropower fleet, Statkraft will continue with reinvestments to retain its competitiveness and optimise profitability. Annual reinvestments of around NOK 2 billion are expected for Norwegian and Swedish hydropower in the coming years. Statkraft will further focus on optimising and protecting the value of its hydropower assets outside the Nordics. A significant share of the generation from Nordic hydropower plants is hedged with long-term power purchase agreements (PPAs) with customers. Statkraft will continue to enter into new contracts.

Before 2022, 80% of Statkraft’s hydropower generation portfolio in Norway will be due for revision of the concession terms, targeting improved environmental conditions for the revised concessions. This may cause reduced generation and flexibility, decrease flood control ability and reduced profitability of the portfolio. Statkraft’s response is to engage with involved stakeholders to find solutions which balance environmental and societal needs with profitability.

Statkraft will seek profitable growth in hydropower through acquisitions that fit well with the rest of the portfolio. The acquisitions of a hydropower project in India and hydropower plants in Brazil in 2018 are examples of this. As the competitiveness of new hydropower is challenged by solar, wind and batteries, very few new hydropower projects will be profitable.
Thus, only projects with particular competitive advantages in terms of costs and/or flexibility will be pursued.

In Europe, gas-fired power will be key to provide the flexibility needed and Statkraft will own and operate the existing gas-fired power fleet, while all further growth will be in renewable energy.

**Ramp up wind and solar development**

Solar and onshore wind power are becoming the technologies with the lowest cost, and strong growth is expected within these technologies in all countries in which Statkraft operates. Statkraft has a strong starting point with a good track record within wind development, some experience within solar power and strong competence within market activities enabling the Group to secure different types of revenue streams.

Statkraft will ramp up as a wind and solar asset developer, targeting a developed portfolio of 6 GW of onshore wind and 2 GW of solar power by 2025. Statkraft will take on a developer role and constructed assets can also be partly or fully sold down. The Group will look into both organic growth based on existing positions as well as acquisition of projects or portfolios to ramp up the business. The recent acquisitions of wind power projects in Chile and Brazil and a solar development portfolio in Ireland are examples of this. Statkraft has also opened a Scottish office following the successful acquisition of the wind power developer Airvolution. Statkraft will seek to secure revenue streams through auctions and PPAs. The Group will use its market knowledge to create additional value from PPAs through financial hedging and energy management. The recent success in a public auction in Brazil is an example of this, where Statkraft won PPAs which will secure the construction of almost 400 MW of wind power.

**Grow customer business**

Renewables are increasingly being exposed to power market forces and customers are taking a stronger interest in renewable energy. Statkraft’s customer business is founded on market leading energy management and hedging of revenue from its own assets.

By 2025 Statkraft will significantly increase its volumes in market operations, expand the product offering and increase activity also in markets outside Europe. Statkraft will be a leading provider of market access services, hedging services to asset owners as well as green power supply and hedging services to power intensive industry and industrial and commercial customers. The focus will be on green investment products for corporate and institutional investors, bringing wind and solar investment opportunities to Statkraft’s customers. In 2019, Statkraft has signed a range of long-term PPAs with large companies, among others the Spanish electricity suppliers Fortia Energia and Audax Renovables, as well as the UK Universities Consortium and Daimler. Statkraft also opened a new office in Madrid as part of its aim to expand in the Iberia region.

District heating based on renewable energy is considered a key solution for decarbonising heating and cooling in Europe by 2050. Statkraft’s district heating business amounts to an annual production of around 1 TWh of heating and is well-positioned with good profitability. Statkraft will continue improving and growing the portfolio, aiming to be among the top three players in Norway and Sweden.

The market for electric vehicles and related services like EV charging is expected to grow massively. The Norwegian market is at the forefront of this development, and Statkraft is well positioned with its ownership in Grønn Kontakt, the second largest EV charging company in Norway. Statkraft will expand the Grønn Kontakt business in the Nordics and pursue international expansion. The acquisitions of the German electric vehicle charging companies E-Wald and eeMobility are examples of this.

**Develop new business**

Norway and Europe are early movers in the energy transition, on decarbonisation overall and on electrification in particular. This gives Statkraft testing ground and early learnings on new business opportunities. Based on this, Statkraft aims to create new profitable growth opportunities and expand in other markets.

Currently, the main initiatives are:

- Develop attractive sites for data centres and other power-intensive industry in Norway and provide them with wider energy management services.
- Develop biodiesel production from wood residue feedstock, in a joint venture with Södra, which can be used for transport segments and countries where combustion engines will remain for the next decades.
- Produce hydrogen from water electrolysis, to replace coal and gas in industrial processes and refineries, and for usage in heavy-duty transport replacing diesel.

One of the facilitated data centre sites in Skien Norway was recently acquired by Google. Statkraft will partner with Google to develop the basic infrastructure of the property.

Moreover, Statkraft is continuously screening new opportunities where the existing capabilities and portfolio can give a competitive advantage.

**Statkraft’s ambition for 2025**

Statkraft aspires to be a leading renewables company in 2025, with sustainable, ethical and safe operations. The aim is to be:

- The largest hydropower company in Europe and a significant player in South America and India
- A major wind and solar developer with 8 GW installed capacity
- A leading provider of market solutions for renewable energy
- Top three player in district heating in Norway and Sweden
- A developer of 1-2 new commercial and green business areas

**Investments**

Statkraft has an ambitious growth strategy within renewable energy. Towards 2025 Statkraft is planning to invest NOK 60-80 billion in renewable energy, while maintaining the current rating. The pace and total amount of investments in the strategic period will be dependent on market opportunities and market
development and will be adapted to Statkraft’s financial capacity and rating target. The investment programme has a large degree of flexibility and Statkraft will continue to be transparent and communicate with the market on investment plans and progress towards the strategic objectives.

Around two thirds of the investments until 2025 are planned in Europe, with more than a third of the European investments expected to take place in Norway. There will also be substantial growth in markets where Statkraft is already present, like South America and India.

The investment programme will be financed through retained earnings from existing operations and future operations, external financing and divestments of e.g. completed solar and wind projects.

### STRATEGIC TARGETS

The Board of Directors has set financial and non-financial targets for the Group. The main targets are listed in the table below. The performance related to several of the targets will be assessed over a longer time horizon.

<table>
<thead>
<tr>
<th>AMBITION</th>
<th>TARGET</th>
<th>STATUS 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSE and sustainability</td>
<td>Prevent incidents and be committed to a workplace without injury or harm</td>
<td>Zero serious injuries</td>
</tr>
<tr>
<td></td>
<td>Prevent corruption and unethical practices in all activities</td>
<td>Zero serious compliance incidents</td>
</tr>
<tr>
<td></td>
<td>Deliver climate-friendly, renewable power and taking responsible environmental measures</td>
<td>Zero serious environmental incidents</td>
</tr>
<tr>
<td>Financial performance</td>
<td>Deliver a solid return on capital</td>
<td>&gt;7% ROACE</td>
</tr>
<tr>
<td>Value creation in ongoing business</td>
<td>Efficient management of energy resources in the Nordic hydropower fleet</td>
<td>&gt;3.5% higher realised prices than the average spot price in the market</td>
</tr>
<tr>
<td>Growth</td>
<td>Grow capacity in renewable energy (hydro-, wind- and solar power)</td>
<td>9 GW growth by 2025</td>
</tr>
<tr>
<td>Organisational enablers</td>
<td>Develop diversity in background, competence and gender across the company</td>
<td>Long-term ambition of 40% women in top management positions</td>
</tr>
</tbody>
</table>

Caring for people is at the core of Statkraft’s activities and Statkraft works continuously towards the goal of zero injuries. There were no fatal accidents in 2019, but there were seven accidents with serious injuries. See section “Health and safety” in the sustainability chapter of the report for more information.

Statkraft has zero tolerance for corruption and unethical practices in all activities, and there were zero serious compliance incidents in 2019.

Assessing environmental risks is part of Statkraft’s daily risk management procedures and practices and there were no serious environmental incidents in 2019.

Statkraft aims to deliver a solid return on capital employed. In 2019, the ROACE was 16.3%, significantly above the target. See section “Return on investment” for more information.

With Europe’s largest portfolio of flexible hydropower plants and reservoir capacity, Statkraft is well positioned to achieve a higher average price for generation from the Nordic hydropower fleet than the average Nordic spot price. In 2019, Statkraft’s realised prices were 4.5% higher than the average spot price in the Nordics.

The strategy has a growth target of 9 GW by 2025. Statkraft is still at an early phase of the growth cycle, but is on track to reach the target.

Statkraft aims for a diverse workforce and has a long-term ambition of having at least 40% women in top management positions. At the end of 2019 the share was 27.5%, up from 23% at the end of 2018. See subsection “Labour practices” in the sustainability chapter of the report for more information.
The average system price in the Nordic region was 39 EUR/MWh, a decrease of 11% year-on-year and the average German spot price (base) was 37.7 EUR/MWh, a decrease of 15%.

**Power generation**

<table>
<thead>
<tr>
<th>Generation, technology</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydropower</td>
<td>53.4</td>
<td>57.2</td>
</tr>
<tr>
<td>Wind power</td>
<td>3.0</td>
<td>2.7</td>
</tr>
<tr>
<td>Gas power</td>
<td>4.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Other (biomass and solar power)</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Total generation</td>
<td>61.1</td>
<td>61.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Generation, geography</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>44.9</td>
<td>48.6</td>
</tr>
<tr>
<td>Sweden</td>
<td>6.2</td>
<td>6.0</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>5.6</td>
<td>2.8</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>4.4</td>
<td>4.3</td>
</tr>
<tr>
<td>Total generation</td>
<td>61.1</td>
<td>61.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Generation, revenue type</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net physical spot sales</td>
<td>36.6</td>
<td>37.3</td>
</tr>
<tr>
<td>Concessionary sales at statutory prices</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Long-term commercial contracts</td>
<td>21.2</td>
<td>21.1</td>
</tr>
<tr>
<td>Total generation</td>
<td>61.1</td>
<td>61.7</td>
</tr>
</tbody>
</table>

Total power generation was 61.1 TWh, a decrease of 1%. The decrease in Norwegian hydropower generation was offset by the increase in Norwegian wind power generation and gas-fired generation in Germany.
FINANCIAL PERFORMANCE

The Group’s underlying operating profit increased by 18%, mainly due to extraordinary good results from Market operations. The positive effect was partly offset by lower power prices.

Profit before tax was NOK 18,959 million and net profit ended at NOK 11,327 million. At the end of 2019, the Group’s equity was NOK 100,764 million, corresponding to 57% of total assets. Cash flow from operating activities was at a solid NOK 11,961 million.

In the following, the emphasis will be to present the result from the underlying operations for items up to and including the operating profit. All underlying items are alternative performance measures, see the chapter «Alternative Performance Measures» for purpose, definition and statement of all items. Elements from the statement of comprehensive income after the operating profit are analysed in accordance with the financial statements.

Net operating revenues and other income underlying

Statkraft’s revenues are generated through spot sales, contractual sales to the industry, market activities, grid activities and district heating. In addition, the Group delivers concessionary power. The fundamental basis for Statkraft’s revenues comprises of power prices, energy optimisation and generation. The generation revenues are optimised through financial power trading, and the Group engages in energy related trading activities.

Underlying net operating revenues and other income was 12% higher than in 2018.

The Market operations segment was the main contributor to the improvement, as most of its activities improved year-on-year. In
particular, trading, dynamic asset management, market access and origination achieved good improvements.

The International power segment had an increase in net operating revenues and other income due to new generation capacity in Brazil and a one-off effect related to a hydropower plant in Turkey.

The Group’s largest segment, European flexible generation, had 4% lower net operating revenues and other income, primarily due to lower Nordic hydropower generation and lower Nordic power prices. The picture was the same for the Industrial ownership segment.

For the other segments there were only minor changes compared with 2018.

Operating expenses underlying

In total, the Group’s underlying operating expenses increased by 5% year-on-year. The increase was primarily related to new businesses and business development costs in the segments International power and European wind and solar, as well as increased number of employees and higher performance-related accruals due to the extraordinary good results in the Market operations segment. This was partly offset by the effect of the deconsolidation of Fjordkraft in March 2018 for the segment Industrial ownership and lower Swedish property tax, which affected the European flexible generation segment in particular. In addition, changes in the Norwegian pension scheme had a positive effect on all segments.
Items excluded from the underlying operating profit

<table>
<thead>
<tr>
<th>Items excluded from the underlying operating profit</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealised value changes from energy derivatives</td>
<td>-801</td>
<td>-789</td>
</tr>
<tr>
<td>Gains/losses from divestments of business activities</td>
<td>55</td>
<td>1449</td>
</tr>
<tr>
<td>Impairments/reversal of impairments</td>
<td>136</td>
<td>-167</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>-610</td>
<td>493</td>
</tr>
</tbody>
</table>

The negative unrealised effect from energy derivatives excluded from the underlying operating profit was driven by changes in commodity prices linked to long-term industry contracts and a stronger NOK vs. EUR.

The gains from divestments of business activities excluded from the underlying operating profit were related to sale of a wind power project in Sweden.

Impairments and reversal of previous years’ impairments excluded from the underlying operating profit had a net positive effect of NOK 136 million. This was due to reversal of impairments related to gas-fired power assets in Germany, somewhat offset by impairments of hydropower assets in Chile and Nepal and wind assets in Sweden.

Financial items

<table>
<thead>
<tr>
<th>Financial items</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>440</td>
<td>404</td>
</tr>
<tr>
<td>Interests expenses</td>
<td>-669</td>
<td>-905</td>
</tr>
<tr>
<td>Net currency effects</td>
<td>132</td>
<td>-464</td>
</tr>
<tr>
<td>Other financial items</td>
<td>829</td>
<td>5 377</td>
</tr>
<tr>
<td>Net financial items</td>
<td>733</td>
<td>4 412</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net currency effects</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency hedging contracts and short term currency positions</td>
<td>-16</td>
<td>182</td>
</tr>
<tr>
<td>Debt in foreign currency</td>
<td>191</td>
<td>-542</td>
</tr>
<tr>
<td>Internal loans, joint ventures and associates</td>
<td>-42</td>
<td>-104</td>
</tr>
<tr>
<td>Net currency effects</td>
<td>132</td>
<td>-464</td>
</tr>
</tbody>
</table>

Interest expenses were lower, mainly due to lower interest rates and repayment of interest-bearing debt.

The net currency effects were relatively small in 2019. The positive effect was predominantly related to debt in foreign currency and was a result of a strengthening of NOK against EUR.

Other financial items were primarily related to gains from the sales of shares in BKK, a positive change in the fair value of the shareholding in Fjordkraft and effects from the step-up acquisition of Grønn Kontakt.

Tax expense

The recorded tax expense was NOK 7632 million (NOK 7258 million). The tax expense increase was mainly due to higher profit before tax subject to income tax. The profit before tax for 2018 included significant tax-free gains. The majority of Statkraft’s tax expense was related to Norway.

Income tax payable amounted to NOK 3249 million (NOK 3181 million). Resource rent tax payable amounted to NOK 3407 million (NOK 3678 million). The decrease in resource rent tax was mainly due to lower power prices and hydropower generation, partly offset by higher tax rate.

Cash flow

Cash flow from operating activities was NOK 11 961 million (NOK 15 286 million). The decrease was primarily due to higher taxes paid. The difference between underlying EBIT and cash flow from operating activities was mainly due to taxes paid and unrealised effects included in operating profit (EBIT), partly offset by depreciations and amortisations.

Cash flow from investing activities of NOK -4821 million was mainly related to investments in property, plant and equipment and acquisitions of shares, partly offset by cash inflow from divestments. Significant cash flows from divestments and repayment of loans from associated companies were included in the cash flow from investing activities in 2018.

Cash flow from financing activities amounted to NOK -15 039 million and was primarily related to dividend paid and repurchase and repayment of interest-bearing debt.

At the end of the year, cash and cash equivalents amounted to NOK 15 203 million (NOK 23 175 million).

Return on investments

Statkraft achieved a return on average capital employed (ROACE) of 16.3% in 2019. This was 1.6 percentage points higher than in 2018, and well above Statkraft’s target of minimum 7%. The improvement was primarily related to higher operating profit, mainly due to improved contribution from Market operations. The average capital employed was 6% higher than for 2018.

The return on average equity accounted investments (ROAE) was 9.5% (5.9%), which was above the target of minimum 7%. The improvement was primarily due to higher share of profit from BKK and Agder Energi.
The main objectives of the Group’s capital structure management are to maintain a reasonable balance between solidity, the ability to invest and to maintain a strong credit rating. When new external financing is considered, Statkraft seeks to ensure an evenly distributed repayment profile.

![Cash flow 2019](image)

At the end of 2019, net interest-bearing debt amounted to NOK 15,965 million (NOK 12,921 million), giving a net interest-bearing debt-equity ratio of 13.7%.

At the end of the year, Statkraft’s equity totalled NOK 100,764 million, compared with NOK 98,004 million at the start of the year. This corresponds to 57% of total assets (54%).

Statkraft invested NOK 7,421 million in 2019 (NOK 6,981 million), of which NOK 3,738 million were in new generating capacity. The largest investments in new capacity were related to the Fosen wind portfolio in Norway, the Moglice hydropower project in Albania and the Tidong hydropower project in India. Investments in shareholdings of NOK 972 million were mainly related to the acquisition of a Brazilian wind project portfolio, electrical vehicle charging companies and businesses within solar and wind. Maintenance investments and other investments were NOK 2,712 million, primarily in hydropower in the Nordic region.
SEGMENTS

Statkraft is organised in four business areas and two corporate staff areas. The business areas are Production, International power, European wind and solar and Markets and IT. The staff areas are Corporate staff and industrial ownership, and Chief Financial Officer. All business areas and staff areas are headed by an Executive Vice President. The Chief Executive Officer and the Executive Vice Presidents form the Corporate Management. See note 4 to the consolidated financial statements for further description of the business areas and staff units.

The Group’s reportable segments are in accordance with how the Chief Executive Officer makes, follows up and evaluates his 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 gas-fired power plants in Germany, the subsea cable Baltic Cable and the biomass power plants in Germany.

European Flexible Generation is by far the largest segment measured in terms of installed capacity, assets, net operating revenues and other income and results. The assets are mainly flexible with the majority of the capacity related to hydropower in Norway and Sweden.

Primarily the segment’s revenues stem from sales in the spot market and from long-term contracts, mainly with power intensive industries in Norway. The segment also delivers concessory power. The long-term contracts have a stabilising effect on the revenues and profit.

Multi-year reservoirs in Norway and the flexibility of the power plants enable optimisation of the power generation based on the hydrological situation and power prices. Norwegian hydropower is therefore optimised over longer time periods than one year. In order to mitigate risk in relation to uncertainty of future prices and generated volumes, Statkraft hedges generation revenues through physical bilateral contracts and financial power trading. The hedged percentage of generation varies with market development expectations and generation volumes.

The volume sold in the spot market may vary significantly between years, depending on the hydrological situation, e.g. inflow and reservoir filling, and generation optimisation decisions. The management of multi-year reservoirs and flexible power plants normally enables Statkraft to achieve a higher average price for the power generation than what other companies in the Nordics do. How effectively Statkraft manages the Nordic hydropower fleet is an important key performance indicator (KPI) for the Group, see section “Strategic targets” for information on the performance in 2019. The management of the Nordic hydropower fleet is further measured by supporting targets for availability and cost.

Availability is an important factor when optimising hydropower revenues. Statkraft measures whether its power plants are available to produce when it is most profitable to do so through a KPI. The most critical factor affecting the KPI, and that can be influenced, is how effectively plant maintenance and refurbishments are planned and executed. Inflow and market prices are important external factors affecting the results.

Production costs for the Nordic hydropower plants are relatively low in comparison with other types of power generation facilities. To ensure that Statkraft maintains its long-term competitiveness, Statkraft has an ambition to balance cost of operations for the fleet with ensuring availability, completing necessary reinvestments and continuously improving cost efficiency. For 2019 the cost per kWh was NOK 9.1 øre.

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.

Market Operations is Statkraft’s interface with markets where energy and energy-related products are traded. The segment is also responsible for developing new customer-oriented business models in Europe and in selected countries where Statkraft owns assets. The main activities of the segment are:

- Trading of standard financial contracts and structured products
- Origination, which includes customised agreements for industry and commerce
- Dynamic asset management by holding a varying amount of asset-backed positions to generate profit
- Provide market access for Statkraft’s own assets, as well as to external generators of renewable energy
- Exploring and developing new business models, primarily targeting customer solutions in the distributed energy market

During the past years, the business activities have increased and have led to a significant geographical expansion with presence in many European countries, Brazil, Chile, Peru, USA (California) and India. Statkraft has an ambition to be a leading provider of market solutions for renewable energy. To reach this ambition, Statkraft’s target is to grow profitable market access activities for third party generators and consumers, and build up the market access for flexibility in demand response and batteries by 2025. Furthermore, the ambition is to grow the customer business by substantially increasing the volumes in profitable renewable PPAs, sale of power, guarantees of origin and green power supply by 2025. Statkraft is on track to ramp up these activities.

International Power includes development, ownership and operations of renewable assets outside Western Europe.

International Power operates in growth markets with an increasing need for more energy. Statkraft is focusing on selected markets where the company can add value in a clear industrial role. Statkraft aims to expand the portfolio to include more wind and solar power, in addition to hydropower. Some of
the investments are made in collaboration with local partners or international investors.

The segment currently operates in Brazil, Peru, Chile, India, Nepal, Turkey and Albania.

The revenue stems from power sales, mainly on long-term contracts.

Important KPIs related to the financial performance are cost per kWh and market-adjusted availability.

**European Wind and Solar** includes Statkraft’s development, ownership and operation of wind and solar power in Europe. The segment has operations in Norway, Sweden, Ireland and United Kingdom. In addition the segment has development activities in several countries in Europe.

The revenues come from power sales and support schemes.

Important KPIs related to the financial performance are cost per kWh and market-adjusted availability.

**District Heating** includes Statkraft’s development and operation of district heating plants in Norway and Sweden.

The revenues stems primarily from the sale of heating and cooling to customers, as well as waste handling. Generally, the revenues are influenced by power prices, waste prices, grid tariffs and taxes. Waste, biomass, bio oil, electricity and gas constitute the energy sources in the production of district heating.

**Industrial Ownership** includes management and development of Norwegian shareholdings within the Group’s core business and includes the shareholdings in Skagerak Energi, BKK and Agder Energi. Skagerak Energi is included in the consolidated financial statements, while the other companies are reported as equity accounted investments.

Skagerak Energi’s revenues primarily come from power generation, distribution grid and district heating.

In addition the group reports:

**Other activities**, which includes cost related to governance of the Group, new business within biomass and electric vehicle charging as well as venture capital investments. Unallocated assets are also reported as Other activities.

**Group items**, which include eliminations.

### European Flexible Generation

<table>
<thead>
<tr>
<th>Key figures</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross operating revenues and other income</td>
<td>21 368</td>
<td>21 602</td>
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<tr>
<td>Net operating revenues and other income</td>
<td>18 028</td>
<td>18 765</td>
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<tr>
<td>Operating expenses</td>
<td>-5 780</td>
<td>-5 822</td>
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<tr>
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<td>12 943</td>
</tr>
<tr>
<td>Unrealised value changes from energy derivatives</td>
<td>-801</td>
<td>-333</td>
</tr>
<tr>
<td>Gains/losses from divestments of business activities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairments/reversal of impairments</td>
<td>1 035</td>
<td>-</td>
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<tr>
<td>Operating profit (EBIT) IFRS</td>
<td>12 482</td>
<td>12 610</td>
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<tr>
<td>Share of profit/loss in equity accounted investments</td>
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<tr>
<td>ROACE (%)</td>
<td>21.7</td>
<td>23.3</td>
</tr>
<tr>
<td>ROAE (%)</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
<td>Maintenance investments and other investments</td>
<td>1 532</td>
<td>1 185</td>
</tr>
<tr>
<td>Investments in new capacity</td>
<td>194</td>
<td>67</td>
</tr>
<tr>
<td>Investments in shareholdings</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Generation (TWh)</td>
<td>48.7</td>
<td>48.9</td>
</tr>
</tbody>
</table>

The segment’s total generation was slightly lower than in 2018. 43.6 TWh of the generation was from the Nordic hydropower plants (46.8 TWh). 28.5 TWh, 59% of total generation, was sold in the spot market, while the contracted volume was 17.3 TWh. The remaining volume was concessionary sales sold at statutory prices. The generation from gas-fired assets increased significantly in 2019 and ended at 4.5 TWh (1.5 TWh).

### Important events in 2019

- Statkraft entered into new long-term power contracts in Norway with Alcoa Norway, Borregaard and Wacker Chemicals Norway.
- Improved outlook for future gas to power margin led to a reversal of previous years’ impairments for gas-fired power plants in Germany of NOK 1035 million.

### Financial performance

The decrease in net operating income was mainly due to lower Nordic power prices and reduced hydropower generation in the Nordics. This was partly offset by higher revenues from gas-fired power plants.

Operating expenses were lower, primarily due to changes in the Norwegian pension scheme and lower property tax in Sweden driven by a lower tax rate.

The lower EBIT was reflected in the return on average capital employed (ROACE). The average capital employed was on the same level as year-end 2018.

The investments were primarily related to maintenance of Nordic hydropower assets.
Market Operations

Key figures

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOK mill.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross operating revenues and other income</td>
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<td>27,007</td>
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<tr>
<td>Net operating revenues and other income</td>
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<tr>
<td>Operating expenses</td>
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<td>-1,155</td>
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<tr>
<td>Operating profit (EBIT) underlying</td>
<td>3,027</td>
<td>-321</td>
</tr>
<tr>
<td>Unrealised value changes from energy derivatives</td>
<td>-</td>
<td>-456</td>
</tr>
<tr>
<td>Gains/losses from divestments of business activities</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>Impairments/reversal of impairments</td>
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<td>-</td>
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<tr>
<td>Operating profit (EBIT) IFRS</td>
<td>3,027</td>
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<td>Share of profit/loss in equity accounted investments</td>
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<tr>
<td>ROAE (%)</td>
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<td>ROACE (%)</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
<td>Maintenance investments and other investments</td>
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<td>10</td>
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<td>Investments in new capacity</td>
<td>2</td>
<td>24</td>
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<tr>
<td>Investments in shareholdings</td>
<td>-</td>
<td>39</td>
</tr>
<tr>
<td>Generation (TWh)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Important events in 2019

- Extraordinary good results from trading.
- Opening of office in Madrid and substantial growth in upstream and downstream PPA portfolio in Spain.
- 1000 MW virtual power plant in UK integrates renewable power, storage and flexibility assets and delivers balancing power to the UK grid.
- First subsidy-free solar PPA in Germany. The 12-year PPA has a total volume of around 600 GWh (installed capacity of 52 MWp).
- First 100%, as consumed, green power delivery PPA from wind, solar and hydropower in industrial scale to Daimler in Germany.
- First 10-year financial corporate PPA with Polish subsidiary of global steel market leader.

Financial performance

The significant decrease in gross operating revenues and other income is related to the transition to IFRS 16 from 1 January 2019, when certain contracts that were previously presented gross on sales revenues and energy purchase changed to net presentation on sales revenues. In 2018 Statkraft recognised sales revenues of approximately NOK 9 billion from these power purchase agreements. The comparable figures have not been restated.

Most of the segments main activities improved compared with 2018. The major contributors to the underlying EBIT were trading, dynamic asset management and market access. Origination, which had a negative contribution in 2018, also made significant improvement.

The operating expenses increased, primarily due to new employees and higher performance-related accruals due to extraordinary good results.

The return on average capital employed (ROACE) is volatile due to large fluctuations in the underlying EBIT and inventory. The average capital employed was on the same level as year-end 2018.

International Power

Key figures

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOK mill.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross operating revenues and other income</td>
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<td>2,641</td>
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<tr>
<td>Net operating revenues and other income</td>
<td>2,702</td>
<td>2,244</td>
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<tr>
<td>Operating expenses</td>
<td>-1,946</td>
<td>-1,613</td>
</tr>
<tr>
<td>Operating profit (EBIT) underlying</td>
<td>756</td>
<td>631</td>
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<tr>
<td>Unrealised value changes from energy derivatives</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Gains/losses from divestments of business activities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairments/reversal of impairments</td>
<td>-564</td>
<td>-160</td>
</tr>
<tr>
<td>Operating profit (EBIT) IFRS</td>
<td>192</td>
<td>471</td>
</tr>
<tr>
<td>Share of profit/loss in equity accounted investments</td>
<td>86</td>
<td>143</td>
</tr>
<tr>
<td>ROAE (%)</td>
<td>3.1</td>
<td>2.9</td>
</tr>
<tr>
<td>ROACE (%)</td>
<td>-3.2</td>
<td>7.8</td>
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<tr>
<td>Maintenance investments and other investments</td>
<td>214</td>
<td>155</td>
</tr>
<tr>
<td>Investments in new capacity</td>
<td>808</td>
<td>894</td>
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<tr>
<td>Investments in shareholdings</td>
<td>349</td>
<td>1,345</td>
</tr>
<tr>
<td>Generation (TWh)</td>
<td>4.9</td>
<td>4.9</td>
</tr>
</tbody>
</table>

The segment’s total generation was on par with 2018. The contracted volume was 3.9 TWh, 79% of total volume. The remaining volume was sold in the spot market. New capacity in Brazil resulted in 0.2 TWh higher generation in that market. This was offset by lower generation in Albania and Chile due to dry hydrology.

Important events in 2019

- Final investment decision was made for project Los Lagos in Chile. Estimated project cost is NOK 1.6 billion.
- Acquired wind projects in Chile (102 MW) and Brazil (664 MW). Subsequent to the acquisition, Statkraft successfully participated in an auction in Brazil selling 376 MW on long-term power sales contracts, mainly from the acquired projects.
- Reduced long-term price expectations led to impairments of NOK 255 million for hydropower assets in Chile.
- Revised assumptions related to future control of the subsidiary Himal Power Ltd in Nepal indicated that the company will not qualify for continued consolidation. This led to an impairment of NOK 254 million.
- An impairment of NOK 115 million (Statkraft’s share) was recognised in a joint venture in India. This was related to hydropower assets and was a result of reduced long-term price expectations.

Financial performance

The net operating revenues and other income increased due to new capacity in Brazil and an insurance settlement related to a tunnel collapse at the Kargi hydropower plant in Turkey.

Operating expenses increased, primarily due to new businesses in Brazil and India and business development costs in line with the growth strategy.
The decrease in share of profit/loss in equity accounted investments was mainly due to impairment in India and negative effects in joint ventures in Chile.

The increase in the return on average capital employed (ROACE) was primarily due to a higher underlying EBIT. The capital employed is relatively high mainly due to newly built and acquired assets leading to high carrying values.

The return on average equity accounted investments (ROAE) was negative in 2019 as a result of the negative share of profit following an impairment.

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

**European Wind and Solar**

**Key figures**

<table>
<thead>
<tr>
<th>NOK mill.</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross operating revenues and other income</td>
<td>1 388</td>
<td>1 367</td>
</tr>
<tr>
<td>Net operating revenues and other income</td>
<td>1 330</td>
<td>1 320</td>
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<tr>
<td>Operating expenses</td>
<td>-1 103</td>
<td>-891</td>
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<tr>
<td>Operating profit (EBIT) underlying</td>
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<td>429</td>
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<tr>
<td>Unrealised value changes from energy derivatives</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gains/losses from divestments of business activities</td>
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<td>1</td>
</tr>
<tr>
<td>Impairments/reversal of impairments</td>
<td>-333</td>
<td>-</td>
</tr>
<tr>
<td>Operating profit (EBIT) IFRS</td>
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<td>431</td>
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<tr>
<td>Share of profit/loss in equity accounted investments</td>
<td>12</td>
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<tr>
<td>ROACE (%)</td>
<td>2.6</td>
<td>6.3</td>
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<tr>
<td>ROAE (%)</td>
<td>1.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Maintenance investments and other investments</td>
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<td>4</td>
</tr>
<tr>
<td>Investments in new capacity</td>
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<td>1 623</td>
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<tr>
<td>Investments in shareholdings</td>
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<td>381</td>
</tr>
<tr>
<td>Generation (TWh)</td>
<td>2.6</td>
<td>2.2</td>
</tr>
</tbody>
</table>

The increase in generation year-on-year was primarily related to new capacity in Norway. 44% of the generation was from Norwegian wind farms and 52% from Swedish wind farms. The rest was from a wind farm in the UK.

**Important events in 2019**

- The wind farms Storheia and Hitra 2 in Norway came into full production. The combined installed capacity is 382 MW.
- The two wind farms are part of the Fosen portfolio which is now approximately 60% completed.
- Completed the Kilathmoy wind farm (23 MW) and battery project in Ireland.
- Acquired a 326 MW portfolio of solar projects in Ireland.
- Acquired a project development company within wind power in the UK.
- Entered into a put and call option agreement to divest 100% of the Windy Rig and Twentyshilliong wind farms once they enter commercial operation.
- The growth in generation capacity in the Nordic region is expected to lead to decreased revenues for certain assets.

This led to impairments of NOK 333 million for Swedish wind power assets.

**Financial performance**

Net operating revenues and other income was on par with 2018. Higher generation was offset by lower power and el-cert prices.

Operating expenses increased due to new employees and higher business development costs in line with the growth strategy.

The decrease in return on average capital employed (ROACE) was due to both a lower EBIT and a higher average capital employed. The capital employed is relatively high mainly due to newly built and acquired assets leading to high carrying values. The increase in average capital employed was primarily due to wind power investments in Norway.

The return on average equity accounted investments (ROAE) decreased because of lower share of profit due to lower generation and power prices. In 2018, the divested Dudgeon offshore wind farm was included for part of the year.

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

**District Heating**

**Key figures**

<table>
<thead>
<tr>
<th>NOK mill.</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross operating revenues and other income</td>
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<td>908</td>
</tr>
<tr>
<td>Net operating revenues and other income</td>
<td>653</td>
<td>650</td>
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<tr>
<td>Operating expenses</td>
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<tr>
<td>Operating profit (EBIT) underlying</td>
<td>216</td>
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<td>Unrealised value changes from energy derivatives</td>
<td>-</td>
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<td>Gains/losses from divestments of business activities</td>
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<td>Impairments/reversal of impairments</td>
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<td>-7</td>
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<tr>
<td>Operating profit (EBIT) IFRS</td>
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</tr>
<tr>
<td>Share of profit/loss in equity accounted investments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ROACE (%)</td>
<td>6.2</td>
<td>5.9</td>
</tr>
<tr>
<td>ROAE (%)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Maintenance investments and other investments</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Investments in new capacity</td>
<td>168</td>
<td>134</td>
</tr>
<tr>
<td>Investments in shareholdings</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Delivered volume (TWh)</td>
<td>1.0</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Delivered heating volume was on par with 2018. 81% of the volume was delivered in Norway, the remaining volume in Sweden.

**Financial performance**

Net operating revenues and other income was stable year-on-year.

Operating expenses were slightly lower, primarily related to less purchase of external services.

The stable EBIT was reflected in the return on average capital employed (ROACE), which increased slightly year-on-year. The ROACE was mainly driven by district heating activities in Trondheim. The average capital employed was stable compared
with 2018.

The investments were primarily related to pipelines in Norway.

**Industrial Ownership**

**Key figures**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross operating revenues and other income</td>
<td>3 408</td>
<td>4 631</td>
</tr>
<tr>
<td>Net operating revenues and other income</td>
<td>3 159</td>
<td>3 284</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>-1 506</td>
<td>-1 817</td>
</tr>
<tr>
<td>Operating profit (EBIT) underlying</td>
<td>1 653</td>
<td>1 467</td>
</tr>
<tr>
<td>Unrealised value changes from energy derivatives</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gains/losses from divestments of business activities</td>
<td>-</td>
<td>1 432</td>
</tr>
<tr>
<td>Impairments/reversal of impairments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating profit (EBIT) IFRS</td>
<td>1 653</td>
<td>2 899</td>
</tr>
<tr>
<td>Share of profit/loss in equity accounted investments</td>
<td>1 396</td>
<td>635</td>
</tr>
<tr>
<td>ROACE (%)</td>
<td>10.8</td>
<td>10.1</td>
</tr>
<tr>
<td>ROAE (%)</td>
<td>14.7</td>
<td>6.1</td>
</tr>
<tr>
<td>Maintenance investments and other investments</td>
<td>603</td>
<td>663</td>
</tr>
<tr>
<td>Investments in new capacity</td>
<td>351</td>
<td>309</td>
</tr>
<tr>
<td>Investments in shareholdings</td>
<td>53</td>
<td>-</td>
</tr>
<tr>
<td>Generation (TWh)</td>
<td>4.9</td>
<td>5.7</td>
</tr>
</tbody>
</table>

The consolidated hydropower generation was 14% lower than in 2018. 91% of the volume was sold in the spot market. The remaining volume was concessionary sales sold at statutory prices.

**Important events in 2019**

- Skagerak Energi and BKK divested part of their shareholdings in Fjordkraft.
- Skagerak Energi acquired the shares in Hjartdal Elverk.
- BKK acquired 4.41% of their own shares from Statkraft. The ownership in BKK subsequent of the sale is 43.44%.
- BKK and Sunnfjord Energi merged.
- BKK completed and put the new 420 kV powerline Modalen-Mongstad into operation and divested the powerline to Statnett upon completion.

**Financial performance**

Net operating revenues and other income decreased, primarily due to lower power prices and generation.

Operating expenses decreased, mainly related to pension scheme changes in Norway and the deconsolidation of Fjordkraft in March 2018.

The share of profit/loss in equity accounted investments from both BKK and Agder Energi increased year-on-year. The increase from BKK was driven by significant one-off effects, while the increase from Agder Energi was driven by positive effects from unrealised value changes in energy and interest contracts.

The increase in the return on average capital employed (ROACE) was due to the higher underlying EBIT. The average capital employed increased slightly year-on-year.

The return on average equity accounted investments (ROAE) increased due to improved performance from BKK and Agder Energi.

The investments were primarily related to maintenance and new capacity investments within grid activities in Skagerak Energi.

**Other Activities**

**Key figures**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross operating revenues and other income</td>
<td>1 252</td>
<td>1 011</td>
</tr>
<tr>
<td>Net operating revenues and other income</td>
<td>1 252</td>
<td>1 011</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>-1 778</td>
<td>-1 556</td>
</tr>
<tr>
<td>Operating profit (EBIT) underlying</td>
<td>-526</td>
<td>-545</td>
</tr>
<tr>
<td>Unrealised value changes from energy derivatives</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gains/losses from divestments of business activities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairments/reversal of impairments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating profit (EBIT) IFRS</td>
<td>-526</td>
<td>-545</td>
</tr>
<tr>
<td>Share of profit/loss in equity accounted investments</td>
<td>-50</td>
<td>-20</td>
</tr>
<tr>
<td>ROACE (%)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>ROAE (%)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Maintenance investments and other investments</td>
<td>54</td>
<td>40</td>
</tr>
<tr>
<td>Investments in new capacity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments in shareholdings</td>
<td>381</td>
<td>97</td>
</tr>
<tr>
<td>Generation (TWh)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

**Important events in 2019**

- Acquired 47.5% of the shares in the electric vehicle charging company Grønn Kontakt from Agder Energi. At year-end Statkraft owned 95.72% of the shares.
- Acquired shares in the German EV charging companies E-WALD and eeMobility.
- Divested a data centre project in Norway.

**Financial performance**

The group’s increased activity level is in line with the growth strategy and is reflected in the financial figures for Other activities.
PROFIT ALLOCATION

The parent company Statkraft AS had a net profit of NOK 9105 million in 2019.

Statkraft AS is fully owned by Statkraft SF. The Board of Directors of Statkraft SF proposes a dividend of NOK 6454 million to its owner. In order to provide Statkraft SF with sufficient ability to disburse dividend, the Board of Directors of Statkraft AS proposes the following allocation of the annual profit in Statkraft AS:

### Profit Allocation

<table>
<thead>
<tr>
<th>Amounts in NOK mill.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net annual profit in Statkraft AS’ company accounts</td>
<td>9 105</td>
</tr>
<tr>
<td>Appropriation of profit for the year and equity transfers:</td>
<td></td>
</tr>
<tr>
<td>Allocated dividend from Statkraft AS to Statkraft SF</td>
<td>6 362</td>
</tr>
<tr>
<td>Allocated to other equity</td>
<td>2 743</td>
</tr>
</tbody>
</table>

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

GOING CONCERN

In accordance with the Norwegian Accounting Act, the Board of Directors confirms that the annual financial statements have been prepared on the assumption that the company is a going concern, and that it is appropriate to assume this.

RESEARCH AND DEVELOPMENT (R&D)

The ambition for Statkraft's R&D efforts is to strengthen the Group's competitive advantages.

**Revised R&D strategy 2019-2025 – broadened scope and extended horizon**

In 2019 the R&D strategy has been revised and broadened in accordance with the direction set in Statkraft's corporate strategy. The R&D strategy will now support the breadth of Statkraft's growth and business opportunities globally, whilst earlier being concentrated mainly on hydropower issues. The R&D activities will provide knowledge and solutions for ongoing operations as well as for new business development.

Concerning hydropower, the R&D activities will support optimised operation and maintenance and increased flexibility. Contributing with fact-based knowledge within regulatory and framework conditions is also high on the agenda. In addition, Statkraft explores step change market models, adapting to a future marked by developing more robust, flexible and scalable models. In the Nordic countries, Statkraft is a leading force within hydropower R&D, especially through our strong involvement and contributions to the Norwegian research centre HydroCen.

For Statkraft to remain a competitive developer within wind and solar, R&D is needed to steadily decrease the cost of energy. As part of this, the company aims at being an innovator on new business models. R&D will contribute in growing the customer-oriented business, amongst other by enabling new and automated solutions within trading and origination. R&D will play a vital role in understanding the future energy landscape, including how climate effects will impact operations and markets across all technologies. In this landscape, social science research is becoming more important. Hence, we seek new knowledge on customer and society’s behaviour to improve our understanding on challenges in the interface between the society and Statkraft.

The new R&D strategy has identified several areas where R&D will provide major contributions towards development of new business initiatives. Battery and hydrogen hybrids for heavy land and sea transport, e-ammonia for marine transport and mobile energy solutions (fuel cells) for use within zero-emission sites are all areas with large business potential and unsolved challenges.

**R&D in Statkraft**

By participating in R&D projects both on the Norwegian, European and international arena, Statkraft intend to strengthen its position as a leading player in renewable energy.

The mode of operation is to pursue clear business cases owned by the business line, preferably through joint industry and research institution projects. Statkraft encourages open discussions and cooperation on our core technologies and pursues competitive advantages through optimal use of the knowledge. We normally aim for a leading role in governing these joint projects. The majority of Statkraft’s R&D activity is coordinated and financed through the internal Corporate R&D program. As of today, the program portfolio consists of approximately 40 projects.

**Added value of the R&D activity**

An evaluation of previous R&D portfolio has indicated an average value creation of five times the research effort.

In 2019 Statkraft has amongst other entered the EU-project Hydropower Europe with aim to develop a research and innovation agenda as well as a technology roadmap for the hydropower sector in Europe. Concerning digitalization in wind operations, new solutions for data collection and transfer have been developed and tested successfully the past year. Further, Statkraft’s modular and flexible hydrologic forecasting toolbox for operational environments, ShyFT (Statkraft’s Hydrologic Forecasting Toolbox), has shown operability and delivers forecasts three times daily in the Nordic countries. ShyFT is now set up for four fields in Peru and 150 fields in Brazil. Estimated net value of ShyFT in Nordic energy management is NOK 10-30 million/year and NOK 10-50 million/year for South America.

**RISK MANAGEMENT**

Statkraft is exposed to risks throughout the value chain. The most important risks are related to HSSE, market prices, financial risk, construction projects and operating activities as well as framework conditions. Growth and increased international presence as well
as fundamental changes in the energy sector emphasise the importance of risk management.

Risk management is an integrated part of Statkraft’s governance model. The Group has a risk-based approach to target setting, prioritisations and follow-up of the business and staff areas. The day to day risk management is a line responsibility. The Group’s overall risks are reviewed and followed up by the Corporate Management and are reported to the Board of Directors. Statkraft performs an independent quality assessment prior to investments, sales and acquisitions.

Operational risk
All processes throughout the value chain are exposed to operational risk. The operational risk is highest within implementation of our investment projects, operation and maintenance activities and market operations. This may result in:

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

Statkraft’s first priority is to act in a sustainable, ethical and socially responsible manner and to comply with all applicable legal requirements wherever the company operates. Statkraft has high attention on executing development activities and operations in a responsible manner and to prevent loss. A sound business culture is the foundation of continuously improving a robust system of prevention and control. Ensuring that business development activities are in accordance with international standards has high priority.

Operational risk is managed through procedures and controls of activities and processes, by design of technical solutions, competence development and in various types of contingency plans. Furthermore, Statkraft has a comprehensive system for registering and reporting risks, hazardous conditions, undesirable incidents, damages and injuries. Such cases are continuously analysed in order to prevent and limit any negative consequences, and to ensure that we can follow up causes and implement the necessary measures.

The cyber risk is increasing worldwide. Statkraft’s infrastructure and applications are exposed to external attacks. Procedures, competencies and systems are continuously improved to strengthen the robustness against such incidents.

All projects in Statkraft carry out systematic risk assessments. Larger investments have allocated a risk-based project contingency and reserve. Implementing risk management in the early stages of business and project development is an important success factor.

The possible financial consequences of the total operational risk, as well as significant individual risks, are key drivers to the Group’s overall risk profile. Statkraft has insurance coverage for all significant cases of operational damages or injuries, partly through the Group’s own captive insurance company Statkraft Forsikring AS.

Additional information about operational risk is presented in the sustainability chapter later in the report.

Market risk
Statkraft is exposed to significant market risk in power generation and trading:

- Both power prices and generation volumes are impacted by weather conditions, consumption and transmission conditions in the energy markets.
- Power prices are also affected by fuel prices such as gas, coal and oil, in addition to the price of carbon emission quotas, support schemes, demand growth and the introduction of new technologies.

Statkraft manages market risk in the energy markets by trading physical and financial instruments in multiple markets, as well as entering into bilateral long-term power contracts. Increased integration of the energy markets is having a significant impact on business models and risk management. Consequently, Statkraft places significant emphasis on identifying the relationships between the various markets. The Group’s hedging strategies are regulated by defined limits on the positions’ volume and value, and by criteria for evaluating new contracts against expected revenues and downside risk. The portfolio is constantly adjusted in relation to updated perceptions of future prices and the company’s own generation capacity.

Statkraft’s activities in energy trading and services consist of both trading with standard products on energy exchanges and sale of services or products adapted to the individual customer. Risk is handled through mandates covering energy products, geographical areas and duration. A risk management function ensures objectivity in the assessment and handling of risk.

See notes 7 and 8 to the consolidated financial statements for further information about market risk.

Financial risk
Financial risk associated with foreign currencies, interest rates, liquidity and funding are coordinated and managed centrally at group level.

Currency and interest rate risk are regulated by means of mandates and managed by using hedging instruments such as forward contracts, swaps and debt in foreign currency.

The objective of Statkraft’s currency hedging is to secure the Norwegian kroner value of future cash flows exposed to foreign exchange risk. Hedging of foreign currency risk is primarily done by allocating appropriate volumes of foreign currency debt and derivatives to the relevant cash flows. The foreign exchange risk is subject to continuous assessment and treated in accordance with the Group Treasury strategy. The group is exposed to currency risk through operational cash flow in foreign currency and
investments, capital expenditures and divestments in foreign currencies.

Statkraft’s interest rate exposure is related to its debt portfolio and managed based on a balance between keeping interest cost low over time and contributing to stabilise the group’s cash flows.

The liquidity risk in Statkraft is related to having insufficient funds to meet the Group’s financial commitments in a timely manner. The liquidity risk is managed through cash flow forecasting, committed credit facilities, access to several funding sources/markets, ensuring evenly distributed debt maturity profile and maintaining a sufficient liquidity buffer.

Statkraft is exposed to credit and counterparty risk through energy trading, long-term contracts and investment of surplus liquidity. The credit quality of all counterparties is evaluated before contracts are signed, and exposure vis-à-vis individual counterparties are limited by mandates based on their credit quality. Credit and counterparty risk in the energy markets and exposure in connection with the issued mandates, are followed up by independent middle-office functions and regularly reported to management in the business area. A summary is reported annually to the Corporate Management and the Board of Directors.

See note 9 to the consolidated financial statements for further information about credit and liquidity risk.

**Regulatory and country risk**

Statkraft's activities in Norway are influenced by framework conditions such as taxes, fees, terms for concession, grid regulations and requirements stipulated by the Norwegian Water Resources and Energy Directorate (NVE). Statkraft puts substantial efforts into the understanding of environmental regulations and climate change. The risk of flexibility loss due to stricter regulations for hydropower generation, the cumulative effect for the Norwegian society and value of flood-damping capabilities are being analysed. In addition, there are general terms and conditions stipulated for the energy industry that must be adhered to. These framework conditions may affect Statkraft's generation, costs and revenues.

The framework conditions in the individual countries in Europe are the result of international processes that will be important for Norwegian and other European power plants. With its international presence, Statkraft is also directly exposed to different national framework conditions, tax levels, licence terms and public regulations. Statkraft therefore emphasises the uncertainty in the future development of these factors at investment decision. Possible changes in the political landscape are considered and maintaining an open dialogue with decision-makers in relevant arenas is of a high priority.

Statkraft is exposed to significant country risk, especially in emerging markets. A common risk assessment process has been implemented across the business areas to ensure a comprehensive and proactive management of business risk in these countries. The risk assessment of the activity in each country covers political and regulatory aspects, social development, security, compliance, tax regime and corporate legislation. The exposure to corruption risk is high in several of these countries. Statkraft has developed standards and implemented a system to ensure compliance in all activities and has zero tolerance for corruption.

**CORPORATE GOVERNANCE**

Statkraft adheres to the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company’s organisation and ownership. Statkraft follows the Norwegian state’s principles for sound corporate governance, described in the White Paper, Meld. St. 8 (2019-2020) “Statens direkte eierskap i selskaper – Bærekraftig verdiskaping” (“The state’s direct ownership of companies – sustainable value creation”) and is subject to reporting requirements relating to corporate governance according to Section 3-3b of the Accounting Act.

See separate chapter later in the report for more information about corporate governance, including corporate audit, internal control of financial reporting and the work of the Board of Directors.
OUTLOOK

The power surplus in the Nordics is expected to increase in the coming years. Demand growth from the transport sector, industry and data centres will be more than offset by an even larger growth in wind power.

Statkraft has Europe’s largest portfolio of flexible hydropower plants and reservoir capacity. The operations of the assets are continuously 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 2019, Statkraft successfully replaced some of the long-term industry contracts that will expire in the next couple of years and will continue to offer new contracts to maintain its position as a competitive supplier to the industry in Norway.

Strong underlying operations and successful divestments over the last years, have provided Statkraft with a solid financial foundation to deliver on the growth strategy.

Statkraft’s ambition is to maintain the position as the largest generator of renewable energy in Europe and also to grow significantly in South America and India. The target is to optimise and further grow the hydropower portfolio and to develop 8000 MW of onshore wind and solar power by 2025. Furthermore, Statkraft aims to increase the market activities, grow the district heating business and develop new businesses with international potential. To achieve these growth targets, Statkraft is planning to invest NOK 60 - 80 billion in renewable energy towards 2025. The investments will be financed through retained earnings from existing operations, external financing and divestments. The investment programme has a large degree of flexibility and will be adapted to market opportunities, the company’s financial capacity and commitment to the existing rating target.

Statkraft’s commitment to act in a safe, ethical and socially responsible manner will continue to be a foundation for all activities.
Statkraft is committed to responsible business practices and to combat climate change.
Sustainability

SUSTAINABILITY MANAGEMENT

Our approach to sustainability
Statkraft is committed to responsible business practices and to combat climate change. We do business globally, and our vision is to provide pure energy. The majority of the power we produce is through hydro, wind and solar. Statkraft’s business strategy is based on the premise of safe, ethical and responsible operations.

Our approach to sustainability is continuously evolving, along with our business strategy and international developments. Statkraft is guided by international frameworks, such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. For new business activities, the IFC Performance Standards on Environmental and Social Sustainability are taken into consideration.

Statkraft is a member of the UN Global Compact and is committed to its ten principles on human rights, labour rights, environment and anti-corruption. This chapter constitutes Statkraft’s progress report for 2019.

Recognising the important role that business can play in realising the UN Sustainable Development Goals (SDGs), Statkraft has a particular focus on Goal 7: Affordable and Clean Energy and Goal 13: Climate Action. We are currently reassessing all the goals, aiming to further strengthen our ambitions in 2020.

Overall our business activities have a positive impact, but may also at times have a negative impact on people, communities and nature. Renewable energy is critical for reducing global CO₂ emissions. At the same time, our operations can impact e.g. on biodiversity, use of land and interests related to outdoor activities. We seek to understand and manage such dilemmas by taking a risk-based approach, carefully weighing different concerns, and implementing mitigating activities.

Governance
Statkraft’s fundamental principles for responsible behaviour are described in our Code of Conduct which is approved by the Board of Directors. The Code applies to all companies in the Statkraft Group and all individuals who work for them. Our business partners are expected to adhere to standards consistent with Statkraft’s Supplier Code of Conduct.

Statkraft’s management system sets ambitions, direction and more detailed requirements. The system is regularly reviewed to tailor it to new expectations and challenges. Sustainability requirements and guidance are included in key activities, including acquisition and construction projects.

There is also a system for registration and follow-up of non-compliance with external and internal requirements. The system facilitates handling of cases, analysis of incidents, identification of improvements, and subsequent learning across the group.

Statkraft’s Key Performance Indicators (KPIs) include sustainability aspects, such as health and safety, environment and business ethics. Group KPIs are regularly reviewed by Corporate Management and the Board of Directors. Sustainability topics are also included in Corporate Audit’s annual plan and work.

Sustainability reporting
Statkraft’s sustainability reporting is based on the Global Reporting Initiative Standards (GRI-core option). Our materiality analysis identifies the sustainability topics that are most material and these are covered in this report:

- Safety and safeguarding of people
- Human rights
- Water management
- Biodiversity
- Climate change mitigation, adaptation and preparedness
- Business ethics and anti-corruption

Sustainability figures are collected from companies where Statkraft is the majority owner and are included in the Sustainability Statement.

Statkraft has engaged Deloitte AS to provide a limited level of assurance of this report.

Stakeholder dialogue
Statkraft aims to have an open dialogue on sustainability issues with stakeholders impacted by our activities. Important stakeholders in these conversations include government officials, local and regional authorities, local communities, employees, customers, suppliers, research institutions, non-governmental organisations, voluntary organisations and the media.

Stakeholder dialogue forms part of daily operations, ranging from regular stakeholder interaction at our project sites, through to participation in sustainability forums like the UN Global Compact local networks.

Responsible supply chain management
The basis for Statkraft’s responsible supply chain approach is our Supplier Code of Conduct, which covers health and safety,
environment and climate, human rights, labour rights, and business ethics. Suppliers are expected to meet these requirements throughout their relationship with Statkraft. Suppliers are informed about the Supplier Code of Conduct during the procurement process, and it forms part of all contracts.

Statkraft has a wide variety of suppliers ranging from large international companies to smaller, local suppliers in different industry categories. In order to manage the most important risks in the supply chain, Statkraft has adopted a risk-based approach to pre-qualification and contracting with suppliers. Thresholds are set both globally and locally in order to concentrate the effort where the risks in the supply chain are the highest. The main objective is to ensure that only companies which meet Statkraft’s standards become suppliers. During 2019, approximately 500 potential suppliers were risk assessed, and approximately 330 of them had individual follow up.

In cooperation with industry peers, Statkraft performs audits of 60-70 suppliers per year in order to verify supplier information and collaboratively drive improvement in supplier compliance. In 2019, 30 of these audits were performed on Statkraft’s direct suppliers. In addition, project specific audits and integrity due diligence reviews are carried out.

In 2019, Statkraft executed a project to improve the way Statkraft works with sustainability in the supply chain. The project evaluated Statkraft’s overall approach to ensure consistency in the way Statkraft works across geographies and functions, as well as to ensure continuous improvement. Further updates to our approach will be implemented in 2020.

**Reporting of concerns**

Reports can be made through various channels such as email, phone, or via a dedicated whistleblowing channel which has a built-in function safeguarding the anonymity of the reporter. The whistleblowing channel is also available to external users via Statkraft’s website. In 2019, a total number of 60 concerns were reported, of which 26 were reported through the whistleblowing channel. The concerns mainly related to human resources, conflict of interest, corruption and other business ethics areas.

The reported concerns are assessed based on the evaluation of the nature and severity of the case and followed up according to established procedures. Some reported concerns are closed after an initial evaluation by Corporate Audit, and some are followed up further by line management and/or Corporate Audit. In some cases, an internal investigation is deemed necessary to clarify the facts and initiate possible actions. Corporate Audit is responsible for executing these investigations efficiently, objectively and in accordance with internal procedures. In 2019, Corporate Audit initiated three investigations. The investigations concluded in 2019 did not identify material violations.

Statkraft acquired controlling interest in the Brazilian company Desenvix Energias Renováveis S.A. in 2015, and carried out an internal investigation related to this subsidiary. Based on the investigation, Statkraft contacted Brazilian authorities. It is at this stage not possible to predict the final outcome of this process.
STATKRAFT’S CONTRIBUTION

The majority of climate gas emissions in the world are energy related. Hence, increasing the production of energy from renewable sources is critical in order to reach global emissions targets. Further, electrification based on renewable energy is a key element to combat climate change. Statkraft is part of the solution for a clean energy world. Statkraft is committed growing solely within renewable energy technologies.

Statkraft’s activities contribute in different ways to global, national and local economies through dividends to our shareholder, taxes paid to governments, direct employment, our global and local procurement activities, R&D and social investments. Our approach to responsible business conduct contributes to the promotion of good business practices. We also seek to share knowledge about renewable energy, energy systems, climate change and environmental issues.

Statkraft’s business

The majority of Statkraft’s power generation is from renewable sources: hydro, wind and solar. Statkraft also generates heat and power from biomass and natural gas.

Hydropower has many advantages, including high efficiency, low operating costs, longevity, high flexibility and low carbon intensity. The large Norwegian water reservoirs enable storage and electricity production even in periods of reduced or low inflow. This gives flexibility in energy production. This is particularly important when there is a need to balance the increasing amounts of periodic electricity production from wind and solar power.

The development and operation of hydropower plants facilitate multiple uses of watercourses and infrastructure for example irrigation, drinking water supply, transportation and recreation. In addition, the use of reservoirs for flood control becomes even more important as the climate changes.

Wind and solar power investments are important parts of Statkraft’s business strategy. Both are becoming viable without subsidies in an increasing number of markets. Statkraft continues to develop and operate onshore wind farms in the Nordics as well as in the UK and Ireland, Chile and Brazil. A continuing sharp reduction in the cost of solar panels makes solar power the fastest-growing energy source in the world, and Statkraft is increasing activities across our portfolio. In countries where Statkraft is present, the company also contributes to more optimal utilisation of energy resources through market access services, remote control of renewable assets and virtual power plants.

Statkraft’s CO₂ emissions are amongst the lowest in the global energy sector. In 2019, 92.6% of Statkraft’s power generation was based on renewable energy sources, and 87.3% or 53.4 TWh, came from hydropower. The average carbon intensity of Statkraft’s power generation increased to 26 kg CO₂/MWh in 2019 due to more gas power generation.

Statkraft’s non-renewable energy generation includes gas-fired power plants and fossil-based peak and reserve capacity in district heating plants. Through 2019, the utilisation of coal-fired plants has been reduced in the European power markets, while gas-fired generation has increased. Statkraft’s increased carbon intensity reflects this. The shift from coal to gas has led to a significant drop in the total emissions from the power sector, as gas-fired generation has lower CO₂ intensity.

Statkraft and the UN Sustainable Development Goals

Statkraft aims to contribute to the UN Sustainable Development Goals (SDGs) in ways most relevant to our business activities. Our primary business is to provide energy, making Affordable and Clean Energy (SDG 7) and Climate Action (SDG 13) key focus areas. The 17 SDGs are inextricably connected and Statkraft’s activities impact many of the other SDGs. Statkraft aims to harness the positive synergies whilst minimizing the negative trade-offs.

One of the key transformations needed to meet the goals by 2030 is a global shift to a more sustainable energy system. We want to play a significant role in this transformation by generating energy through our existing portfolio, with our deep knowledge and experience in hydropower, as well as integrate new renewable capacity from wind and solar. In addition, through our knowledge of energy markets, we can act as an integrator of renewable energy in the marketplace.
Affordable and Clean Energy (SDG 7)
Statkraft contributes to raising the share of renewable energy in the energy mix (SDG target 7.2) in 16 countries. In 2019, 92.6% of Statkraft’s power generation was based on renewable energy sources. 87.3% or 53.4 TWh of our total production came from hydropower. The rest came from solar, wind, gas, district heating and biomass.

Synergies: By developing renewable energy solutions, Statkraft also creates opportunities for jobs in the sector (SDG targets 8.5, 9.2, 9.4). When replacing generation of fossil fuel plants with high emissions of air pollutants, renewable energy can also contribute to improved air quality and a reduction in diseases associated with this (SDG target 3.9). Also, through our low-cost new capacity, extensive experience and competence, and role as market integrator we can contribute to more affordable energy.

Trade-offs: Clean energy can have negative consequences for terrestrial and aquatic life. For instance, wind turbines can be damaging for avian populations (SDG target 15.5) and hydropower can have effects on river ecosystems (SDG target 15.1). Read more about how Statkraft minimises these risks in the Biodiversity subsection.

Climate Action (SDG 13)
Statkraft operates hydro, wind, solar power plants, as well as district heating plants with a high share of renewable fuels. Statkraft also has strong growth ambitions within solar, wind, hydro. At and the new capacity will replace fossil fuel-based energy supply contributing to reduced greenhouse gas emissions. Hydropower reservoirs can also contribute to reducing floods and droughts in regulated river basins (SDG target 11.5 and 13.1). Read more about this in the Water Management subsection. Hydropower reservoirs also enable irrigation and can reduce floods/drought damage in agriculture (SDG target 2.4), increase the amount of available freshwater (SDG target 6.1 and 6.4). Statkraft is committed to climate neutrality through Climate Neutral Now. Emissions from our gas fired plants are compensated through ETS. See Climate subsection for more information about Statkraft’s emissions.

Synergies: Mitigating climate change is expected to have positive benefits for the remaining 16 goals. If the world does not reach SDG 13, there will be impacts on the other goals making them hard to reach. In addition to contributing through our core activities, and working to reduce our own emissions, Statkraft also contributes to climate action through R&D.

Trade-offs: It is expected that renewable energy will become the cheapest source of energy. At the same time mitigating climate change may place a burden on some countries that may lack the resources, technology, and/or expertise to make the shift. Statkraft is enhancing international cooperation to facilitate access to clean energy research and technology (SDG target 7.A). As we are expanding infrastructure and upgrading technology in several developing countries, this may contribute to more sustainable energy services for all (SDG target 7.A).

RISK & CHALLENGES
While the majority of our activities contribute positively towards the SDGs, there are risks and challenges too. Some examples include:

Decent Work and Economic Growth (SDG 8)
One of Statkraft’s main risks is related to health and safety, such as injuries to employees, contractors or third parties (SDG target 8.8). There were no fatal accidents in 2019, however 7 contractor’s employees suffered serious injuries. Read more in the Health and Safety subsection.

Life on Land (SDG 15)
While clean energy generation is a key part of a sustainable future, all forms of production have a footprint. Statkraft’s wind and hydro operations in particular can impact life on land (SDG targets 15.1 and 15.5) but key measures have been put in place to actively reduce the negative impacts. Read more in the Biodiversity subsection.
SOCIAL DISCLOSURES

Health and Safety

<table>
<thead>
<tr>
<th>AMBITION</th>
<th>TARGET</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevent incidents and be committed to a workplace without injury or harm</td>
<td>Zero serious injuries</td>
<td>7</td>
</tr>
<tr>
<td>Protect health and well-being of staff</td>
<td>Sick leave &lt; 3.5%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

Comments on performance
- There were no fatal accidents in 2019, however Statkraft did not reach the target of zero serious injuries and the status is therefore yellow. Seven contractors (employees) suffered serious injuries in work-related accidents, and the serious injury rate was 0.33.
- The Powered by Care programme and the efforts to continually improve health and safety performance and culture will continue to have a high focus going forward. Key elements include HSSE (Health, Safety, Security and Environment) leadership, Life-Saving Rules for high risk activities, an improved framework for HSSE management, enhanced HSSE in Projects, and clear effective HSSE requirements.

Key initiatives
- Provide leadership and drive cultural change at all levels.
- Encourage and measure management and employee engagement.
- Strengthen the focus on high risk activities and preventative measures.
- Provide training to build the required competence.
- Ensure learning and sharing from high risk potential incidents.

Our approach
Caring for people is at the core of Statkraft’s culture and we work continuously towards our goal of zero injuries. Statkraft has a programme to implement improvements within health and safety across the organisation, called “Powered by Care”. Statkraft’s Corporate Management clearly demonstrates their commitment to a workplace without injury and harm as communicated through their “Powered by Care” commitment statement.

Key risks
Health and safety risks arise from Statkraft’s activities in construction projects, operations and maintenance of power plants and other facilities, from our presence in various geographical locations, and from travel and other business activities. The predominant high-risk areas are related to personnel injuries from workplace accidents. Activities related to driving, working at heights, lifting operations, energised systems, heavy mobile equipment, ground works and working in confined spaces are considered to have highest risk.

Status 2019
Accidents
A contractor employee on the Tidong hydropower project in India died 6th of January 2020 following a fall incident on site. The accident is being investigated. There were no fatal accidents in 2019, however 7 contractor’s employees suffered serious injuries. A total of 53 accidents and observations were classified as having high risk potential. Most of these accidents and near-accidents were associated with driving, energized systems, ground works, forest work, heavy mobile equipment and working at heights. The accidents were investigated, and mitigating actions were implemented at project level and across the Group to ensure learning and preventing recurrence.

The Lost Time Injury rate (LTI rate) was 2.1 among Statkraft’s Group employees while the LTI rate among Statkraft’s Group contractors was 3.1. Correspondingly the Total Recordable Injury Rate (TRI rate) among Statkraft’s Group employees was 3.8 and 5.9 among Statkraft’s Group contractors. In total, 101 injuries were recorded for Statkraft’s Group employees and contractors, of which 54 were lost-time injuries.

Sick leave
Sick leave in Statkraft is at a stable low level, at 2.7% in 2019, which is below the target of 3.5%.

Health and Safety Improvement Programme
In 2019, the ‘Powered by Care’ programme focused on:

Leadership and commitment
During 2019, management throughout Statkraft was actively engaged and participated in local activities in the Powered by Care programme. Workshops were held to address health and safety leadership and culture, and a new framework for effective HSSE management was developed. The framework defines expectations related to the following areas:
- Leadership
- Roles and competences
- Risk management
- Integration in processes
- Contractor management
- Continuous improvement
Serious injury mitigation
Serious incidents - those with serious consequences or high potential of serious injury – are analysed to identify causes and identify measures to prevent recurrence. The lessons learned are shared across the organisation. Lifesaving rules aimed at preventing serious and fatal injuries have been rolled out and implemented.

Engagement KPIs
Indicators are in place to encourage and measure employee and management engagement through e.g. risk observations, improvement proposals, positive observations and safe job dialogues. These KPIs have had positive development since their introduction in 2016.

CEO’s HSSE Award
An HSSE award scheme is in place to encourage activities that contribute to improved HSSE awareness, results and engagement across the organisation. The award for 2019 was given to District Heating for their targeted efforts resulting in greatly improved results over the last year.

Security

<table>
<thead>
<tr>
<th>AMBITION</th>
<th>TARGET</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actively prevent harm to people and assets through a systematic approach</td>
<td>Implementation of identified supporting initiatives</td>
<td>●</td>
</tr>
</tbody>
</table>

Comments on performance
- Statkraft has established a more strategic approach to security as a business enabler, proactive handling of security incidents and improved information security awareness. Statkraft is on track with the implementation of new security regulations.
- Key achievements in 2019 include improved operational capabilities towards preventing IT security incidents, positive trends in information security awareness, and improved emergency response capabilities.

Key initiatives
- Improve processes and capabilities for security management.
- Key measures planned for 2020 are continued implementation of new national security regulations, implementation of a new global requirement for pre-employment background checks and further strengthening of the Group’s IT/cyber security capabilities.

Our approach
Statkraft has a comprehensive approach and follows international good practice for security management. Security refers to the ability to keep people, operations, information and systems secure from intentional harm or damage. Security matters are addressed through a risk-based approach. Statkraft has well-established relationships with both local and global security companies, and participates in national and international networks to ensure an up-to-date understanding of security risks.

Information security is a high priority and Statkraft follows international good practice for information security management.

The aim is to build and continually improve a strong information security culture that ensures the confidentiality, integrity and availability of Statkraft’s information. During 2019, Statkraft experienced a positive trend in information security awareness.

Key risks
Statkraft assesses security risks by analysing threats, vulnerabilities and consequences in accordance with Norwegian Standard NS-5832. Conducting security risk assessments is a line responsibility, supported by the Corporate Security & Emergency Response unit and the Corporate Information Security unit.
Statkraft uses a wide range of measures to reduce security risks. Sudden changes in a security situation will trigger immediate measures.

Statkraft mostly use unarmed security guards to enforce local security, but in some countries where national regulations or the security situation dictates this, armed security is used.

Statkraft’s security work is being impacted by changes in national regulations in several countries and Statkraft is currently working with the different national energy authorities on this matter.

Emergency preparedness

Statkraft’s capability to handle serious and unwanted emergency events is a constant priority. A group requirement on Emergency Response Management was introduced in 2017, to ensure a common approach to emergency response across the company.

Statkraft’s emergency response is based on the use of dedicated and temporary teams. This approach aims to enable Statkraft to simultaneously handle emergencies at local, regional/national and strategic levels.

Statkraft is also working with other companies, non-governmental organisations, local law enforcement and fire departments to ensure the best possible preparedness for handling emergencies.

Status 2019

Statkraft is currently working on enhancing security risk assessment across the Group. In 2019, Statkraft has implemented or is in the process of implementing new regulations in Norway, Sweden and Germany.

Continuous training efforts were also made to enhance capabilities in emergency preparedness. More complex exercises were introduced focusing on cross-business area cooperation and complex cyber related incidents.

To ensure high awareness and to mitigate behavioural risk, Statkraft regularly conduct awareness workshops and dilemma training relating to information security for all business areas.

In 2019, we revised our IT/Cybersecurity operations and strengthened our capabilities.

In 2019, 191 security incidents were reported, and 5 of these were assessed to be serious. The cyber security team handled 155 of these incidents, including 36 high potential incidents that were detected and blocked at an early stage. The majority of the serious IT security incidents were related to targeted phishing emails.

Human rights

<table>
<thead>
<tr>
<th>AMBITION</th>
<th>TARGET</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Act according to the United Nations Guiding Principles on Business and Human Rights</td>
<td>Implementation of identified key initiatives</td>
<td>●</td>
</tr>
</tbody>
</table>

Comments on performance

- Key achievements in 2019 include strengthened focus on human rights in key processes, e.g. new capital investments and acquisitions.
- Awareness training on salient human rights for selected teams across the organization was performed.

Key Initiatives

- Update and continuously improve human rights requirements, aligning with international developments and integrate in key processes.
- Update of the corporate level human rights due diligence.
- Key measures planned for 2020 include rolling out Human Rights Due Diligence processes in key locations.

Our approach

Statkraft’s work on human rights is based on the UN Guiding Principles on Business and Human Rights. Statkraft’s policy commitment on human rights is reflected in Statkraft’s Code of Conduct. This commitment is publicly available and communicated internally and externally to personnel, business partners and other relevant parties. Our approach is to continuously improve and to strengthen the integration of human rights into key processes; such as acquisitions and new capital investments.

Key risks

Our corporate human rights due diligence identified local community acceptance (including by indigenous peoples), labour rights, health and safety, and security arrangements as salient human rights issues for the Group. Given the developments internationally, and Statkraft’s business strategy from 2018 we are currently taking a renewed look at our human rights impacts. Based on the outcomes, we will recalibrate our approach to key risks where needed. Key human rights risks in the supply chain will also be assessed.
**Status 2019**

**Human rights initiatives**
In 2019, we continued to embed our commitment to respect human rights in key processes and have prioritised efforts related to salient human rights issues. One focus area has been including human rights considerations in project management and acquisition processes.

Statkraft’s human rights awareness initiatives continued to be rolled out for critical functions and geographies. Training sessions typically include an overview of external and internal expectations, and an introduction to Statkraft’s salient human rights issues and lessons learned. In 2019 several awareness raising sessions were conducted, including with key staff at selected locations. For example, an induction session was conducted for the Los Lagos in Chile project team.

Further, human rights considerations were included in the work related to responsible supply chain (see the sustainability management subsection).

**Networks**
Statkraft is a member of the Nordic Business Network for Human Rights and engages in other relevant forums at corporate level. Country organisations also participate in local networks. For example, in Peru Statkraft is an active member of the Human Rights Committee of the National Mining, Oil and Energy Society.

**Consultations**
In 2019, consultations and engagement with a wide range of local stakeholders, including indigenous peoples, continued.

For the Fosen wind farm projects in Norway, agreements on mitigating measures and compensation for extra costs during the construction phase had been entered into with reindeer herding groups. Unfortunately, it was not possible to reach agreements with the groups regarding measures and compensation for the operational phase. Hearings by the High court in Trondheim (Frostating lagmannsrett) were held in December 2019 to determine compensation to the herding groups related to the operational phase of the wind farms, including a preliminary hearing on the issue of the validity of the license for the Storheia and Roan wind farms. The court has not yet made its decision.

In Chile, within the Information, Consultation and Participation process of the Los Lagos project, representatives from the Pochoco and Maihue Pilmaiquen indigenous communities visited our Rucatayo hydropower plant in February. It was an opportunity to observe in “real-time” the operation of a hydropower plant quite similar to the one being planned and raise questions and concerns about the construction and operation phases. We have experienced demonstrations from indigenous groups opposing the development of our greenfield projects in the Pilmaiquen river, in particular to the Osorno HPP – which is currently on hold while we continue the dialogue with local communities and authorities.

Statkraft has multiple refurbishment projects for hydropower plants close to Sami communities. These projects are located in Helgeland, Ofoten, Øst-Finmark, and Neadalen in Norway, and Jamtland in Sweden. The company maintains a regular dialogue with community representatives for these projects along with annual contact meetings.

Statkraft has wind farms in Sweden close to the Sami communities of Ohredahke and Jijnjevaerie, and the company maintains a regular dialogue with community representatives.

A Public Information Center for the Tidong 1 project in India was established to address grievances and deal with issues raised by local communities.

**Sharing knowledge**
Statkraft continues to provide expertise to the International Centre for Hydropower (ICH) which holds courses for government representatives, investors, energy companies and other stakeholders from emerging markets. In 2019, Statkraft provided lecturers for courses and workshops held in Trondheim and Oslo. Statkraft also shared our experiences at the University of Bergen Executive Master course on business and human rights.
Labour practices

<table>
<thead>
<tr>
<th>AMBITION</th>
<th>TARGET</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve diversity in background, competence and gender across the company</td>
<td>Long-term target of 40% women in top management positions</td>
<td>27.5%</td>
</tr>
</tbody>
</table>

Comments on performance
- In 2019, efforts taken continued to improve the company’s gender balance. We increased the percentage of women in management positions from 21% to 23%. At the end of 2019, 26% of the Group’s employees were women.
- 30% of employees attending leadership development programs in 2019 were women.

Key initiatives
- Continued implementation of people development including targeted leadership development activities.
- Unconscious bias training for all leaders in Statkraft and strengthened mechanisms to avoid bias in Statkraft’s people processes.
- Increased mobility and rotation.
- Key activities planned for 2020 include working actively to increase the number of women in management positions.

Our approach
Statkraft supports and respects internationally recognised labour rights including freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the effective abolition of child labour, and the elimination of discrimination with respect to employment and occupation. Statkraft also works towards the realisation of these rights as part of our supply chain management.

In Statkraft, we aim to create an environment where current and future employees can learn and grow. We recognise that a career path can take many different directions. To utilise our shared competence and learn from each other, mobility between geographical and organisational boundaries is encouraged.

A safe work environment and support from the people around us is also an important enabler for development.

Key risks
It is of key importance for Statkraft to attract, develop, and retain people and competence to meet our target and strategy. There are challenges related to achieving this in a timely and adequate manner. Statkraft is competing in a global workforce market and we need to ensure attractiveness as an employer in all our locations and towards all relevant expert groups. It is also crucial to develop our employees and leaders to meet future competence needs and to retain out talents. Initiatives to further strengthen our employer brand and develop new skills and competencies will be prioritised in 2020.

Status 2019
Statkraft’s employee engagement survey was conducted in September 2019 with a response rate of 92%. The survey showed high and stable motivation and satisfaction. The result on total score for employee engagement was 84%, up from 78% in 2018.

People Development
In 2019, we have continued to implement measures to maintain a high level of employee engagement and further strengthen people development. Examples of this include continued efforts to strengthen the competence of leaders to motivate, develop and increase the performance of their teams. Different leadership development initiatives were implemented during 2019, targeted to different groups and learning objectives. Further efforts to build and expand on leadership development will be introduced in 2020.

In addition to initiatives aimed at leaders, Statkraft also has a continuous focus on learning activities that are tailored to the development needs of employees across the Group. Statkraft offers many internal courses, webinars and seminars. In 2019, we continued to learn from pilots on agile project methods and develop training as an offering to all employees.

Workforce diversity and inclusion
Statkraft seeks to increase diversity and foster inclusion. We believe this provides new perspectives and ideas that foster innovation that meet the needs of our customers and society. The commitment to diversity and inclusion relates to all aspect of diversity i.e. gender, nationality, educational background, age and mind set. We have a clear commitment to equal treatment and zero tolerance for discrimination, bullying and harassment are core tenets of Statkraft’s people policies.

At the end of 2019, Statkraft had approximately 4000 employees, 45% outside Norway. Statkraft had employees in 16 countries, representing 61 nationalities. 26% of the Group’s employees were women, and the percentage of women in management positions was 23%. The percentage of women in Statkraft’s Board of Directors was 44%. Average service time in Statkraft was 10.5 years, while turnover in 2019 was 4.3%.

During 2019, we continued to focus on strengthening the diversity measures in Statkraft, including specific measures to increase the gender balance. Amongst others, we have increased the target of
female participation in leadership development programs from 30% to 40%. We also introduced unconscious bias training for leaders, including for corporate management and their leadership teams. We will continue the work in 2020 to embed diversity into people development process.

Employee relations
Statkraft has a structured and close collaboration with local employee representatives and trade unions. In addition to cooperation at the national level, Statkraft has established the Statkraft European Works Council (SEWC), with employee representatives from Norway, Sweden, Germany and the UK.

Wherever it operates, Statkraft supports and respects internationally recognised labour rights. Relevant ILO conventions and EU directives have been included in the SEWC agreement with EPSU (European Federation of Public Service Unions), the federation for European unions within the energy sector. In countries not covered by SEWC, Statkraft respects the employees’ freedom of association and collaborates with union representatives in accordance with collective bargaining agreements, legal requirements, international standards and prevailing industry best-practice for each location.
## ENVIRONMENTAL DISCLOSURES

### Biodiversity

<table>
<thead>
<tr>
<th>AMBITION</th>
<th>TARGET</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliver climate-friendly, renewable power and taking responsible environmental measures</td>
<td>Zero serious environmental incidents on biodiversity</td>
<td>●</td>
</tr>
</tbody>
</table>

**Comments on performance**

- Statkraft had no serious environmental incidents in 2019. The Group undertook a broad range of initiatives, either required by the energy or environmental authorities or voluntarily, aimed at preserving biodiversity.
- Key achievements for 2019 comprised mapping and improvement of habitats for species of particular concern which are affected by Statkraft’s activities. In project areas overview of red-list fauna and flora species are maintained. Initiatives to increase awareness about biodiversity among employees are carried out. During the revision of terms processes in Norway, several studies have been completed to evaluate environmental enhancement measures, and several initiatives have already been implemented.

**Key initiatives**

- Enhanced tracking and communication of performance of the systematic handling of biodiversity, e.g. red-list species, critical habitats and presence in protected areas.
- Increased understanding of our impacts on biodiversity, and adequate handling in project development and operation.
- Key measures planned for 2020 are the monitoring of biodiversity and species of particular interest in project areas hereunder identify whether mitigation measures are adequate and monitoring levels are sufficient.

### Our approach

Statkraft is committed to managing the impacts on biodiversity caused by the Group’s activities in a responsible manner and pays special attention to red-listed, highly valued or vulnerable species, such as eel, wild salmon, sea trout, eagles and wild reindeer.

### Key risks

Globally the biggest risk to biodiversity is the fragmentation and degradation of species’ habitats. In a global assessment report published in 2019, the UN ‘Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services’ stated that this is a bigger threat to biodiversity than climate change.

All power generation affects biodiversity and the environment. Statkraft’s impact on biodiversity comes from our main power generation activities: hydro and wind. Wind power development utilizes large natural areas and can interfere with vulnerable nature and species. Hydropower modifies the living condition of aquatic species, which poses a challenge to migrating fish. Reservoirs, high voltage lines and roads impact the habitat quality for both wild and domestic reindeer. To assess environmental risks related to biodiversity is part of Statkraft’s risk management procedures and practices.

### Status 2019

#### Improving conditions for aquatic species

Statkraft continuously seeks to enhance living conditions for fish in regulated waterbodies. To achieve good ecological results in fish management, it is important that a holistic approach is applied by all stakeholders for the whole catchment area. This includes environmental enhancement measures as well as the appropriate management of parasites, predators, overfishing, genetic interference with species from aquaculture and water quality.

Historically, stocking of fish has been an essential measure to maintain healthy fish populations in Norway, until it was discovered that survival rates are higher when fish mature in rivers rather than in hatcheries. Consequently, Statkraft is stocking more roe and juvenile fish as well as improving fish habitat and spawning areas. In Norway, the long-term goal is to achieve self-sustaining fish populations, wherever feasible. Monitoring studies are performed annually and conducted in cooperation with regional authorities. Where natural recruitment of fish is not possible, Statkraft is stocking fish from our six hatcheries. Together with the Norwegian Environmental Agency, Statkraft also manages a gene bank at Bjerka (Northern Norway) to preserve the unique genetic material of five different wild salmon families. This enabled Statkraft to reintroduce the original wild salmon population in the Vefsna River (Northern Norway), after a parasite infection (Gyrodactylus salaris) had extinguished it. In addition, Statkraft contributed to the building of a new fish ladder to increase the living area for anadromous fish.

In Brazil, releasing fish into the reservoir of Santa Rosa, is part of the fish management and monitoring programme and is carried out quarterly to comply with the operational license.

Eels are a seriously threatened species in Europe and Statkraft has a special management programme to enable eels to pass through our hydropower plants. In Western Sweden, along the Lagan River, Statkraft is operating a special “taxi service” for eels, transporting very young eels, called glass eels, upstream and adult eels downstream.
In Germany, an R&D project has been initiated to ensure eel migration. A warning system signalling the start of eel migration and monitoring studies are also part of the programme.

**Other examples of biodiversity initiatives**

To ensure a reliable connection of the Rheidol hydropower plant to the grid in Wales, Statkraft had to replace a transmission line in 2019. To safeguard protected ancient woodland and a site of particular geological scientific interest, a 320 meter long tunnel was drilled through the Rheidol valley to install underground cables.

As part of the environmental requirements for the Cheves hydropower plant in Peru, biological monitoring of flora, fauna and aquatic species in the project area is carried out twice a year during wet and dry seasons. This monitoring documents the impacts of the project, if any, on the environment and assesses the need to initiate any mitigation activities during operations.

In Chile, in the Los Lagos project influence area one of the initiatives launched in 2019 is the ‘Intercultural education support programme for environmental and natural sciences’, promoting learning and awareness on the protection of the environment, natural sciences and energy issues in local schools.

In the Devoll and Moglice hydropower plant in Albania, there is ongoing monitoring of water quality and aquatic biodiversity with samples sent for external analysis (see subsection on Water Management for more information).

Paper, plastic and other forms of waste threatening to enter the water intake from a hydropower plant’s reservoir is a constant challenge and a constraint on plant operations. In Turkey, several tonnes of waste have been collected with the help of local schools to everyone’s benefit. It started out as an effort from personnel at Statkraft’s Kargi power plant on the Kizilirmak River in northern Turkey to tackle the large amount of waste accumulating in the plant’s reservoir. It has turned into a win-win situation, between the power plant, the neighbouring community and the local environment.

**Wind power and biodiversity**

When establishing new wind farms, noise, landscape aesthetics and possible impact on outdoor recreation are receiving a lot of attention. Wind farms and the associated infrastructure can also impact the living conditions of rare plants, animals and may change the conditions for grazing animals. Even if the actual land used for construction, roads, crane pads and wind turbines only amounts to 2-3 percent of the total wind farm area, increased human activity and the disturbance caused by the operation of the wind turbines, may affect the biological conditions in the whole wind farm area. To design solutions that consider all these aspects, Statkraft cooperates closely with external expertise, national and local authorities, land owners and other stakeholders. Some negative impacts can be avoided or minimised by good planning, others can be mitigated or compensated ecologically through offsets.

Statkraft strives to reduce negative environmental impacts during all phases of a project. This includes e.g. mapping of biodiversity values and protected and sensitive areas early in the planning phase, implementing mitigation measures during construction, and selecting environmentally friendly methods during operation. Mitigating actions related to water management and pollution prevention are also of great importance. In some construction projects, no-work zones close to “active territories” for focus bird species have been established during the breeding season.
Climate change

<table>
<thead>
<tr>
<th>AMBITION</th>
<th>TARGET</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribute to the transition to a more sustainable energy system, where greenhouse gas emissions are reduced to a level consistent with the targets set out in the Paris agreement.</td>
<td>Growth 100% in renewables</td>
<td>●</td>
</tr>
<tr>
<td></td>
<td>Emissions from consumption of electricity 100% neutralised with guarantees of origin from renewables</td>
<td>●</td>
</tr>
<tr>
<td></td>
<td>100% of remaining unavoidable greenhouse gas emissions are compensated with Certified Emission Reductions (CERs)</td>
<td>●</td>
</tr>
<tr>
<td></td>
<td>Reduction of non-ETS greenhouse gas emissions according to set ambitions</td>
<td>●</td>
</tr>
</tbody>
</table>

Comments on performance

- The installed power generation capacity based on renewables was increased by 613 MW, to a total of 16 055 MW, in line with the growth strategy.
- Reinvestments in existing hydropower and growth within solar, wind and hydro was a key focus area in 2019.

Key initiatives

- Follow climate politics at national and international level closely.
- Continuously develop Statkraft’s market and strategic analysis in order to make robust commercial decisions and assess how climate change and climate politics impact Statkraft’s portfolio and strategy.
- Promote ambitious emission reduction targets and perspectives on how the energy sector can be decarbonized in an effective way to relevant stakeholders.

Our approach

Through our core business activities Statkraft contributes to increasing the generation of power and heat from renewable energy sources. This is essential for achieving the targets in the Paris Agreement. Statkraft is committed to climate neutrality and has signed up to the UN Climate Neutral Now initiative. Statkraft’s primary contributions to a more sustainable energy system are our current operations and new investments in renewable energy and associated market activities.

The Group actively promotes more ambitious political targets for emission cuts and policies supporting decarbonisation. Statkraft’s own emissions are at a very low level compared with other major European utilities.

Key risks

Statkraft is well positioned in a market with stronger restrictions on carbon emissions. However, the profitability of the company is highly exposed to climate politics.

Changes in weather patterns will also impact the value of Statkraft’s assets directly, as it will impact the annual generation of the power plants and the value of the flexibility the plants can provide. Hydropower plants are particularly exposed to climate change. More extreme weather can also challenge the physical integrity of our infrastructure. As the lifetime of important components like dams, waterways and turbines is long, changing weather patterns must be considered both in greenfield investments and in upgrades and refurbishments. Commercially, changes in precipitation levels will impact the output of the plant, and more extreme weather patterns can increase the value of flexibility and storage capacity.

Status 2019

Statkraft’s emissions

Statkraft owns and operates gas-fired power plants in Germany, These plants are a dominant source of Statkraft’s own emissions, accounting for 96.7% of CO$_2$ emissions in 2019. The emissions from these plants are regulated under the European Emissions Trading System (ETS), which is a cap and trade system covering the energy sector and several other major industrial sectors within the EU/EEA. Reforms in the ETS the last years have led to a tighter market for emission allowances, and the cost of emitting CO$_2$ has increased significantly. This led to lower utilization of European coal-fired power plant, whilst the use of gas in the power sectors increased. In 2019, Statkraft’s CO$_2$ emissions increased significantly, as the generation by our gas-fired plants increased. However, this should be seen in a broader context, as a reflection of a more ambitious European climate policy, where more polluting fossil fuels such as coal are gradually pushed out of the electricity sector and total emissions are reduced.

Statkraft expects European climate policy to be further tightened. This will increase attractiveness of investing in renewable energy. In the short term, this may also lead to further improvements in gas-fired capacity’s ability to compete against coal-fired generation and hence to significant emissions from these gas-fired plants. A gradual tightening of European climate policy and continued growth within renewable energy will over the long
Horizon also reduce the utilization of gas-fired plants, and Statkraft’s emissions are then expected to reduce.

Fossil fuels are to some extent used to cover peak load in Statkraft’s district heating plants in Norway, accounting for 1.9% of emissions. The use of fossil fuels is at a low level and has been reduced systematically over time. Statkraft will continue to reduce the use of fossil fuels in district heating plants. The primary fuel for the district heating plants is biomass and waste with a high share of biomass.

Anaerobic degradation of organic material in hydropower reservoirs may lead to climate gas emission. Statkraft has been actively involved in developing a method for estimating such emissions through collaboration with the International Hydropower Association (IHA). This method has shown that for some of the reservoirs, primarily located in warmer climatic zones, climate gas emissions can be substantial, while for others they may be negative, if carbon is stored in the sediments or methane emitting natural peat lands are replaced by fresh water reservoirs.

There are also CO₂ emissions related to travel and constructions activities. These are small compared to Statkraft’s total emissions. Both travel and construction are sectors with significant potential for emission reduction, and Statkraft will actively seek such possibilities going forward.

**Climate neutrality**

In 2019, Statkraft’s total emissions were 1,493,100 million tonnes of CO₂, and most of the emissions come from gas-fired generation in Germany. The emission intensity in our total electricity generation was 26 kg CO₂/MWh.

Statkraft’s primary contribution to reducing global climate gas emissions is to direct our full investment capacity to renewable energy.

Most of Statkraft’s emissions are regulated under the European Trading system. Increases in Statkraft’s emissions will thus be compensated by reductions elsewhere, and the gradual reduction of available emission allowances will reduce the total European emissions in line with targets set by the EU. Small district heating plants are exposed to a carbon tax that incentivises emission reductions. Statkraft has systematically reduced emissions from the use of fossil fuels in district heating plants.

Statkraft has signed the Climate Neutral Now pledge, an initiative launched by UN Climate Change. Unavoided emissions outside the ETS are compensated with UN verified emissions reduction credits (CERs). Statkraft’s emission reduction ambitions will systematically be updated as new possibilities emerge.

Statkraft used Guarantees of Origin to document that our use of electricity is based on renewable energy.

Statkraft actively supports and promotes policies for emission reductions in all markets where we operate. This includes both general energy market regulations that will increase the effectiveness of the energy markets and thus make it easier to integrate large shares of renewable energy, as well as promoting politically increased targets for emission reduction. Statkraft supports a more powerful ETS which is and should be the main tool for regulating power sector emissions in Europe.

**Climate change and market operations**

A significant part of Statkraft’s hydropower portfolio has large reservoirs which can store water across seasons and years. A key element of the daily energy management process is forecasts for future inflow and any uncertainty related to this. Such estimates are based on historical observations over several decades. Time series will however have to be adjusted for climate change to provide a good basis for estimating future inflow. For Statkraft, understanding how the climate is changing is therefore important in our daily operations.

Statkraft participates in several international and national projects to improve the understanding of climate change effects on the hydrological resources.

**Regulatory framework and emission reduction potential**

Climate policies have a large impact on Statkraft. Climate and energy policies are increasingly interlinked. Statkraft follows national, European and global climate policy development closely to assess the impact of such policies. Understanding the development of renewable energy and related technologies is also critical, as this will impact the pace of energy transition and Statkraft’s commercial position. Statkraft thus invests significant resources in market analysis, to have a robust basis for investment and operation decisions. Parts of this insight is shared publicly through an annual publication of a Low Emissions Scenario. The report demonstrates how renewable energy growth can play a key role to reduce climate gas emissions in line with the Paris agreement.
ECONOMIC DISCLOSURES

Water management

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<tr>
<th>AMBITION</th>
<th>TARGET</th>
<th>STATUS</th>
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</thead>
<tbody>
<tr>
<td>Statkraft is recognised as a company with a responsible water management practice</td>
<td>Implementation of identified supporting initiatives</td>
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</table>

Comments on performance

- A century of energy and water management experience enables Statkraft to optimize water use while continually improving its environmental and economic performance. In the context of climate change, adapting the water storage capacity of hydropower reservoirs contributes to reducing floods and droughts in regulated river basins. Reservoirs can also facilitate other water usage such as increasing the availability of water for irrigation or transportation.
- Key achievements in 2019 include responsible operations everyday and particularly in extreme situations, resulting in the impacts of major flood events in Norway being more than halved. Knowledge and efficiency in integrated water resource management has been strengthened.

Key initiatives

- Ensure proactive, adequate handling and systematic follow-up of water levels, flow limits and hydropoeaking requirements in concessions.
- Demonstrate responsible water management based on improved understanding of the effects of climate change on water availability (e.g. water scarcity, drought and flood management) in all areas of operations.
- Key measures planned for 2020 are to preserve the capacity of Norway’s hydropower generating system to respond to changing needs, whilst safeguarding its value creation for society. Improved modelling and R&D play a key role in achieving more accurate forecasts of weather trends and extreme climate events. For example, historic weather years from 1931-2018 will be replaced with synthetically generated weather scenarios derived from European weather forecasting model.

Our approach

By using water for renewable power generation, Statkraft is playing an important role in managing this common resource. Statkraft is developing and operating hydropower in a variety of climate zones and in different national framework conditions. Water management is governed through laws and concessions taking into account social, economic and environmental needs.

Statkraft makes additional efforts to improve our performance through R&D and voluntary initiatives. Hydropower reservoirs can provide unique services to the power system such as flexibility in supply as well as balancing services to the electric transmission grid. These man-made lakes also offer water management options which reduce vulnerability to extreme weather conditions such as floods and droughts.

Statkraft is working to improve to optimize the use of water resources. A wide spectrum of experts ranging from hydrologist to infrastructure technicians are working to maximize the value of water stored in our reservoirs. Simulation models and infrastructure make it possible to release stored water when it has the highest value for society, typically when demand is high and other technologies are less capable.

Key risks

Losing flexible renewable hydropower generation is a key risk following planned revision of terms in several watercourses. In 2019, Statkraft conducted a simulation of the cumulative effects of possible operating restrictions in each river basin for the whole power system in Norway. The results showed that the robustness of the power system will be reduced. Another risk is the loss of options for flood mitigation by imposing reservoir operating restrictions which reduce the ability to absorb heavy rain falls combined with snow melting.

Status 2019

Optimised water use

By modernising our facilities, Statkraft is generating more power from the same amount of water. This can in certain cases increase the plant generation capacity with 1% to 5% without additional environmental impacts.

Operation in Norway

Statkraft is managing 261 dams and 161 reservoirs in Norway, equal to half of Norway’s and close to a quarter of Europe’s reservoir capacity. In 2019, Norway experienced a period of heavy rainfall. The precipitations were particularly intense in the Western part of Norway. Thanks to our reservoirs and expertise related to managing complex water systems, Statkraft was able to contribute to the reduction of this major flood event by more than half. Safeguarding flexibility in managing the amount of water stored in the reservoirs is essential for Statkraft’s ability to meet the changing needs of both the power system and public security.

Concession process

Norway has long-term hydropower concessions with terms that are reviewed and updated by the authorities every 30 years with
the main goal of improving environmental performance. In coming years about 70% of Norway’s hydropower assets and about 80% of Statkraft’s Norwegian hydropower assets will be granted new operating conditions under this process. Currently, Statkraft is active in 13 revision of terms processes in Norway. Statkraft supports environmental enhancement measures which are based on a cost-benefit evaluation and which assess appropriately the potential loss of:

- renewable and climate-friendly power generation
- flexibility required to balance power demand
- flood management possibilities.

Statkraft believes that local environmental conditions can be enhanced without compromising the robustness of the Norwegian power supply system or the capacity to mitigate floods. Statkraft is committed to participating in the revision process utilising our expertise and experience. Our objective is to provide this information to the energy and environmental authorities when determining the updated operating terms.

In 2019, a plan to update the concessions of Swedish hydropower has also been elaborated.

Improved knowledge
Statkraft aims to be a driving force in hydropower R&D. Better planning and optimization tools developed through R&D projects increasingly enable Statkraft to better handle long-term changes in weather patterns and extreme weather conditions.

Statkraft cooperates with national research institutes like HydroCen in Norway to find innovative ways of generating more electricity from the same amount of water and improve the environmental performance within these regulated catchment areas.

In 2019, Statkraft initiated several studies related to water management, in close collaboration with the relevant authorities. For example, a special study was launched in the Skjoma river basin in Northern Norway to document how low temperatures and the phenomenon of freezing affects different minimum flow regimes.

At the Rana hydropower station in Northern Norway, Statkraft commissioned another study to examine in more detail the effect of natural inflow, tidal variations and hydropower plant operation pattern on the downstream flow regime and its related biological effects. The outcome of this study will allow the optimization of the hydropower plant’s operating rules in order to improve living conditions for anadromous fish in the river stretch downstream of the plant.

In Sweden, Statkraft initiated an R&D project which assessed different environmental flow scenarios in combination with different climate change scenarios, for the rivers Ljungan, Lagan and Ume. At the same time, hydropower production simulations of the different scenarios will provide a better understanding of how environmental results can be improved as well as how hydropower generation can be optimized. In 2019, field studies were conducted to quantify the environmental benefits of different ecological flow regimes.

Examples of water management initiatives
The Banja Hydropower Plant is located near Gramsh in Albania. Approximately 14000 people live in the city close to where the Devoll River enters the reservoir. Prior to the construction of the Banja dam, Gramsh had no functional waste and sewage treatment solution. If not mitigated, sewage and waste water would have accumulated in the reservoir instead of being transported by the river to the sea. This would have resulted in a major environmental impact. As part of an extensive environmental and social mitigation programme, a waste water and sewage treatment plant was financed by Statkraft as a public-private partnership, and Statkraft handed over these assets to Gramsh Municipality for maintenance and operation. An environmental monitoring programme is currently on-going in cooperation with the Universities of Tirana and Thessaloniki.

The operation of the 102 MW Kargi hydropower plant in north-central Turkey has resulted in a reduced water flow of Kizilirmak River between the dam and the powerhouse. The water in this river is further used for irrigation facilities that produce rice. For this reason, the flow regime has been increased during the agriculture growth season to ensure enough irrigation water for the paddy fields. In 2017, a study was conducted of how water management of the Kizilirmak River could be improved for the benefit of all water users. The study proposed a solution to overcome poor condition of the existing irrigation infrastructure. The results were presented to the relevant authorities and in October 2019, the government approved new irrigation water release requirements for Kargi that will save up to 6.6 GWh and 0.5 million USD on an annual basis starting in 2020.
Business ethics

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<tr>
<th>AMBITION</th>
<th>TARGET</th>
<th>STATUS</th>
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<tbody>
<tr>
<td>Prevent corruption and unethical practices in all activities</td>
<td>Zero serious compliance incidents</td>
<td>●</td>
</tr>
<tr>
<td></td>
<td>On schedule implementation of the compliance measures</td>
<td>●</td>
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Comments on performance
- Roll out of the compliance programme is on-track, including implementation of planned measures related to training, culture building and risk mitigation in critical business processes.
- Key achievements in 2019 include the roll out of a new Business Ethics Toolkit for management engagement and culture building, new training on competition law, and the completion of a personal data protection project.

Key initiatives
- Regular communication and culture building activities, and training rolled out to all employees on business ethics.
- Regular review of internal controls in key business processes to ensure adequate handling of business ethics risks.
- Compliance programme rolled out to all entities in the group.
- Key measures planned for 2020 include further improvements to the risk assessment process, the procedures for integrity due diligence reviews of business partners, and a new training and communication plan for business ethics.

Our approach
Statkraft is committed to high standards of business conduct. Our Code of Conduct sets out the key expectations to all employees, and our strict requirements are in line with international good practice. Business ethics is a line responsibility, supported by a central compliance function. We have a comprehensive compliance programme in place covering the areas of corruption, fraud, money-laundering, sanctions and export control, as well as personal data protection and competition law. The compliance programme was audited in 2019, and was assessed as adequate and adjusted to the risks of the Group, and up to date with the relevant developments in external legislation and standards.

The Board of Directors is involved in compliance work through regular discussions on the development of the programme. This includes review of audits and follow-up plans presented by the administration to address identified improvement areas.

Key risks
Statkraft conducts regular risk assessments on anti-corruption for the whole Group and annually for all business areas. The risk management process is more extensive for high risk locations and projects, and always involves a combination of local expertise and central compliance resources. The methodology for risk assessment is regularly reviewed, and further changes to the methodology will be introduced in 2020.

The main corruption risks relate to transaction processes, procurement and payment processes, the use of agents and intermediaries, government permitting processes, and local stakeholder management. The risks typically vary depending on the geographical location, technology and type of business activity in question. These nuances are reflected in the risk maps of the different business units. The corporate compliance programme is regularly updated to reflect risks identified and lessons from concrete cases and investigations.

Status 2019

Training and communication
Statkraft ensures that all employees are familiar with the principles set out in the Code of Conduct and internal business ethics rules. Class-room training sessions were conducted in all major locations during 2019, and e-learning was completed by all new employees. In addition, specialised training sessions were organised for the Board of Directors, the Corporate Management, high level managers, and staff members in different functions. Business ethics topics have been included in leadership and Group events through the year.

Statkraft has developed Business Ethics Quick Guides focused on a set of eight core Business Ethics Rules to ensure that the most fundamental internal rules are well known. In 2019, printed versions of the Quick Guides were provided to all employees.

Due diligence of business partners
Statkraft has clear, detailed procedures for the handling of risks related to third parties. This includes a policy for background checks, contract clauses and monitoring conducted for high risk contracts. All high-risk business partners (including all agents) are checked by the Compliance Unit. The integrity reviews conducted include assessments of the ownership structure (incl. beneficial owners), of connections to politically exposed persons and reputational risks associated with the counterparty.

During the year compliance concerns were identified in some acquisition processes, and where such concerns were not resolved Statkraft decided not to move forward with the acquisitions.

In 2019, an independent review was undertaken of the approach to compliance due diligence in merger and acquisitions. The review confirmed that Statkraft’s approach is in line with market practice and relevant standards.
Internal controls
Several initiatives were taken in 2019 to further strengthen internal procedures and controls related to compliance. These include further developments of the Fraud Prevention System that includes a set of controls in financial processes aimed at preventing and detecting fraud. Several new corporate-wide controls were implemented in 2019.

There were also significant investments in new personal data protection controls, as part of the implementation of the European General Data Protection Regulation (GDPR).

Business Ethics Toolkit
In 2019, a new Business Ethics Toolkit was launched specifically aimed at strengthening management engagement and culture building. This includes tools such as dilemma discussions, success stories and videos. The toolkit has been made available to all managers and targets are set for the frequency of dilemma discussions and other similar initiatives.

Competition law training
In 2019 Statkraft developed new guidance and training on competition law and undertook specific assessments of competition law frameworks in jurisdictions outside the EU. A new e-learning training programme, to enhance employees’ knowledge on competition law, was developed.

Tax
In light of an increased focus globally on tax governance and tax transparency, Statkraft decided in 2017 to voluntarily disclose a global tax strategy detailing the internal tax policies, practices and procedures embedded in Statkraft’s management system.

Statkraft pursues a tax strategy that is principled, transparent and sustainable and aligned with Statkraft’s Code of Conduct. Statkraft is committed to ensuring full compliance with all statutory obligations and full disclosure to tax authorities. Statkraft transacts on an arm’s length basis and does not engage in artificial tax arrangements and actively considers all implications of tax planning. Moreover, all tax planning is subject to robust review and approval processes and shall:

- support genuine commercial activity
- rely on full disclosure of the facts and circumstances to the relevant tax authority
- not use tax regimes considered as “harmful” by the OECD or EU

Statkraft has an established procedure for tax risk management that facilitates appropriate identification, measuring, management and reporting of tax risks.
To keep our planet’s temperature below breaking point, and close the energy gap for the nearly one billion people in the world who have no access to electricity, renewables can’t be part of the solution.

They must be *the* energy solution.
Corporate Governance

The corporate governance statement clarifies the distribution of roles between the Norwegian state as owner, the board and the management in the company.

Efficient and transparent management and control of the business forms the basis for creating long-term value for the owner, employees, other stakeholders and society in general, and as a result, contributes to sustainable and lasting value creation. The distribution of roles inspires confidence among stakeholders through predictability and credibility. Open and accessible communication from the company ensures that the Group maintains a good relationship with society in general and with all stakeholders affected by the company’s activities.

CORPORATE GOVERNANCE STATEMENT

Statkraft is organised through a state enterprise, Statkraft SF. The activity in Statkraft SF is, for all practical purposes, restricted to owning all shares in Statkraft AS. Statkraft SF and Statkraft AS have an identical board of directors and management. Statkraft AS is the parent company for an underlying Group structure.

Statkraft adheres to the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company’s organisation and ownership. Statkraft follows the Norwegian state’s principles for sound corporate governance, described in the White Paper, Meld. St. 8 (2019-2020) “Statens direkte eierskap i selskaper – Bærekraftig verdiskaping” (“The state’s direct ownership of companies – sustainable value creation”) and is subject to reporting requirements relating to corporate governance according to Section 3-3b of the Accounting Act.

ACTIVITIES

The objective of Statkraft AS, alone, or through participation in, or cooperation with other companies, is to plan, engineer, construct and operate energy facilities, conduct physical and financial energy trading, and perform naturally related operations. Statkraft AS is registered in Norway and its management structure is based on Norwegian company legislation. Statkraft adheres to the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company’s organisation and ownership. Statkraft follows the Norwegian state’s principles for sound corporate governance, described in the White Paper, Meld. St. 8 (2019-2020) “Statens direkte eierskap i selskaper – Bærekraftig verdiskaping” (“The state’s direct ownership of companies – sustainable value creation”) and is subject to reporting requirements relating to corporate governance according to Section 3-3b of the Accounting Act.

EQUITY AND DIVIDENDS

Statkraft AS’ share capital totals NOK 33,600,000,000, divided among 200,000,000 shares of NOK 168 each. The company’s shares can only be owned by Statkraft SF.

Capital increases are processed through the enterprise meeting of Statkraft SF and the general meeting of shareholders in Statkraft AS.

The State as the shareholder is free to set the dividend in its wholly owned companies. The provision of the Limited Liability Companies Act to the effect that the general meeting cannot adopt a higher dividend than that proposed or accepted by the Board of Directors, does not apply to wholly owned state companies.

In 2017, the Norwegian government announced a new dividend expectation for Statkraft as part of the proposal for the revised State budget. The owner’s dividend expectations is that Statkraft pays a dividend of 85 per cent of realised profit from Norwegian hydropower business and 25 per cent of realised profit from other business activities. Realised profit is the profit before tax, minus payable taxes and adjusted for unrealised effects and minority interests. Dividends received from equity accounted investments are included in realised profits. The Norwegian hydropower business is defined in the notes to the consolidated financial statements in the annual report. The Board of Directors maintains a continuous focus on adapting the company’s objectives, strategy and risk profile to the company’s capital situation. Statkraft’s investments are financed through a combination of retained earnings, borrowings and any new equity contributed by the owner. See Note 6 in the Group financial statements in the annual report for more information about the company’s capital structure management.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

Statkraft engages in transactions with companies that are closely related to Statkraft’s shareholder, the Norwegian state. All transactions are based on regular commercial terms and principles.

The instructions to the Board of Directors state that neither board members nor the President and CEO may participate in the processing or resolution of issues that are of substantial personal or financial interest to them or their related parties. Any persons in such a situation must, on their own initiative, disclose any interest they or their related parties may have in the resolution of an issue. The same follows from the Group’s ethical guidelines.

FREELY NEGOTIABLE SHARES

Shares in Statkraft AS can, according to the Articles of
Association, only be owned by the state-owned enterprise Statkraft SF.

ENTERPRISE MEETINGS AND GENERAL MEETINGS

The Norwegian state exercises its authority as the owner in the enterprise meeting of Statkraft SF. In accordance with the Articles of Association of Statkraft SF, Statkraft SF cannot attend and vote in a general meeting in Statkraft AS without a preceding decision in an enterprise meeting. The enterprise meeting and the following general meeting are held annually by the end of June. The auditor attends the enterprise meeting and the general meeting.

Before the Board of Directors decides in matters assumed to be of significant importance for the purpose of the enterprise/company, or which will significantly change the character of the activities, the matter must be put before the ministry representing the state’s ownership in accordance with the State Enterprise Act.

NOMINATION COMMITTEE

Statkraft SF and Statkraft AS have no nomination committee. The election of the board members appointed by the owner in Statkraft SF will take place in the enterprise meeting. Statkraft SF and Statkraft AS have identical boards.

CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The State Enterprise Act stipulates that state-owned enterprises shall be governed by a board and a chief executive officer. Pursuant to the Limited Liability Companies Act, Statkraft AS has entered into an agreement with its employees’ trade unions stipulating that the company will not have a corporate assembly. Three of the board’s nine members are elected by the employees based on the agreement that the company will not have a corporate assembly.

The State emphasises competence, capacity and diversity based on the company’s distinctive character when the State selects people to sit on the companies’ boards. The goal is for the board of each company, to collectively represent the desired expertise based on the company’s objective, business area, challenges and the State’s ownership goals. Emphasis is e.g. placed on selecting representatives with broad-based experience from commerce and industry for companies with commercial goals.

The Norwegian Parliament (Stortinget) has decided that its members should not be appointed to offices in companies that are subject to the Parliament’s control. It is also assumed that ministers will resign from such offices when elected into the Government and cannot be selected for new offices. The same applies to state secretaries.

There are provisions stipulating that senior officials and civil servants employed in a ministry or the Central Administration in general, who deal with matters concerning the enterprise as part of their job, or that are working in a ministry or other Central Administration agency that regularly processes matters of significance for the company or the industry sector in question, cannot be elected to the company’s board, see the White Paper, Meld. St. 8 (2019-2020). The President and CEO and senior executives of Statkraft are not members of Statkraft’s board.

Members of the Board of Directors are normally elected for terms of two years and can be re-elected.

THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors usually meets eight to ten times a year. The Chair of the Board of Directors will hold board meetings as often as is required. The Board of Directors has stipulated board instructions with guidelines for the work and case processing of the board. The instructions also cover the President and CEO. The instructions define the work scope, duties and authorities of the President and CEO in more detail than follows from the legislation.

The Board of Directors prepares an annual agenda for its work, with a special emphasis on goals, strategies, governance and oversight of daily operations and the company’s other activities. The Board of Directors holds an annual strategy conference. The President and CEO prepare background material for such conferences in the form of strategic, economic and financial plans.

The Board of Directors informs the boards of subsidiaries of matters of potential significance for the subsidiary in question. The Board of Directors evaluates its own performance and expertise annually.

The Board of Directors has appointed a Compensation Committee consisting of the Board Chair and two of the other board members. The Compensation Committee prepares the board’s deliberations on the wages and other benefits paid to the President and CEO - as well as matters of principle related to wage levels, incentive schemes, pension terms, employment contracts and similar for the company’s executives. The remuneration for the Head of Corporate Audit is stipulated by the board.

The board’s Audit Committee comprises four of the Board of Director’s members. The committee functions as a preparatory body for the board’s management and supervision work, and at least one member of the Audit Committee shall have experience in accounts management, financial management or auditing. An overview of the members’ participation in board meetings is available in Note 37 of the annual report.
**RISK MANAGEMENT AND INTERNAL CONTROL**

The internal control concept includes compliance with the company's value base and guidelines for ethics and corporate responsibility. Important functions to ensure that risk management and internal control are an integrated part of the activities in Statkraft include the Group's internal auditing, the Compliance functions, the Group risk function, the Group's Investment Review unit and the Group’s internal control in connection with financial reporting.

Risk management is an integral part of all activities across the organisation and of the decision-making process. It supports the decision makers to prioritise their actions. Managers at all levels of the organisation are responsible for appropriate risk management. Risk management is regulated by mandates, requirements and guidelines. Follow-up of risk and risk management are incorporated in the daily business operations.

Risk management and internal control are integral parts of the Board of Directors work. To ensure that Statkraft has suitable and efficient systems in place for risk management and internal control, the Board of Directors shall:

- Review the Group’s most important risk areas at least once a year
- Ensure that the systems are adequately established, implemented and followed up, e.g. through processing of reports submitted to the board by the President and CEO and the internal audit function
- Ensure that risk management and internal control are integrated in the Group's strategy and business plans

Furthermore, the Board of Directors shall ensure that the President and CEO have:

- Stipulated instructions and guidelines for how the Group's risk management and internal control will be carried out in practice
- Established adequate control processes and functions
- Ensured that Statkraft's risk management and internal control are carried out, documented, monitored and followed up in a prudent manner

Statkraft's management system, "The Statkraft Way", defines the Group's principle rules and ensures a sound control environment for fulfilling the management's goals and intentions. The Statkraft Way is based on ISO principles for quality and environmental management systems.

Statkraft's governance model has a risk-based approach to target setting, prioritisation and follow-up of the business and staff areas. The Group's risk function is process owner for the overall risk management framework and monitors Statkraft's overall risks at Group level. The Group's overall risk profile is concluded upon by the Corporate Management and is reported to the Board of Directors. The Group Risk function reports to the CFO.

**Corporate Audit**

Statkraft's corporate audit function is an independent function which assists the Board of Directors and management in assessing whether the group’s most significant risks are sufficiently managed and controlled. The purpose of Corporate Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight related to the organisation's governance, risk management and internal control.

Internal audits are conducted according to an annual rolling plan. The audit work shall be carried out in accordance with the International Standards for Internal Auditing (IIA). The annual corporate audit report is submitted to the Board, which also approves the audit plan for the coming year. Corporate Audit also presents a semi-annual report to the Audit Committee. The Audit Committee and Corporate Audit hold a minimum of one meeting per year without anyone from the Group’s administration being present. Implementation of the recommendations from Corporate Audit is regularly followed up.

The Head of Corporate Audit is responsible for Statkraft’s system for independent reporting of concerns related to unethical or illegal matters. In cases where an investigation is required, this is the responsibility of the Head of Corporate Audit.

**Internal control of financial reporting**

The Group's CFO is responsible for the process for Internal Control in the Financial Reporting (ICFR) in Statkraft. The ICFR work is based on the COSO framework for internal control, published by the Committee of Sponsoring Organizations of the Treadway Commission.

The ICFR ensures reliable and timely financial information in the interim and annual reports. All subsidiaries are required to comply with the ICFR requirements. The same applies for associated companies, joint operations and joint ventures where Statkraft is responsible for the book-keeping and financial reporting. If a third party is responsible for the book-keeping and statutory reporting of the partly owned company, the responsible segment shall perform compensating controls.

The activities related to ICFR are performed in the Group’s Governance, Risk and Compliance (GRC) system, BWise. Through BWise, the Group can efficiently monitor real time status on control performance throughout the whole organisation.
The main elements of the ICFR system are:

- **Risk assessment and evaluation of control design**
  The Group’s ICFR Network performs an annual assessment where the financial reporting risks are identified and assessed. The purpose is to verify whether Statkraft has appropriate controls to mitigate these risks sufficiently.

- **Reporting of ICFR to Audit Committee**
  The result of the yearly assessment related to control design and operational effectiveness is reported in to the Audit Committee in February. The conclusion of the financial reporting risk assessment is reported in September. Material breach in ICFR will be reported to the Audit Committee.

- **Test of control performance**
  Quarterly and on a sample basis, the quality of control performance and compliance with the control descriptions are tested to ensure continuous improvement.

- **Continuous performance and monitoring**
  Managers are responsible for compliance with the control descriptions and ICFR requirements. Responsible managers perform an annual assessment of design and operational effectiveness of all controls.

**Fraud Prevention System**

Statkraft has a fraud prevention system to prevent and detect fraud in processes related to procurement, accounting, tax and treasury. The fraud prevention system is under continuous development. The system has a risk-based approach and will make use of methodology already in place for the ICFR system.

**REMUNERATION OF EXECUTIVE PERSONNEL**

Statkraft adheres to the Norwegian state’s guidelines for employment terms for managers in state enterprises and companies.

The Board of Directors will contribute to a moderate, but competitive development of executive remuneration in Statkraft. The board’s Compensation Committee prepares the board’s deliberation of the wages of the President and CEO and the rest of the company’s Executive Vice Presidents. The President and CEO and corporate executives shall receive both a fixed salary and a variable payment. The variable salary has a maximum disbursement that complies with the owner’s guidelines dated 13 February 2015. The entering into pension agreements adheres to the current guidelines issued by the owner.

The Board of Directors declaration regarding executive wages and other remuneration to executive employees can be read in Note 37 in the annual report.

**REMUNERATION OF THE BOARD OF DIRECTORS**

The owner stipulates the remuneration for the Board of Directors. The remuneration is not related to the company’s results.
INFORMATION AND COMMUNICATION

The Board of Directors has stipulated guidelines for financial reporting and other information. Statkraft SF publishes its annual financial statement. Each year, Statkraft AS releases three quarterly financial statements and one annual financial statement.

The financial calendar, press releases and stock exchange notices, investor presentations, quarterly and annual reports and other relevant information are published on Statkraft’s website.

Statkraft emphasises transparent communication with all stakeholders. The information the company provides to its owner, lenders and the financial markets in general shall provide enough details to permit an evaluation of the company’s underlying values and risk exposure. The owner and the financial markets shall be treated equally, and information shall be communicated in a timely manner.

TAKE-OVERS

The Articles of Association for Statkraft AS state that the shares can only be owned by Statkraft SF.

AUDITOR

The enterprise meeting appoints the auditor based on the Board of Directors proposal and stipulates the auditor’s fee. Statkraft SF and Statkraft AS use the same auditor. The auditor serves until a new auditor is appointed.

The Board of Directors and the auditor hold at least one meeting annually where the President and CEO and other Group executives are not present. The Audit Committee evaluates the external auditor’s independence and reviews the overall use of the external auditor for consultancy purposes.

As part of the ordinary audit, the auditor presents an audit plan to the Audit Committee including a summary of the audit from last year. The auditor reports in writing to Statkraft’s Audit Committee concerning the company’s internal control, applied accounting principles, significant estimates in the accounts and any disagreements between the auditor and the administration. The Board of Directors is briefed on the highlights of the auditor’s reporting. At the end of the audit the auditor performs a summary meeting with the Audit Committee.
Renewable energy can power every industry, every business, every community, every home.

It can power progress.
It can power possibilities.
Statements
2019
### Statement of Comprehensive Income
Statkraft AS Group

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<td>13, 21</td>
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<td>Tax expense</td>
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<td><strong>Net profit</strong></td>
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Of which non-controlling interest        417   | 680
Of which owners of the parent            10 910 | 12 710

### OTHER COMPREHENSIVE INCOME

**Items in other comprehensive income that recycle over profit/loss:**
- Changes in fair value of financial instruments, net of tax: -16     | 8
- Items recorded in other comprehensive income in equity accounted investments: 16  | -131
- Recycling of financial instruments related to cash flow hedges, net of tax: -6    | 
- Recycling of currency translation effects related to foreign operations disposed: -475  | -54
- Currency translation effects: -316

**Items in other comprehensive income that will not recycle over profit/loss:**
- Changes in fair value of equity instruments, net of tax: 17     | -27
- Estimate deviation pensions, net of tax: 88  | -153

**Other comprehensive income**            -375  | -673

**Comprehensive income**                  10 952 | 12 717

Of which non-controlling interest        474   | 642
Of which owners of the parent            10 478 | 12 075
Statement of Financial Position
Statkraft AS Group

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<td>130 345</td>
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<td>8 752</td>
<td>9 118</td>
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<td>Cash and cash equivalents (incl. restricted cash)</td>
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<td><strong>Current assets</strong></td>
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<td><strong>Assets</strong></td>
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<td>177 548</td>
<td>182 388</td>
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<td><strong>EQUITY AND LIABILITIES</strong></td>
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<tr>
<td>Paid-in capital</td>
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<td>59 219</td>
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<tr>
<td>Retained equity</td>
<td></td>
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<td>34 815</td>
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<td>Non-controlling interest</td>
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<td><strong>Equity</strong></td>
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<td>9 826</td>
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<td>Pension liability</td>
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<td>2 655</td>
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<td>Interest-bearing liabilities</td>
<td>25, 32</td>
<td>28 160</td>
<td>30 354</td>
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<td>Derivatives</td>
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<td>983</td>
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<td><strong>Non-current liabilities</strong></td>
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<td>Interest-bearing liabilities</td>
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<td>6 346</td>
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<tr>
<td>Other interest-free liabilities</td>
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<td>10 049</td>
<td>10 245</td>
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<tr>
<td>Derivatives</td>
<td>10</td>
<td>9 496</td>
<td>13 124</td>
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<tr>
<td><strong>Current liabilities</strong></td>
<td>31 131</td>
<td>37 107</td>
<td></td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td>177 548</td>
<td>182 388</td>
<td></td>
</tr>
</tbody>
</table>
### Statement of Cash Flow

**Statkraft AS Group**

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOW FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>16,978</td>
<td>15,446</td>
</tr>
<tr>
<td>Depreciations, amortisations and impairments</td>
<td>3,689</td>
<td>3,734</td>
</tr>
<tr>
<td>Gains/losses from disinvestments and disposal of assets</td>
<td>-50</td>
<td>-1,399</td>
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<tr>
<td>Unrealised effects included in operating profit (EBIT)</td>
<td>-1,250</td>
<td>4,557</td>
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<tr>
<td>Dividends from equity accounted investments</td>
<td>736</td>
<td>606</td>
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<tr>
<td>Changes in working capital</td>
<td>528</td>
<td>-2,201</td>
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<tr>
<td>Cash collateral, margin calls and option premiums</td>
<td>-1,238</td>
<td>-1,226</td>
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<tr>
<td>Cash effects from foreign exchange derivatives related to operations</td>
<td>30</td>
<td>-451</td>
</tr>
<tr>
<td>Taxes paid</td>
<td>-6,900</td>
<td>-3,605</td>
</tr>
<tr>
<td>Other changes</td>
<td>-562</td>
<td>-175</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities (A)</strong></td>
<td><strong>11,961</strong></td>
<td><strong>15,286</strong></td>
</tr>
</tbody>
</table>

| **CASH FLOW FROM INVESTING ACTIVITIES** |       |       |
| Investments in property, plant and equipment and intangible assets | -5,786 | -4,713 |
| Business divestments, net liquidity inflow | 1,578 | 7,316 |
| Acquisition of shares in subsidiaries, net liquidity outflow | -841 | -1,587 |
| Loans to equity accounted investments | -25 | -3 |
| Repayment of loans from equity accounted investments | 137 | 3,894 |
| Interests received from loans to equity accounted investments | 11 | 102 |
| Other investments | 105 | 292 |
| **Cash flow from investing activities (B)** | **-4,821** | **5,301** |

| **CASH FLOW FROM FINANCING ACTIVITIES** |       |       |
| New debt | 261 | 759 |
| Repayment of debt | -924 | -5,353 |
| Interests paid | -958 | -1,104 |
| Interest rate derivatives realised before maturity | -220 | - |
| Interests received from cash and other assets | 434 | 284 |
| Dividend and group contribution paid to Statkraft SF | -8,549 | -6,040 |
| Transactions with non-controlling interests | -53 | -53 |
| **Cash flow from financing activities (C)** | **-15,039** | **-11,689** |

Net change in cash and cash equivalents (A)+(B)+(C) | -7,900 | 8,899 |

### SIGNIFICANT ACCOUNTING POLICIES

The cash flow statement has been prepared using the indirect method.

**Operating activities** Changes in working capital comprise of inventory, short-term interest-free receivables and short-term interest-free liabilities. Effects related to capital expenditures, unrealised changes or reclassifications are not included in changes in working capital.

**Investing activities** Acquisition/divestment of shares includes cash and cash equivalents in the investee that are recognised/divested at the transaction date. Hence, this is presented net together with the cash consideration paid or received.

**Financing activities** Interest payments from interest rate derivatives, which are used to manage the Group’s debt portfolio, are presented as a part of interest paid. Cash effects from foreign exchange derivatives related to debt are presented as a part of repayment of debt. Following the implementation of IFRS 16, both the principal portion and the interest portion of payments of lease liabilities are included in financing activities as repayment of debt and interest paid respectively.
## Statement of Changes in Equity

### Statkraft AS Group

<table>
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<tr>
<th>NOK million</th>
<th>Paid-in capital</th>
<th>Other reserves</th>
<th>Other equity</th>
<th>Currency translation effects</th>
<th>Retained equity</th>
<th>Attributable to owners of parent</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of 01.01.2018</td>
<td>59 219</td>
<td>-874</td>
<td>25 080</td>
<td>4 635</td>
<td>28 842</td>
<td>88 061</td>
<td>3 567</td>
<td>91 627</td>
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<tr>
<td>Net profit</td>
<td>-</td>
<td>-</td>
<td>12 710</td>
<td>-</td>
<td>12 710</td>
<td>12 710</td>
<td>680</td>
<td>13 390</td>
</tr>
</tbody>
</table>

**Items in OCI that recycle over profit/loss:**

| Changes in fair value of financial instruments, net of tax | - 8 | - | - | 8 | 8 | - | 8 |
| Items recorded in other comprehensive income in equity accounted investments | - | -131 | - | - | -131 | -131 | - | -131 |
| Recycling of currency translation effects related to foreign operations disposed | - | - | - | -54 | -54 | -54 | - | -54 |
| Currency translation effects | - | - | - | -306 | -306 | -306 | -10 | -316 |

**Items in OCI that will not recycle over profit/loss:**

| Changes in fair value of financial instruments, net of tax | - | -23 | - | -23 | -23 | -4 | -27 |
| Estimate deviation pension, net of tax | - | - | - | -129 | -129 | -129 | -24 | -153 |
| Total comprehensive income for the period | - | -146 | 12 581 | -360 | 12 075 | 12 075 | 642 | 12 717 |

| Dividend | - | - | -6 100 | - | -6 100 | -6 100 | -204 | -6 304 |
| Capital injection from non-controlling interest | - | - | - | - | - | - | 176 | 176 |
| Business combinations/divestments | - | - | - | - | - | - | -212 | -212 |
| Balance as of 31.12.2018 | 59 219 | -1 020 | 31 561 | 4 275 | 34 815 | 94 035 | 3 970 | 98 004 |
| Implementation of IFRS 16 - see note 13 and 25 | - | - | 380 | - | 380 | 380 | - | 380 |
| Balance as of 01.01.2019 | 59 219 | -1 020 | 31 941 | 4 275 | 35 196 | 94 415 | 3 970 | 98 384 |
| Net profit | - | - | 10 910 | - | 10 910 | 10 910 | 417 | 11 327 |

**Items in OCI that recycle over profit/loss:**

| Changes in fair value of financial instruments, net of tax | - | -16 | - | -16 | -16 | - | -16 |
| Items recorded in other comprehensive income in equity accounted investments | - | 16 | - | - | 16 | 16 | - | 16 |
| Recycling of financial instruments related to cash flow hedges, net of tax | - | -6 | - | -6 | -6 | - | -6 |
| Currency translation effects | - | - | - | -461 | -461 | -461 | -14 | -475 |

**Items in OCI that will not recycle over profit/loss:**

| Changes in fair value of equity instruments, net of tax | - | 14 | - | - | 14 | 14 | 3 | 17 |
| Estimate deviation pensions, net of tax | - | - | - | 20 | - | 20 | 68 | 88 |
| Total comprehensive income for the period | - | 9 | 10 930 | -461 | 10 478 | 10 478 | 474 | 10 952 |

| Dividend and group contribution | - | - | -8 510 | - | -8 510 | -8 510 | -3 | -8 593 |
| Business combinations/divestments | - | - | - | - | - | - | 20 | 20 |
| Balance as of 31.12.2019 | 59 219 | -1 011 | 34 361 | 3 814 | 37 164 | 96 383 | 4 382 | 100 764 |

1) Financial reserves are mainly related to non-investment hedges.
2) Financial instruments are related to foreign exchange and interest rate derivatives.

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**GENERAL INFORMATION**

The parent company has a share capital of NOK 33.6 billion, divided into 200 million shares, each with a par value of NOK 168. All shares have the same voting rights and are owned by Statkraft SF, which is a Norwegian state-owned company, established and domiciled in Norway. Statkraft SF is wholly owned by the Norwegian state, through the Ministry of Trade, Industry and Fisheries.

On 27 June 2019 Statkraft’s General Assembly approved a disbursement of NOK 8510 million as dividend and group contribution to Statkraft SF. For the current year the Board of Directors has proposed to pay a dividend and group contribution of NOK 6500 million.

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**SIGNIFICANT ACCOUNTING POLICIES**

Dividend proposed at the time of approval of the financial statements is classified as equity. Dividends are reclassified to current liabilities once they have been approved by the General Assembly.
# Notes

Statkraft AS Group

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<td>Note 36</td>
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<td>Note 38</td>
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<td>Note 39</td>
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  - Note 2 Key accounting estimates and judgements
  - Note 3 Subsequent events
  - Note 4 Segment information
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  - Note 7 Market risk in the Group
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  - Note 15 Impairments
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  - Note 17 Pensions
  - Note 18 Property tax and licence fees
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  - Note 23 Intangible assets
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Note 1 General information and summary of significant accounting policies

GENERAL INFORMATION

Statkraft AS is a Norwegian limited liability company, established and domiciled in Norway. Statkraft AS is wholly owned by Statkraft SF, which in turn is wholly owned by the Norwegian state, through the Ministry of Trade, Industry and Fisheries. The company’s head office is located in Oslo and the company has debt instruments listed on the Oslo Stock Exchange and the London Stock Exchange.

Statkraft’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations from International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU and further requirements in Norwegian Accounting Law (Regnskapsloven).

The consolidated accounts have been prepared on the basis of the historical cost principle, with the exception of certain financial instruments, derivatives and certain elements of net pension assets measured at fair value at the balance sheet date.

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of fair value is contingent upon market prices being available or whether other valuation techniques have been applied. When determining fair value, the management must apply assumptions that market participants would have used in a similar valuation. Measurement and presentation of assets and liabilities measured at fair value when presenting the consolidated accounts are based on these policies, with the exception of measuring net realisable value in accordance with IAS 2 Inventories and when measuring value in use in accordance with IAS 36 Impairment of Assets.

The accounting policies applied to the consolidated financial statements as a whole are described below while the remaining accounting policies are described in the notes to which they relate. The policies have been applied in the same manner in all presented periods, unless otherwise stated.

The descriptions of accounting policies in the statements and notes form part of the overall description of accounting policies:

- Statement of cash flow
- Statement of changes in equity
- Segment information
- Business combinations and other transactions
- Financial instruments
- Hedge accounting
- Sales revenues and energy purchase
- Gains/losses from market activities
- Impairments
- Pensions
- Income taxes
- Intangible assets
- Property, plant and equipment
- Leases
- Associates and joint arrangements
- Other non-current financial assets
- Inventories
- Cash and cash equivalents
- Provisions

CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of the parent company Statkraft AS and its subsidiaries. A subsidiary is an entity in which Statkraft has the power to govern the financial and operating policies (control). Control is obtained when Statkraft has the ability to affect the variable returns through its power over the investee. Power is obtained either through ownership of more than 50% of the voting power or through agreements with other shareholders. Subsidiaries are included from the date control commences until the date control ceases.

If necessary, the subsidiaries’ financial statements are adjusted to correlate with the Group’s accounting policies. Inter-company transactions and inter-company balances, including internal profits and gains and losses, are eliminated.

Investments in joint arrangements and associates

Statkraft classifies its investments based on an analysis of the degree of control and the underlying facts and circumstances. This includes an assessment of voting rights, ownership structure and the relative strength, purchase and sale rights controlled by Statkraft and other shareholders. Each individual investment is assessed. Upon changes in underlying facts and circumstances a new assessment must be made on how to classify the investment.

Joint operations are joint arrangements where the participants who have joint control over a business activity have contractual rights to the assets and obligations for the liabilities, relating to the operation. In joint operations, decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group’s share in joint operations is recognised in the consolidated financial statements in accordance with Statkraft’s interest in the joint operation’s assets, liabilities, revenues and expenses. The proportionate share of realised and unrealised gains and losses arising from intragroup transactions between entities and joint operations is eliminated.

Joint ventures are companies where Statkraft has joint control together with one or several other investors. In a joint venture company, decisions related to relevant activities must be unanimous between participants which have joint control. The Group’s share in joint ventures is recognised in the consolidated accounts using the equity method and presented as equity accounted investments under non-current assets. The Group’s share of the companies’ profit after tax, adjusted for amortisation of excess value and any deviations from accounting policies, is presented as share of profit in equity accounted investments in the statement of profit and loss.
Note 1 continued

**Associates** are companies or entities where Statkraft has significant influence. The Group’s share in associated companies is recognised in the consolidated accounts using the equity method and presented as equity accounted investments under non-current assets. The Group’s share of the companies’ profit after tax, adjusted for amortisation of excess value and any deviations from accounting policies, is presented as share of profit/loss in equity accounted investments in the statement of profit and loss.

**ADOPITION OF NEW AND REVISED STANDARDS**

In 2019 new standards and amendments to existing standards have become effective. This is related to the following standards:

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

The implementation of this amendment at 1 January 2019 had limited impact on the presentation in Statkraft’s statement of profit and loss and statement of equity. A reclassification from Other financial assets to Equity accounted investments has resulted in a decrease in the carrying amount of other financial assets and an increase in equity accounted investments, see note 26.

**IFRIC 23 (Interpretation) Uncertainty over income tax treatments**
The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. See Note 34 for additional information.

“Interest Rate Benchmark Reform (Amendment to IFRS 9, IAS 39 and IFRS 7)”
In January 2020, the EU endorsed an amendment “Interest Rate Benchmark Reform (Amendment to IFRS 9, IAS 39 and IFRS 7)”. Statkraft chose to early implement the amendment with effect from 2019. The amendment is relevant for Statkraft given that application of hedge accounting related to some hedging instruments is affected by changes in interest rate benchmarks. The early adoption of the amendment allows Statkraft to continue the hedge accounting for these instruments.

In addition, the following new and revised standards have been adopted:
- IFRS 16 Leases
- IFRS 9 (amendments) Prepayments Features
- IFRS 19 (amendment) Plan amendment, Curtailment or Settlement

The effects from implementing IFRS 16 are described in note 25.

**THE FOLLOWING REVISED IFRSs HAVE BEEN ISSUED, BUT ARE NOT YET EFFECTIVE, AND IN SOME CASES HAVE NOT BEEN ADOPTED BY EU**

- IFRS 3 Business combinations (amendment) Definition of a Business
- IAS 1 and IAS 8 (amendment) Definition of Material
- Conceptual Framework (amendment) References in IFRS Standards
- Annual improvements to IFRS Standards 2015-2017 cycle

Statkraft do not expect that the adoption of these Standards will have a material impact on the financial statements for the Group in future periods.
Note 2  Key accounting estimates and judgements

INTRODUCTION

The use of reasonable estimates and judgements is a critical element in preparing the financial statements. Due to the level of uncertainties inherent in Statkraft’s business activities, management must make certain estimates and judgements that affect the application of accounting policies, results of operations, cash flows and financial position as reported in the financial statements.

Management bases its estimates on historical experience and various other assumptions that are held to be reasonable under the circumstances.

AREAS OF SIGNIFICANT JUDGEMENT

LONG TERM PRICE FORECAST FOR POWER

One of the key assumptions used by management in making business decisions is Statkraft’s long term price forecasts for power and the related market developments. In addition, these assumptions are critical input for management related to financial statement processes such as:

- Allocation of fair value in business combinations Note 5
- Impairment testing of property, plant and equipment Note 15, 24
- Impairment testing of intangible assets Note 15, 23
- Impairment testing of equity accounted investments Note 15, 26

Statkraft performs an annual update of its long-term price forecasts and the related expected market developments in the geographical areas where Statkraft operates. This update is the output from a continuous process of monitoring, interpreting and analysing global as well as local trends, which will affect future markets and revenues. The update provides basis for both strategic decisions as well as the management’s expectation for future prices and revenue streams beyond 2025 associated with the assets.

A fundamental approach is applied when analysing the markets, considering elements such as:

- Cost levels of competing technologies and fuels
- Future energy balances
- Political regulations
- Technological developments to reduce emissions of climate gases

The process is headed and run by a team of experts across the Group. The main results are benchmarked to external references and major deviations are explained. The process aims to ensure consistency, and provide a balanced view of both the markets and expected future power prices.

The Corporate Management is forming its management view by being involved in the process. Corporate Management is invited to provide and challenge the input and scenarios applied in the analysis to be used in asset valuations and other strategic considerations. Based on the expert recommendations, the Corporate Management approves the annual long term price forecasts for power and the view upon the related market development.

Various sensitivity analyses are disclosed in:

- Analysis of market risk Note 8
- Financial instruments Note 10
- Impairments Note 15

FAIR VALUE MEASUREMENT

In addition to the above, significant judgement is applied in the valuation of the Group’s long term power purchase- and power sales- contracts categorised within level 3 in the fair value hierarchy levels. The fair value estimate is based on the amounts for which the assets or liabilities could be exchanged at the relevant transaction date on the reporting period end. Where fair value measurement cannot be derived from publicly available information, they are estimated using models and other valuations methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions often do not exist. In such cases Statkrafts management is required to make market based-assumptions, see note 10.

OTHER AREAS

In addition, significant judgement is applied in estimating the carrying amounts of:

- Pensions Note 17
- Deferred tax assets Note 22

APPLICATION OF ACCOUNTING POLICY

Due to Statkraft’s business activities, management must apply judgements in determining the appropriate accounting policy in areas where the choice of policies may have a material impact on the accounting treatment in the financial statements. Such areas include:

- Classification of energy contracts Note 10
- Classification of energy revenue Note 12
- Classification of investments made together with third parties Note 26

Note 3  Subsequent events

There have been no significant subsequent events.
Note 4  Segment information

GENERAL INFORMATION

Statkraft is organised in four Business Areas (BAs) and two corporate Staff Areas (SAs). The BAs are: Production (P), International Power (I), European Wind and Solar (E) and Markets and IT (M). The SAs are: Corporate Staff and Industrial Ownership (S) and Chief Financial Officer (CFO).

BAs in Statkraft shall, within their respective areas of responsibility, pursue Statkraft's strategic, financial and other targets and objectives, which are reported through the segment structure. Targets and objectives are defined by key performance indicators.

The following BAs are responsible for deliveries across the segments within their field of expertise:
- M is responsible for market activities and optimisation of revenues from production facilities, as well as IT.
- P is responsible for operation and maintenance of the production facilities.
- E is responsible for development of new technologies as well as construction.

Activities in the business areas are allocated and presented in the respective segments.

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

In 2019 the segment Wind power has changed name to European wind and solar.

The segment reporting is based on underlying figures. The table on next page reconciles the Group IFRS figures with the Group underlying figures. The rationale for reporting underlying figures is described in the Alternative Performance Measures section.

See note 12 for revenues per category and geography.

The reportable segments are defined as:

- **European flexible generation** includes asset ownership and operation of most of the Group’s hydropower business in Norway, Sweden, Germany and the United Kingdom, as well as the gas-fired and the biomass power plants in Germany and the subsea interconnector between Sweden and Germany.

- **Market operations** includes all trading, origination, market access for smaller generators of renewable energy, as well as revenue optimisation and risk mitigation activities related to Continental and Nordic power generation. The segment has activities in several countries in Europe, and is also active in Brazil, India and USA.

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

- **European wind and solar** includes development, asset ownership and operations of onshore wind power and solar power. The segment operates in Norway, Sweden, Ireland and the United Kingdom. In addition the segment has development activities in several countries in Europe.

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

- **Industrial ownership** includes management and development of Norwegian shareholdings within the Group’s core business and includes the shareholdings in Skagerak Energi, BKK and Agder Energi. Skagerak Energi is included in the consolidated financial statements, while BKK and Agder Energi are reported as equity accounted investments.

In addition:

- **Other activities** includes costs related to governance of the Group, new business within biomass and electric vehicle charging as well as venture capital investments. Unallocated assets are also reported as Other activities.

- **Group items** includes eliminations.
Reconciliation of IFRS versus underlying figures

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2019</th>
<th>2018</th>
<th>2018</th>
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<tbody>
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<td></td>
<td>IFRS</td>
<td>Adjustments</td>
<td>Underlying</td>
<td>IFRS</td>
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<tr>
<td><strong>Profit and loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sales revenues (1) (2)</td>
<td>43 450</td>
<td>-</td>
<td>43 450</td>
<td>56 888</td>
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<tr>
<td>Gains/losses from market activities</td>
<td>3 716</td>
<td>801</td>
<td>4 517</td>
<td>-1 696</td>
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<tr>
<td>Other operating income (2)</td>
<td>767</td>
<td>-55</td>
<td>712</td>
<td>2 092</td>
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<tr>
<td><strong>Gross operating revenues and other income</strong></td>
<td>47 933</td>
<td>745</td>
<td>48 679</td>
<td>57 283</td>
</tr>
<tr>
<td>Energy purchase (1)</td>
<td>-16 483</td>
<td>-</td>
<td>-16 483</td>
<td>-27 858</td>
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<tr>
<td>Transmission costs</td>
<td>-2 035</td>
<td>-</td>
<td>-2 035</td>
<td>-1 840</td>
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<tr>
<td><strong>Net operating revenues and other income</strong></td>
<td>29 415</td>
<td>745</td>
<td>30 161</td>
<td>27 585</td>
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<tr>
<td>Salaries and payroll costs</td>
<td>-3 971</td>
<td>-</td>
<td>-3 971</td>
<td>-3 615</td>
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<tr>
<td>Depreciations and amortisations</td>
<td>-3 824</td>
<td>-</td>
<td>-3 824</td>
<td>-3 567</td>
</tr>
<tr>
<td>Impairments/reversal of impairments</td>
<td>136</td>
<td>-136</td>
<td>-</td>
<td>-167</td>
</tr>
<tr>
<td>Property tax and licence fees</td>
<td>-1 139</td>
<td>-</td>
<td>-1 139</td>
<td>-1 352</td>
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<tr>
<td>Other operating expenses</td>
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<td>-3 638</td>
<td>-3 439</td>
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<td><strong>Operating expenses</strong></td>
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<td>-136</td>
<td>-12 573</td>
<td>-12 139</td>
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<tr>
<td><strong>Operating profit (EBIT)</strong></td>
<td>16 978</td>
<td>610</td>
<td>17 587</td>
<td>15 446</td>
</tr>
</tbody>
</table>

(1) Sales revenues and energy purchase were reported NOK 1 050 million too low in 2018, and have been restated. This was related to market access activities in Germany.

(2) NOK 488 million in revenues from rental of power plants in Norway have been reclassified from Other operating income to Sales revenues in 2018.

The underlying adjustments in 2019 are:
- Gains/losses from market activities: unrealised value changes from embedded derivatives in energy contracts 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/reversal of impairments related to intangible assets, property, plant and equipment are not included in the underlying figures.
Note 4 continued

Accounting specification per segment

<table>
<thead>
<tr>
<th>Segments</th>
<th>Statkraft AS Group European flexible generation</th>
<th>Statkraft AS Group Market operations</th>
<th>Statkraft AS Group International power</th>
<th>Statkraft AS Group European wind and solar</th>
<th>Statkraft AS Group District heating</th>
<th>Statkraft AS Group Industrial ownership</th>
<th>Statkraft AS Group Other activities</th>
<th>Statkraft AS Group Group items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross operating revenues and other income, external</td>
<td>48 679</td>
<td>21 077</td>
<td>19 629</td>
<td>3 145</td>
<td>469</td>
<td>918</td>
<td>3 360</td>
<td>216</td>
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<td>Gross operating revenues and other income, internal</td>
<td>-</td>
<td>291</td>
<td>84</td>
<td>70</td>
<td>919</td>
<td>1</td>
<td>48</td>
<td>1 036</td>
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<td>Gross operating revenues and other income, underlying</td>
<td>48 679</td>
<td>21 368</td>
<td>19 713</td>
<td>3 215</td>
<td>1 388</td>
<td>919</td>
<td>3 408</td>
<td>1 252</td>
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<tr>
<td>Net operating revenues and other income</td>
<td>30 161</td>
<td>18 028</td>
<td>4 455</td>
<td>2 702</td>
<td>1 330</td>
<td>653</td>
<td>3 159</td>
<td>1 252</td>
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<tr>
<td>Operating profit (EBIT), underlying</td>
<td>17 587</td>
<td>12 247</td>
<td>3 027</td>
<td>756</td>
<td>227</td>
<td>216</td>
<td>1 653</td>
<td>526</td>
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<td>Unrealised value changes from energy derivatives</td>
<td>-801</td>
<td>-801</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Gains/losses from divestments of business activities</td>
<td>55</td>
<td>-</td>
<td>-</td>
<td>55</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>Impairments/reversal of impairments</td>
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<td>1 035</td>
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<td>-564</td>
<td>-333</td>
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<td>-</td>
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<td>Operating profit (EBIT), IFRS</td>
<td>16 978</td>
<td>12 482</td>
<td>3 027</td>
<td>192</td>
<td>-50</td>
<td>213</td>
<td>1 653</td>
<td>-526</td>
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<td>Share of profit/loss in equity accounted investments</td>
<td>1 249</td>
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<td>3</td>
<td>-86</td>
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<td>-</td>
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<td>Assets and capital employed 31.12.19</td>
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<tr>
<td>Property, plant and equipment and intangible assets</td>
<td>114 485</td>
<td>58 011</td>
<td>179</td>
<td>24 889</td>
<td>10 004</td>
<td>3 478</td>
<td>16 247</td>
<td>1 677</td>
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<td>Equity accounted investments</td>
<td>12 917</td>
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<td>8</td>
<td>2 631</td>
<td>871</td>
<td>-</td>
<td>9 375</td>
<td>32</td>
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<td>Loans to equity accounted investments</td>
<td>1 518</td>
<td>-</td>
<td>-</td>
<td>969</td>
<td>522</td>
<td>-</td>
<td>27</td>
<td>-</td>
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<tr>
<td>Other assets</td>
<td>48 629</td>
<td>2 546</td>
<td>9 795</td>
<td>1 429</td>
<td>421</td>
<td>300</td>
<td>1 414</td>
<td>32 893</td>
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<td>Total assets</td>
<td>177 548</td>
<td>60 557</td>
<td>9 982</td>
<td>29 918</td>
<td>11 818</td>
<td>3 778</td>
<td>27 062</td>
<td>34 602</td>
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<tr>
<td>Assets not included in capital employed</td>
<td>-48 015</td>
<td>-35</td>
<td>-8</td>
<td>-3 909</td>
<td>-1 986</td>
<td>-10 288</td>
<td>-32 777</td>
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<tr>
<td>Liabilities included in capital employed</td>
<td>-19 137</td>
<td>-2 702</td>
<td>-5 598</td>
<td>-1 228</td>
<td>-552</td>
<td>-215</td>
<td>-1 277</td>
<td>-7 634</td>
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<td>Capital employed</td>
<td>110 396</td>
<td>57 820</td>
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<td>24 781</td>
<td>9 788</td>
<td>3 583</td>
<td>15 497</td>
<td>-5 409</td>
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<tr>
<td>Return on average capital employed (ROACE)</td>
<td>16.3 %</td>
<td>21.7 %</td>
<td>62.6 %</td>
<td>3.1 %</td>
<td>2.6 %</td>
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<td>Return on average equity accounted investment (ROAE)</td>
<td>9.5 %</td>
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<td>n/a</td>
<td>-3.2 %</td>
<td>1.4 %</td>
<td>n/a</td>
<td>14.7 %</td>
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<td>Depreciations, amortisations and impairments</td>
<td>-3 689</td>
<td>-679</td>
<td>-31</td>
<td>-1 448</td>
<td>-687</td>
<td>-178</td>
<td>-509</td>
<td>-156</td>
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<td>Maintenance investments and other investments</td>
<td>2 712</td>
<td>1 532</td>
<td>73</td>
<td>214</td>
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<td>6</td>
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<tr>
<td>Investments in new production capacity</td>
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<td>194</td>
<td>2</td>
<td>808</td>
<td>2 215</td>
<td>168</td>
<td>351</td>
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<tr>
<td>Investments in shares</td>
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<td>-</td>
<td>349</td>
<td>188</td>
<td>-</td>
<td>53</td>
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### Accounting specification per segment

#### Segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Statkraft AS Group</th>
<th>European flexible generation</th>
<th>Market operations</th>
<th>Inter-national power</th>
<th>European wind and solar</th>
<th>District heating</th>
<th>Industrial ownership</th>
<th>Other activities</th>
<th>Group items</th>
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<td>2018</td>
<td></td>
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<td>Gross operating revenues and other income, external</td>
<td>56,623</td>
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<td>399</td>
<td>907</td>
<td>4,537</td>
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<td>Gross operating revenues and other income, internal</td>
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<td>94</td>
<td>877</td>
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<td>21,602</td>
<td>27,007</td>
<td>2,641</td>
<td>1,367</td>
<td>908</td>
<td>4,631</td>
<td>1,011</td>
<td>-2,544</td>
</tr>
<tr>
<td>Net operating revenues and other income, underlying</td>
<td>26,925</td>
<td>18,765</td>
<td>834</td>
<td>2,244</td>
<td>1,320</td>
<td>650</td>
<td>3,284</td>
<td>1,011</td>
<td>-1,183</td>
</tr>
<tr>
<td>Operating profit (EBIT), underlying</td>
<td>14,953</td>
<td>12,943</td>
<td>-321</td>
<td>631</td>
<td>429</td>
<td>206</td>
<td>1,467</td>
<td>-545</td>
<td>142</td>
</tr>
<tr>
<td>Unrealised value changes from energy derivatives</td>
<td>-789</td>
<td>-333</td>
<td>-456</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gains/losses from divestments of business activities</td>
<td>1,449</td>
<td>-</td>
<td>15</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>1,432</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairments/reversal of impairments</td>
<td>-167</td>
<td>-</td>
<td>-160</td>
<td>-7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating profit (EBIT), IFRS</td>
<td>15,446</td>
<td>12,610</td>
<td>-761</td>
<td>471</td>
<td>431</td>
<td>199</td>
<td>2,899</td>
<td>-545</td>
<td>142</td>
</tr>
<tr>
<td>Share of profit/loss in equity accounted investments</td>
<td>790</td>
<td>-</td>
<td>2</td>
<td>143</td>
<td>30</td>
<td>-</td>
<td>635</td>
<td>-20</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Assets and capital employed 31.12.18

<table>
<thead>
<tr>
<th>Category</th>
<th>Statkraft AS Group</th>
<th>European flexible generation</th>
<th>Market operations</th>
<th>Inter-national power</th>
<th>European wind and solar</th>
<th>District heating</th>
<th>Industrial ownership</th>
<th>Other activities</th>
<th>Group items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment and intangible assets</td>
<td>109,653</td>
<td>57,250</td>
<td>85</td>
<td>24,976</td>
<td>8,018</td>
<td>3,461</td>
<td>15,494</td>
<td>369</td>
<td>-</td>
</tr>
<tr>
<td>Equity accounted investments</td>
<td>13,105</td>
<td>-</td>
<td>25</td>
<td>1,977</td>
<td>879</td>
<td>-</td>
<td>10,116</td>
<td>108</td>
<td>-</td>
</tr>
<tr>
<td>Loans to equity accounted investments</td>
<td>2,319</td>
<td>-</td>
<td>-</td>
<td>1,737</td>
<td>568</td>
<td>-</td>
<td>15</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other assets</td>
<td>57,311</td>
<td>2,221</td>
<td>11,655</td>
<td>1,447</td>
<td>533</td>
<td>281</td>
<td>988</td>
<td>40,318</td>
<td>-132</td>
</tr>
<tr>
<td>Total assets</td>
<td>182,388</td>
<td>59,472</td>
<td>11,765</td>
<td>30,137</td>
<td>9,998</td>
<td>3,741</td>
<td>26,613</td>
<td>40,795</td>
<td>-132</td>
</tr>
<tr>
<td>Assets not included in capital employed</td>
<td>-56,323</td>
<td>-35</td>
<td>-203</td>
<td>-4,011</td>
<td>-1,461</td>
<td>-</td>
<td>-10,609</td>
<td>-40,003</td>
<td>-</td>
</tr>
<tr>
<td>Liabilities included in capital employed</td>
<td>-19,685</td>
<td>-2,848</td>
<td>-5,856</td>
<td>-1,481</td>
<td>-293</td>
<td>-212</td>
<td>-1,275</td>
<td>-7,853</td>
<td>132</td>
</tr>
<tr>
<td>Capital employed</td>
<td>106,380</td>
<td>56,569</td>
<td>5,706</td>
<td>24,645</td>
<td>8,243</td>
<td>3,529</td>
<td>14,728</td>
<td>-7,061</td>
<td>-</td>
</tr>
<tr>
<td>Return on average capital employed (ROACE)</td>
<td>14.7%</td>
<td>23.3%</td>
<td>-6.9%</td>
<td>2.9%</td>
<td>6.3%</td>
<td>5.9%</td>
<td>10.1%</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Return on average equity accounted investment (ROAE)</td>
<td>5.9%</td>
<td>na</td>
<td>na</td>
<td>7.8%</td>
<td>3.2%</td>
<td>6.1%</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Depreciations, amortisations and impairments</td>
<td>-3,734</td>
<td>-1,692</td>
<td>-17</td>
<td>-910</td>
<td>-309</td>
<td>-172</td>
<td>-574</td>
<td>-59</td>
<td>-</td>
</tr>
<tr>
<td>Maintenance investments and other investments</td>
<td>2,067</td>
<td>1,185</td>
<td>10</td>
<td>155</td>
<td>4</td>
<td>9</td>
<td>663</td>
<td>40</td>
<td>-</td>
</tr>
<tr>
<td>Investments in new production capacity</td>
<td>3,053</td>
<td>67</td>
<td>24</td>
<td>894</td>
<td>1,623</td>
<td>134</td>
<td>309</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments in shares</td>
<td>1,862</td>
<td>-</td>
<td>39</td>
<td>1,345</td>
<td>381</td>
<td>-</td>
<td>-</td>
<td>97</td>
<td>-</td>
</tr>
</tbody>
</table>

### Selected financial figures from "Norwegian hydropower and related business"

In the white paper Prop. 40 S (2014-2015) related to revised national budget, it was stated that Statkraft should disclose information related to the Norwegian hydropower activities ("Norwegian hydropower").

The table on the next page includes financial figures for the Norwegian hydropower, which have been extracted from the relevant operating segments.

"Norwegian hydropower" includes the results from all activities related to the Norwegian hydropower assets in the subsidiaries Statkraft Energi AS and Skagerak Kraft Group. Activities which are related to hydropower assets include hydropower generation and the share of contract portfolios related to hydropower generation (Nordic dynamic asset management portfolio and other risk reducing portfolios).

"Related business" refers to all activities in the investments in the associated regional companies BKK AS and Agder Energi AS.

The column Sum "Norwegian hydropower, excluding related business" represents the totals for the two subsidiaries after elimination of intercompany transactions and balances. The figures for Statkraft Energi AS are extracted from the segments European flexible generation and Market operations, while the figures for Skagerak Kraft Group are extracted from the segment Industrial ownership. The line "Profit after tax (majority share)" from Skagerak Kraft Group is calculated based on Statkraft's ownership interest of 66.62%.

The lines Net financial items and Tax expense show the financial items and tax related to the activities in the definition of "Norwegian hydropower".

The figures from the equity accounted investments in the associated companies BKK AS and Agder Energi AS have been extracted from the segment Industrial ownership. See note 26.
Note 4 continued

**Norwegian hydropower**

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Statkraft AS Group</th>
<th>Statkraft Energi AS</th>
<th>Skagerak Kraft Group</th>
<th>Sum &quot;Norwegian hydropower, excluding related business&quot;</th>
<th>Related business</th>
<th>Sum &quot;Norwegian hydropower and related business&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross operating revenues and other income</td>
<td>47 933</td>
<td>15 491</td>
<td>2 045</td>
<td>17 516</td>
<td></td>
<td>17 516</td>
</tr>
<tr>
<td>Net operating revenues and other income</td>
<td>29 415</td>
<td>14 350</td>
<td>1 953</td>
<td>16 298</td>
<td></td>
<td>16 298</td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>16 978</td>
<td>10 535</td>
<td>-1 319</td>
<td>11 871</td>
<td></td>
<td>11 871</td>
</tr>
<tr>
<td>Share of profit/loss in equity accounted investments</td>
<td>1 249</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>1 360</td>
</tr>
<tr>
<td>Net financial items</td>
<td>733</td>
<td>-323</td>
<td>-65</td>
<td>-388</td>
<td></td>
<td>-388</td>
</tr>
<tr>
<td>Tax expense</td>
<td>-7 632</td>
<td>-5 707</td>
<td>-613</td>
<td>-6 320</td>
<td></td>
<td>-6 320</td>
</tr>
<tr>
<td>Net profit</td>
<td>11 327</td>
<td>4 523</td>
<td>642</td>
<td>5 164</td>
<td>1 360</td>
<td>6 524</td>
</tr>
<tr>
<td>Net profit (of which owners of the parent)</td>
<td>10 910</td>
<td>4 523</td>
<td>426</td>
<td>4 949</td>
<td>1 360</td>
<td>6 309</td>
</tr>
<tr>
<td>Paid dividend and group contribution to Statkraft</td>
<td>6 000</td>
<td>151</td>
<td>6 151</td>
<td>638</td>
<td>6 789</td>
<td></td>
</tr>
</tbody>
</table>

**Assets 31.12.19**

<table>
<thead>
<tr>
<th></th>
<th>Statkraft AS Group</th>
<th>Statkraft Energi AS</th>
<th>Skagerak Kraft Group</th>
<th>Sum &quot;Norwegian hydropower, excluding related business&quot;</th>
<th>Related business</th>
<th>Sum &quot;Norwegian hydropower and related business&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity accounted investments</td>
<td>12 917</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>9 259</td>
<td>9 264</td>
</tr>
<tr>
<td>Other assets</td>
<td>164 632</td>
<td>37 804</td>
<td>4 401</td>
<td>43 205</td>
<td></td>
<td>43 205</td>
</tr>
<tr>
<td>Total assets</td>
<td>177 548</td>
<td>37 806</td>
<td>5 403</td>
<td>43 210</td>
<td>9 259</td>
<td>52 469</td>
</tr>
</tbody>
</table>

**EBITDA**

<table>
<thead>
<tr>
<th></th>
<th>Statkraft AS Group</th>
<th>Statkraft Energi AS</th>
<th>Skagerak Kraft Group</th>
<th>Sum &quot;Norwegian hydropower, excluding related business&quot;</th>
<th>Related business</th>
<th>Sum &quot;Norwegian hydropower and related business&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciations, amortisations and impairments</td>
<td>-3 688</td>
<td>-1 075</td>
<td>-177</td>
<td>-1 252</td>
<td>-1 252</td>
<td></td>
</tr>
<tr>
<td>Maintenance investments and other investments</td>
<td>2 712</td>
<td>991</td>
<td>185</td>
<td>1 175</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in new production capacity</td>
<td>3 738</td>
<td>972</td>
<td>194</td>
<td>972</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in shares</td>
<td>972</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

---

**Norwegian hydropower**

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Statkraft AS Group</th>
<th>Statkraft Energi AS</th>
<th>Skagerak Kraft Group</th>
<th>Sum &quot;Norwegian hydropower, excluding related business&quot;</th>
<th>Related business</th>
<th>Sum &quot;Norwegian hydropower and related business&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross operating revenues and other income</td>
<td>57 283</td>
<td>17 166</td>
<td>2 118</td>
<td>19 254</td>
<td></td>
<td>19 254</td>
</tr>
<tr>
<td>Net operating revenues and other income</td>
<td>27 585</td>
<td>15 852</td>
<td>2 009</td>
<td>17 851</td>
<td></td>
<td>17 851</td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>15 446</td>
<td>12 045</td>
<td>1 375</td>
<td>13 420</td>
<td></td>
<td>13 420</td>
</tr>
<tr>
<td>Share of profit/loss in equity accounted investments</td>
<td>790</td>
<td>-</td>
<td>-</td>
<td>596</td>
<td>596</td>
<td></td>
</tr>
<tr>
<td>Net financial items</td>
<td>4 412</td>
<td>-171</td>
<td>-64</td>
<td>-235</td>
<td></td>
<td>-235</td>
</tr>
<tr>
<td>Tax expense</td>
<td>-7 258</td>
<td>-6 299</td>
<td>-853</td>
<td>-7 151</td>
<td></td>
<td>-7 151</td>
</tr>
<tr>
<td>Net profit</td>
<td>13 390</td>
<td>5 576</td>
<td>458</td>
<td>6 034</td>
<td>596</td>
<td>6 630</td>
</tr>
<tr>
<td>Net profit (of which owners of the parent)</td>
<td>12 710</td>
<td>5 576</td>
<td>303</td>
<td>5 879</td>
<td>596</td>
<td>6 475</td>
</tr>
<tr>
<td>Paid dividend and group contribution to Statkraft</td>
<td>4 499</td>
<td>119</td>
<td>4 618</td>
<td>541</td>
<td>5 159</td>
<td></td>
</tr>
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</table>

**Assets 31.12.18**

<table>
<thead>
<tr>
<th></th>
<th>Statkraft AS Group</th>
<th>Statkraft Energi AS</th>
<th>Skagerak Kraft Group</th>
<th>Sum &quot;Norwegian hydropower, excluding related business&quot;</th>
<th>Related business</th>
<th>Sum &quot;Norwegian hydropower and related business&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity accounted investments</td>
<td>13 105</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>9 030</td>
<td>9 032</td>
</tr>
<tr>
<td>Other assets</td>
<td>169 284</td>
<td>37 754</td>
<td>5 306</td>
<td>43 060</td>
<td></td>
<td>43 060</td>
</tr>
<tr>
<td>Total assets</td>
<td>182 388</td>
<td>37 754</td>
<td>5 307</td>
<td>43 062</td>
<td>9 030</td>
<td>52 092</td>
</tr>
</tbody>
</table>

**EBITDA**

<table>
<thead>
<tr>
<th></th>
<th>Statkraft AS Group</th>
<th>Statkraft Energi AS</th>
<th>Skagerak Kraft Group</th>
<th>Sum &quot;Norwegian hydropower, excluding related business&quot;</th>
<th>Related business</th>
<th>Sum &quot;Norwegian hydropower and related business&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciations, amortisations and impairments</td>
<td>-3 734</td>
<td>-1 100</td>
<td>-192</td>
<td>-1 292</td>
<td>-1 292</td>
<td></td>
</tr>
<tr>
<td>Maintenance investments and other investments</td>
<td>2 067</td>
<td>864</td>
<td>105</td>
<td>969</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in new production capacity</td>
<td>3 053</td>
<td>62</td>
<td>25</td>
<td>87</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in shares</td>
<td>1 862</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1) Statkraft's share.
2) Dividend and group contribution after tax paid from Statkraft Energi AS.
3) Dividend paid to Statkraft.
**Note 5  Business combinations and other transactions**

---

**SIGNIFICANT ACCOUNTING POLICIES**

The acquisition method is applied in business combinations. The acquisition date is the date when the acquirer obtains control of the acquiree and normally transfers the consideration to the seller. In general the acquisition date coincides with the closing date. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at their fair values at the acquisition date. If the accounting of a business combination is incomplete at the end of the reporting period, in which the transaction occurred, the Group will report preliminary values for the assets and liabilities. Preliminary values are adjusted throughout the measuring period of maximum one year in order to reflect new information obtained about circumstances that existed as of the acquisition date, which if known, would have affected the valuation on that date. Correspondingly, new assets and liabilities can be recognised.

Non-controlling interests are recognised as the proportionate share of the identifiable net assets and liabilities.

Any differences between cost and fair value for acquired assets, liabilities and contingent liabilities are recognised as goodwill or recognised in the income statement when the cost is lower. No provisions are recognised for deferred tax on goodwill.

Transaction costs are recognised in the income statement when incurred.

If business combinations are achieved in stages, the existing ownership interests are recognised at fair value at the point in time when control is transferred to Statkraft. Such a change in the carrying value of the investment is recognised in the income statement.

On acquisition of an investment in a joint venture or an associated company any difference between the cost of the shares and Statkraft’s share of the net fair value of the investee’s identifiable assets and liabilities is accounted for as goodwill and excess values. Goodwill may arise as the surplus of the cost of the investment over Statkraft’s share of the net fair value of the identifiable assets and liabilities of the joint venture or associate. Such goodwill is recognised within the corresponding investment, presented as Equity accounted investments.

Acquisition of an asset or a group of assets that are not within the scope of business combinations require all individual identifiable assets acquired and liabilities assumed to be identified. The identified assets and liabilities are assigned a carrying amount based on their relative fair value at the date of acquisition. Directly attributable transaction cost is generally capitalised as part of the cost of the assets. Goodwill and deferred taxes are not recognised in an asset acquisition.

---

**ESTIMATES AND ASSUMPTIONS**

Consideration paid in such acquisitions is allocated to acquired assets and liabilities and contingent liabilities based on their estimated fair values. Statkraft uses both external advisors and internal experts to assist in the determination of the fair value of acquired assets and liabilities, depending on the size and complexity of the acquisition. This type of valuation requires management to make judgements with regards to valuation method, estimates and assumptions.

Management’s estimates of fair value and useful life are based on assumptions supported by internal experts, and involve inherent uncertainty. As explained in note 2, Statkraft’s long-term price forecast for power is a critical assumption used in estimating fair values of relevant assets and liabilities.

---

**BUSINESS COMBINATIONS AND ASSET ACQUISITIONS IN 2019**

**Ventos** On 8 October, Statkraft acquired 100% of the shares in Ventos de Santa Eugênia Energias Renováveis S.A. and Ventos de São Vitorino Energias Renováveis S.A., consisting of two projects of a total of 664 MW for development within onshore wind in Brazil. One of the projects is ready-to-auction and the other is an early stage development project. The shares were acquired from Fundo de Investimento em Participações Multiestratégia, and the purchase price was NOK 296 million. The acquisition is considered not to constitute a business, and is accounted for as an asset acquisition.

In addition Statkraft has acquired several other companies, mainly related to electrical vehicle charging and projects within onshore wind and solar development.

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**DIVESTMENT AND RESTRUCTURING OF BUSINESS IN 2019**

**Fjordkraft** On 28 March, Statkraft’s subsidiary Skagerak Energi AS sold 15.5 million shares, representing 14.86% of the share capital in Fjordkraft Holding ASA. The selling price was NOK 35.70 per share. The net cash inflow from the sale was NOK 550 million and Statkraft recognised a gain of NOK 43 million as Other financial items. Subsequent to the transaction, Skagerak Energi AS owns 14.86% of the shares in Fjordkraft.

On 14 May, a general assembly was held in Fjordkraft. Subsequent of this general assembly, Statkraft’s subsidiary Skagerak Energi no longer has representatives on the Board of Directors, leading to loss of significant influence. The use of the equity method discontinued on the date when the retained investment ceased to be an associate and became a financial asset recognised at fair value. As a result of the change of control a gain of NOK 143 million was recognised as Other financial items.

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

**BKK** On 9 October, two agreements where BKK acquired 6517 of its own C-shares from Statkraft, corresponding to a total of approximately 4.4% of the company’s total share capital, were closed. The acquired shares have been used by BKK as consideration when merging with Sunnfjord Energi and acquiring Kvinneherad Energi. The purchase prices for the shares were NOK 966 million in total, and gains of NOK 436 million in total were recognised as Other financial items.

**Öråsa Vind** On 5 June 2019, Statkraft signed an agreement to divest 100% of the shares in Öråsa Vind AB, including four Swedish wind farm projects. The shares were sold to Stena Renewable AB and the purchase price was NOK 1 million upfront, in addition to contingent considerations of up to NOK 71 million in total. NOK 55 million of the contingent considerations were received and recognised in 2019, presented as Other operating income.
Note 5 continued

### Allocation of cost price for acquisitions in 2019 1)

<table>
<thead>
<tr>
<th>Consideration</th>
<th>Ventos</th>
<th>Other 2)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition date</td>
<td>08.10.2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voting rights/shareholding acquired through the acquisition</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total voting rights/shareholding following acquisition</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measurement of non-controlling interests</td>
<td>n/a</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Consideration

<table>
<thead>
<tr>
<th>NOK million</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid at acquisition date</td>
<td>296</td>
<td>402</td>
<td>698</td>
</tr>
<tr>
<td>Contingent consideration</td>
<td>-</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>139</td>
<td>139</td>
</tr>
<tr>
<td>Total acquisition cost</td>
<td>296</td>
<td>671</td>
<td>967</td>
</tr>
</tbody>
</table>

#### Book value of net acquired assets (see table below)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>100</th>
<th>101</th>
</tr>
</thead>
</table>

#### Identification of excess value, attributable to:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>-</td>
<td>173</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>295</td>
<td>-</td>
</tr>
<tr>
<td>Gross excess value</td>
<td>295</td>
<td>173</td>
</tr>
<tr>
<td>Deferred tax on excess value</td>
<td>-</td>
<td>-15</td>
</tr>
<tr>
<td>Net excess value</td>
<td>295</td>
<td>158</td>
</tr>
</tbody>
</table>

#### Fair value of net acquired assets, excluding goodwill

<table>
<thead>
<tr>
<th></th>
<th>296</th>
<th>258</th>
<th>554</th>
</tr>
</thead>
</table>

#### Of which

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlling interests</td>
<td>296</td>
<td>248</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>-</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>296</td>
<td>259</td>
</tr>
</tbody>
</table>

#### Total acquisition cost

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total acquisition cost</td>
<td>296</td>
<td>671</td>
<td>967</td>
</tr>
</tbody>
</table>

#### Fair value of net acquired assets, excluding goodwill (controlling interest)

|                      | 296    | 248      | 544   |

#### Goodwill

|                      | -      | -423     |       |

---

1) All cost price allocations for acquisitions are based on preliminary assessments, and could be subject to changes within 12 months of each transaction.

2) Includes JBM Solar, eeMobility, Torsa, Airvolution, E-WALD, Hjartdal, Grønn Kontakt and an additional payment of NOK 31 million in 2019 for the shares in Tamar, acquired in 2018.

### NOK million

#### Book value of net acquired assets in 2019

<table>
<thead>
<tr>
<th></th>
<th>Ventos</th>
<th>Other 3)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>-</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>-</td>
<td>227</td>
<td>227</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>-</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Non-current financial assets</td>
<td>1</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>1</td>
<td>303</td>
<td>304</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Inventories</td>
<td>-</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Receivables</td>
<td>-</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>Current assets</td>
<td>-</td>
<td>88</td>
<td>88</td>
</tr>
<tr>
<td>Acquired assets</td>
<td>1</td>
<td>391</td>
<td>392</td>
</tr>
<tr>
<td>Interest-bearing liabilities, non-current</td>
<td>-</td>
<td>178</td>
<td>178</td>
</tr>
<tr>
<td>Interest-bearing liabilities, current</td>
<td>-</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Other interest-free liabilities, current</td>
<td>-</td>
<td>101</td>
<td>101</td>
</tr>
<tr>
<td>Other interest-free liabilities, non-current</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Net value of acquired assets</td>
<td>1</td>
<td>100</td>
<td>101</td>
</tr>
</tbody>
</table>

#### Total acquisition cost

|                      | 296    | 671      | 967   |

#### Non-cash elements of acquisition cost

|                      | -      | 269      | 269   |

#### Consideration and cost in cash and cash equivalents

|                      | 296    | 402      | 698   |

#### Cash and cash equivalents in acquired companies

|                      | -      | 32       | 32    |

#### Net cash payments in connection with the acquisitions

|                      | 296    | 370      | 666   |

#### Contribution to gross operating revenues and other income since acquisition date

|                      | 100%   | -4       | 34    |

#### Contribution to net profit since acquisition date

|                      | -6     | -32      | -38   |

---

1) Includes JBM Solar, eeMobility, Torsa, Airvolution, E-WALD, Hjartdal and Grønn Kontakt.
Note 5 continued

BUSINESS COMBINATIONS AND TRANSACTIONS IN 2018

**Tidong** On 4 September, Statkraft acquired 100% of the shares in NSL Tidong Power Generation Private Ltd. The shares were acquired from NSL Renewable Power Private Ltd. The purchase price of the shares was close to zero. Tidong is a hydropower project in India with a planned capacity of 100 MW.

**Element Power Group** On 2 October, Statkraft acquired 100% of the shares in the Irish and UK wind development business of the Element Power Group. The shares were acquired from Hudson Clean Energy Partners AIV LP. 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 with the transaction.

**Tamar** On 21 December, Statkraft acquired 100% of the shares in the two companies Santa Fé Energía S.A. and Tamar Pequenas Centrais Hidroeléctricas 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.

DIVESTMENTS AND RESTRUCTURING OF BUSINESS IN 2018

**Dudgeon Offshore Wind** 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.

**Fjordkraft** On 21 March, Fjordkraft concluded a successful Initial Public Offering (IPO) and was listed on Oslo Stock Exchange at a share price of 31 NOK/share. Statkraft recognised a total gain from the IPO of NOK 1659 million of which NOK 1432 million was recognised as Other operating income. BKK, an associated company of Statkraft, also divested some of its shareholding in Fjordkraft through the IPO and recognised a gain of NOK 227 million that was presented as Share of profit/loss in equity accounted investments. Net cash income from the transaction was NOK 673 million. Subsequent of the IPO, Statkraft held a shareholding of 29.72% in Fjordkraft and the investment was presented according to the equity method, see note 26.

Of the total gain recognised, NOK 869 million is a true up to fair value on the remaining shares in Fjordkraft held by Statkraft. The excess values 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 deprecations 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.

**BKK** 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. The gain was NOK 141 million and was recognised as Other financial items.

**Istad** 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.

**Lange Runde** On 7 September, Statkraft sold 90% of the shares in the 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 and was recognised as Other operating income.

**BKK** 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.
Note 5 continued

### Allocation of cost price for acquisitions in 2018

<table>
<thead>
<tr>
<th>Acquisition date</th>
<th>Tidong</th>
<th>Element Power</th>
<th>Tamar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>04.09.2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>02.10.2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21.12.2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Voting rights/shareholding acquired through the acquisition**
  - 100%
  - 100%
  - 100%

- **Total voting rights/shareholding following acquisition**
  - 100%
  - 100%
  - 100%

<table>
<thead>
<tr>
<th>Measurement of non-controlling interests</th>
<th>n/a</th>
<th>n/a</th>
<th>n/a</th>
</tr>
</thead>
</table>

### Consideration

**NOK million**

<table>
<thead>
<tr>
<th>Cash</th>
<th>Tidong</th>
<th>Element Power</th>
<th>Tamar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>372</td>
<td>1 344</td>
<td>1 716</td>
<td></td>
</tr>
</tbody>
</table>

- **Total acquisition cost**
  - 372
  - 1 344
  - 1 716

**Book value of net acquired assets (see table below)**

-4 252 566 814

- **Identification of excess value, attributable to:**
  - **Intangible assets**
    - -99 334 235
  - **Property, plant and equipment**
    - 4 - 449 453
  - **Inventory**
    - - -4 -4

- **Gross excess value**
  - 4 -99 779 684

- **Deferred tax on excess value**
  - -1 - -119 -120

- **Net excess value**
  - 3 -99 659 563

- **Fair value of net acquired assets, excluding goodwill**
  - -1 153 1 225 1 377

- **Of which**
  - **Controlling interests**
    - -1 153 1 225 1 377
  - **Total**
    - -1 153 1 225 1 377

- **Total acquisition cost**
  - - 372 1 344 1 716

- **Fair value of net acquired assets, excluding goodwill (controlling interest)**
  - -1 153 1 225 1 377

- **Goodwill**
  - 1 219 119 339

### NOK million

**Book value of net acquired assets in 2018**

<table>
<thead>
<tr>
<th>Intangible assets</th>
<th>Tidong</th>
<th>Element Power</th>
<th>Tamar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>371</td>
<td>6</td>
<td>378</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Property, plant and equipment</th>
<th>Tidong</th>
<th>Element Power</th>
<th>Tamar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>392</td>
<td>1</td>
<td>727</td>
<td>1 120</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred tax assets</th>
<th>Tidong</th>
<th>Element Power</th>
<th>Tamar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other non-current assets</th>
<th>Tidong</th>
<th>Element Power</th>
<th>Tamar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>34</td>
<td>-</td>
<td>11</td>
<td>45</td>
<td></td>
</tr>
</tbody>
</table>

- **Non-current assets**
  - 426 372 747 1 545

- **Cash and cash equivalents**
  - - 15 150 165

- **Inventories**
  - - - 12 12

- **Receivables**
  - 1 - 48 49

- **Current assets**
  - 1 15 210 226

- **Acquired assets**
  - 427 387 957 1 771

- **Deferred tax**
  - 1 - - 1

- **Interest-bearing liabilities, non-current**
  - 342 38 337 717

- **Interest-bearing liabilities, current**
  - 2 - 19 21

<table>
<thead>
<tr>
<th>Taxes payable</th>
<th>Tidong</th>
<th>Element Power</th>
<th>Tamar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
<td>24</td>
<td>24</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other interest-free liabilities</th>
<th>Tidong</th>
<th>Element Power</th>
<th>Tamar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>87</td>
<td>97</td>
<td>10</td>
<td>195</td>
<td></td>
</tr>
</tbody>
</table>

- **Net value of acquired assets**
  - -4 252 566 814

- **Total acquisition cost**
  - - 372 1 344 1 716

- **Non-cash elements of acquisition cost**
  - - - -

- **Consideration and cost in cash and cash equivalents**
  - - 372 1 344 1 716

<table>
<thead>
<tr>
<th>Cash and cash equivalents in acquired companies</th>
<th>Tidong</th>
<th>Element Power</th>
<th>Tamar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>15</td>
<td>150</td>
<td>165</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net cash payments in connection with the acquisitions</th>
<th>Tidong</th>
<th>Element Power</th>
<th>Tamar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>357</td>
<td>1 194</td>
<td>1 551</td>
<td></td>
</tr>
</tbody>
</table>

- **Contribution to gross operating revenues and other income since acquisition date**
  - - 7 - -

- **Contribution to net profit since acquisition date**
  - -8 -15 - -23
Note 6  Management of capital structure

The target for the Group’s management of its capital structure is related to long-term credit rating. Statkraft AS has a long-term credit rating of A- (stable outlook) from Standard & Poor’s and BBB+ (stable outlook) from Fitch Ratings. Statkraft’s target is to maintain its current ratings.

The tools for long-term management of the capital structure consist primarily of the draw-down and repayment of long-term liabilities and payments of share capital from/to the owner. In addition, the Group may also adjust the level of investments to manage its capital structure. The Group endeavours to obtain external financing from various capital markets. The Group is not subject to any external requirements with regards to the management of capital structure other than those relating to the market’s expectations and the owner’s dividend expectations.

There were no changes in the Group’s targets and guidelines governing the management of capital structure in 2019.

Overview of capital included in management of capital structure

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-bearing liabilities, non-current</td>
<td>32</td>
<td>28,160</td>
<td>30,354</td>
</tr>
<tr>
<td>Interest-bearing liabilities, current</td>
<td>32</td>
<td>4,479</td>
<td>6,346</td>
</tr>
<tr>
<td>Financial investments, current</td>
<td></td>
<td>-1,470</td>
<td>-604</td>
</tr>
<tr>
<td>Cash and cash equivalents, excluding restricted cash</td>
<td>30</td>
<td>-15,168</td>
<td>-23,114</td>
</tr>
<tr>
<td>Net interest-bearing liabilities</td>
<td></td>
<td>16,001</td>
<td>12,982</td>
</tr>
</tbody>
</table>
Note 7 Market risk in the Group

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY

Statkraft is engaged in activities that entail risk in many areas and has a unified approach to the Group’s market risks. The Group’s risk management policy is based upon assuming the right risk based on the Group’s ability and willingness to take risks, expertise, financial strength and development plans. The purpose of risk management is to identify threats and opportunities for the Group, and to manage the overall risk level to provide reasonable assurance that the Group’s objectives will be met.

In Statkraft, market risk will primarily relate to prices of energy and commodities, interest rates and foreign currencies. The following section contains a more detailed description of the various types of market risk, and how these are managed.

MARKET RISK RELATED TO PRICES ON ENERGY AND COMMODITIES

Statkraft is exposed to significant market risk in relation to the generation and trading of power. Revenues from power generation are exposed to volume and power price risk. The company has an advanced energy management process and aims to have production capacity available in periods with high demand. Statkraft manages market risk in the energy markets by trading physical and financial instruments in multiple markets. The production revenues are optimised through financial power trading.

Risk management in energy trading in Statkraft focuses on total portfolios rather than individual contracts. Internal guidelines controlling the level of market exposure have been established for all portfolios. Responsibility for the continuous monitoring of granted mandates and frameworks lies with independent organisational units. The frameworks for trading in both financial and physical contracts are continuously monitored. The Group has trading offices located in Oslo, Trondheim, Stockholm, London, Amsterdam, Düsseldorf, Istanbul, Tirana, Rio de Janeiro, San Francisco, New Delhi, Lima, Madrid, Santiago and Lyon.

A further description of the risks within the relevant line items in the profit and loss statement can be found below:

Sales revenues

Generation Statkraft has entered into bilateral physical power sales agreements with industrial customers. The most significant part is related to contracts in Norway. These contracts stabilise Statkraft’s revenues as they normally have fixed prices and volume, although with different durations. A substantial part of the contracted volume is settled in euro, and is therefore subject to a foreign exchange risk. Some of the contracts are indexed to raw materials.

Customers This revenue category mainly consists of market access activities. Statkraft purchases power from smaller energy generators and sells the power to power exchanges, which includes handling volume and imbalance risk.

Gains and losses from market activities

Risk reducing activities In addition to bilateral physical contracts, Statkraft enters into financial contracts, normally forwards and futures, in order to hedge prices on a certain volume of future spot sales. Statkraft has one Nordic and one Continental dynamic asset management portfolio, managed in Oslo and in Düsseldorf, respectively. The objective of these portfolios is to optimise revenues and reduce the risk levels in Statkraft as a whole. Statkraft performs financial trades in order to generate values from futures and forward markets, in addition to physical production and trading. Mandates to enter into financial contracts are based on volume thresholds related to available production. The risk is quantified using simulations of various scenarios for relevant risk factors. The Nordic and Continental dynamic asset management portfolios consist mainly of financial contracts for power, CO2, coal, gas and oil products. The contracts are traded on energy exchanges and by bilateral contracts. In general, the time horizon for these contracts is less than five years.

In addition to risk reducing activities, Statkraft has various trading and origination portfolios that are managed independently of the Group’s expected power generation. Statkraft has allocated risk capital to these activities. Clear guidelines have been established limiting the types of products that can be traded. The mandates are adhered to by applying specified limits for value-at-risk and profit-at-risk. Both methods calculate the maximum potential loss a portfolio can incur, with a given probability factor over a given period of time. The credit risk and operational risk are also quantified in relation to the allocated risk capital.

Trading activities The trading activities involve buying and selling standardised and liquid products, such as power, gas, oil, CO2 products and energy-related metals. The activities also include trading of transportation capacity across borders. The contracts in the trading portfolio have maturities ranging from zero to five years. The aim is to realise profits on changes in the market value of energy and energy-related products. The market risk in these contracts is mainly related to changes in future commodity prices.

Origination activities The origination activities include buying and selling both standard and structured products. Structured products are typically environmental certificates or power contracts with tailor made profiles entered into in different currencies. Further, Statkraft enters into long term power purchase and power sales agreement with the aim to provide route to market for renewable energy producers and long- term renewable energy supply to corporate consumers. Depending of the price mechanisms in the power purchase and sales agreements Statkraft may be exposed to a price risk. The price risk is mitigated by entering into financial contracts, mainly forwards and futures, with third parties. Quoted, liquid contracts pertaining to system price, area prices and foreign currency are primarily used to reduce the risk involved in trading structured products and contracts. The majority of the contracts in the portfolio have duration of up to five years, though some contracts run until 2035.

FOREIGN EXCHANGE AND INTEREST RATE RISK

Statkraft is exposed to foreign exchange and interest rate risk. Statkraft uses interest rate and foreign currency derivatives in addition to debt in foreign currency to mitigate these risks. Funding, forwards and swaps in foreign currency in combination with interest rate swaps are used to achieve the desired currency and interest structure of the company’s debt portfolio.

Statkraft’s methods for managing these risks are described below:

Foreign exchange risk Statkraft incurs currency risk in the form of transaction risk, mainly in connection with energy sales revenues, investments and dividends in foreign currency. Translation risk is related to shareholdings in foreign subsidiaries, joint operations and equity accounted investments.

Statkraft’s settlement currency at the Nordic power exchange Nord Pool is euro and power contracts traded in the Nordic power exchange Nasdaq are denominated in euro. In addition, most of Statkraft’s bilateral power purchase agreements in Norway and all power purchase and sales abroad are denominated in foreign currency. The objective of Statkraft’s currency hedging is to secure the Norwegian kroner value for future cash flows exposed to exchange risk. Hedging of foreign currency risk is primarily done by allocating appropriate volumes of currency debt to the relevant cash flows. The foreign
Note 7 continued

exchange risk is subject to continuous assessment and treated in accordance with the Group Treasury strategy. Few of these hedging relationships fulfil the requirements of hedge accounting.

Interest rate risk Statkraft’s interest rate exposure is related to the Group’s debt portfolio. The Group’s debt portfolio includes all external interest-bearing bonds and loans, commercial papers and external interest rate derivatives in Statkraft AS and its subsidiaries owned more than 50%, according to its pro-rata share.

The management of interest rate risk is based on a balance between keeping interest cost low over time and contributing to stabilise the Group’s cash flows with regards to interest rate changes. The interest rate risk is monitored by having duration as measure. Statkraft shall at all times keep the average duration of its debt portfolio within the range of two to five years.

Compliance with the limit for currency and interest rate risk is followed up continuously by the middle office function. Responsibility for entering into and following up the various positions has been separated and is allocated to separate organisational units.

Statkraft has established a project to assess the potential economic and accounting consequences of the transition from IBORs to ARRs which is expected to take place in 2021. At the current stage it is too early to draw any conclusions about the potential consequences.
Note 8  Analysis of market risk

GENERAL INFORMATION

Statkraft follows up market risk within energy optimisation, trading and origination portfolios, currency and interest rate positions, revenues from grid activities and district heating.

The Group quantifies risk as deviations from expected net results with a given confidence level (value-at-risk). Market risk is included in these calculations, which are used both in the follow-up of the business areas and business portfolios as well as at Group level as part of reporting to Corporate management and the Board of Directors. Statkraft’s targets for market risk shall in general have a 95% probability of covering all potential losses, i.e deviations from expected results, connected with the market risk of positions at the reporting date during the course of one year. Uncertainty in the underlying instruments/prices and their interrelatedness is calculated using statistical methods.

For contracts in the energy optimisation with exposures beyond one year, only the uncertainty relating to the current year is reflected in the calculations. The market risk in the Trading and Origination portfolios is based on allocated risk capital, which is designed to cover risk at >95% confidence level and exposure beyond one year.

The analysis also takes into account correlation, both within the individual areas and between the areas.

The diversification effect emerges as the difference between total market risk in the specified areas and total market risk, where the correlation between e.g. power prices, interest rates and currency exchange rates is taken into account.

<table>
<thead>
<tr>
<th>Specification of market risk</th>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market risk in energy optimisation (volume risk, spot price risk and hedging)</td>
<td>2 915</td>
<td>2 749</td>
<td></td>
</tr>
<tr>
<td>Market risk in trading and origination portfolios</td>
<td>1 100</td>
<td>1 659</td>
<td></td>
</tr>
<tr>
<td>Market risk in interest rates and currency positions</td>
<td>37</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Market risk in distribution grid revenues</td>
<td>30</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Market risk in district heating</td>
<td>30</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Total market risk before diversification effects</td>
<td>4 112</td>
<td>4 503</td>
<td></td>
</tr>
<tr>
<td>Diversification effects</td>
<td>-420</td>
<td>-534</td>
<td></td>
</tr>
<tr>
<td>Total market risk</td>
<td>3 692</td>
<td>3 969</td>
<td></td>
</tr>
<tr>
<td>Diversification effect as a percentage</td>
<td>10%</td>
<td>12%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Specification of debt by currency</th>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt in NOK</td>
<td>-1 903</td>
<td>4 447</td>
<td></td>
</tr>
<tr>
<td>Debt in EUR</td>
<td>24 100</td>
<td>23 790</td>
<td></td>
</tr>
<tr>
<td>Debt in USD</td>
<td>4 184</td>
<td>3 561</td>
<td></td>
</tr>
<tr>
<td>Debt in GBP</td>
<td>556</td>
<td>423</td>
<td></td>
</tr>
<tr>
<td>Debt in BRL</td>
<td>1 199</td>
<td>1 737</td>
<td></td>
</tr>
<tr>
<td>Debt in INR</td>
<td>664</td>
<td>437</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>28 801</td>
<td>34 394</td>
<td></td>
</tr>
</tbody>
</table>

1) Includes long-term interest-bearing liabilities (excluding lease liabilities), first-year instalment on long-term interest-bearing debt, commercial papers, the currency effect of allocated forward exchange rate contracts and the currency effect of combined interest rate and currency swaps. Specifications of debt by currency includes effects from allocated forward exchange rate contracts and combined interest rate and currency swaps since Statkraft uses these derivatives to achieve the desired currency structure for the Group’s debt portfolio.

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

3) The negative figure in NOK reflects the effects from the use of allocated forward exchange contracts and combined interest rate and currency swaps.

<table>
<thead>
<tr>
<th>Specification of interest by currency</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal average interest rate NOK</td>
<td>n.a</td>
<td>3.30%</td>
</tr>
<tr>
<td>Nominal average interest rate EUR</td>
<td>1.10%</td>
<td>2.10%</td>
</tr>
<tr>
<td>Nominal average interest rate USD</td>
<td>3.40%</td>
<td>4.10%</td>
</tr>
<tr>
<td>Nominal average interest rate GBP</td>
<td>1.60%</td>
<td>0.70%</td>
</tr>
<tr>
<td>Nominal average interest rate BRL</td>
<td>7.30%</td>
<td>7.80%</td>
</tr>
<tr>
<td>Nominal average interest rate INR</td>
<td>8.80%</td>
<td>8.80%</td>
</tr>
</tbody>
</table>

1) Includes long-term interest-bearing liabilities (excluding lease liabilities), first-year instalment on long-term interest-bearing debt, commercial papers, allocated forward exchange rate contracts, interest rate swaps and combined interest rate and currency swaps.

2) Management of foreign exchange risk and interest rate risk is presented in note 7.

3) Nominal average interest rate in NOK is not applicable to specify because the figure is negative in the above table Specification of debt by currency. See above.
Note 9  Credit risk and liquidity risk

GENERAL INFORMATION ON CREDIT RISK

Credit risk is the risk that Statkraft incurs losses due to the failure of counterparties to honour their financial obligations. Statkraft is facing credit risk when entering into transactions with financial institutions and providers of clearing services. Credit risk against financial institutions arises from cash or current accounts, deposits, investment of interest bearing securities, derivative transactions and incoming guarantees. Credit risk against providers of clearing services arises from margin requirements settled as cash payments. Statkraft also assumes credit risk when providing loans to associates and joint ventures. In addition, Statkraft assumes credit risk in connection with energy trading and physical sales contracts. Historically, Statkraft’s credit losses have been limited.

Statkraft has entered into agreements under which collateral is transferred or received based on the mark-to-market value of interest rate and foreign exchange derivatives with counterparties. Collateral is transferred or received on a weekly basis. Counterparty credit risk is significantly mitigated by collateral under these agreements. Similar agreements have been established for individual counterparties for financial energy contracts.

The credit risk for financial energy contracts which are settled through an energy exchange is considered to be very low. For all other bilateral energy contracts entered into, the counterparty is assigned an internal credit rating and limits are stipulated for the individual counterparty based on the internal credit rating.

Statkraft has netting agreements with several of its energy trading counterparties. In the event of default, the netting agreements give a right to a final settlement where all future contract positions are netted and settled. See note 10 for more information.

Excess liquidity is managed in a conservative manner considering credit risk, diversification and duration. Management of excess liquidity is handled at Group level. Statkraft’s excess liquidity is mainly held in NOK and invested across various short-term financial instruments such as commercial papers, time deposits and bank deposits. The Group also invest excess liquidity in environmental certificates. Credit and duration limits are stipulated for each counterparty based on credit ratings and total assets. As of 31 December 2019, approximately 16% of the Group’s excess liquidity were held in time deposits, 24% in commercial paper and 60% in overnight bank deposits.

In order to reduce credit risk in connection with energy trading and physical sales contracts, bank or parent company guarantees are sometimes requested when entering into such contracts. The bank which issues the guarantee must be an internationally rated commercial bank which meets minimum rating requirements. When parent company guarantees are received, the parent company is assessed by using ordinary internal credit assessments.

The individual counterparty exposure and limit are monitored continuously and reported regularly to the CFO. An overall counterparty exposure is reported for all relevant legal entities, in addition to being consolidated at Group level and included in the Group risk management.

In accordance with the expected credit loss model introduced by IFRS 9, Statkraft records lifetime expected credit losses on receivables. The loss provision is based on the Group’s assessment of the expected credit losses, and Statkraft does not expect to incur material losses on its receivables.

Statkraft’s gross credit exposure corresponds to the recognised value of financial assets, which are found in the various notes to the statement of financial position. The extent to which relevant and significant collaterals have been provided, is presented below.

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross exposure credit risk:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial assets, non-current</td>
<td>27</td>
<td>3 597</td>
<td>3 986</td>
</tr>
<tr>
<td>Derivatives</td>
<td>10</td>
<td>11 446</td>
<td>12 044</td>
</tr>
<tr>
<td>Receivables</td>
<td>29</td>
<td>13 348</td>
<td>12 831</td>
</tr>
<tr>
<td>Financial investments, current</td>
<td></td>
<td>1 470</td>
<td>604</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>30</td>
<td>15 203</td>
<td>23 175</td>
</tr>
<tr>
<td>Gross exposure credit risk</td>
<td></td>
<td>45 065</td>
<td>52 640</td>
</tr>
<tr>
<td>Exposure reduced by cash collateral:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash collateral</td>
<td>32</td>
<td>-1 383</td>
<td>-1 510</td>
</tr>
<tr>
<td>Net exposure credit risk</td>
<td></td>
<td>43 682</td>
<td>51 130</td>
</tr>
</tbody>
</table>
Note 9 continued

GENERAL INFORMATION ON LIQUIDITY RISK

The Group’s liquidity risk is the risk that the Group has insufficient funds to meet its payment obligations. The purpose of Statkraft’s liquidity management is to secure fulfilment of payment obligations at all times. Statkraft has incorporated a separate target figure for short term liquidity to ensure that Statkraft has a satisfactory level of liquidity sources, consisting of cash and cash equivalents, short-term financial investments and unused committed credit facilities.

The liquidity risk is further mitigated through liquidity forecasts, access to different borrowing sources and markets. The Group plans for an evenly distributed debt redemption profile to keep refinancing risk low.

Statkraft issues debt primarily under its Euro Medium Term Note Programme (EUR 6.0 billion), where the programme is listed on the London and Irish Stock Exchange. In addition, the Group has a backup facility of NOK 9.2 billion supported by the Group’s core banks. The back up facility is maturing in 2023.

The main cash outflows include the annual dividend payment, tax payments in addition to planned investments.

Maturity schedule, external long-term liabilities

<table>
<thead>
<tr>
<th></th>
<th>0-1 year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-4 years</th>
<th>4-5 years</th>
<th>5 years and later</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instalments on bond loans from the Norwegian market</td>
<td>2 445</td>
<td>800</td>
<td>1 500</td>
<td>-</td>
<td>-</td>
<td>750</td>
</tr>
<tr>
<td>Instalments on loans raised in non-Norwegian markets</td>
<td>-</td>
<td>-</td>
<td>6 898</td>
<td>4 927</td>
<td>-</td>
<td>9 778</td>
</tr>
<tr>
<td>Instalments on external loans in subsidiaries and other loans</td>
<td>130</td>
<td>1 127</td>
<td>278</td>
<td>243</td>
<td>86</td>
<td>317</td>
</tr>
<tr>
<td>Interest payments</td>
<td>518</td>
<td>493</td>
<td>477</td>
<td>225</td>
<td>151</td>
<td>537</td>
</tr>
<tr>
<td>Total maturity schedule 2019</td>
<td>3 093</td>
<td>2 421</td>
<td>9 153</td>
<td>5 395</td>
<td>237</td>
<td>11 381</td>
</tr>
<tr>
<td>Total maturity schedule 2018</td>
<td>5 429</td>
<td>3 848</td>
<td>2 399</td>
<td>9 355</td>
<td>5 554</td>
<td>12 136</td>
</tr>
</tbody>
</table>

Allocation of derivatives with negative market values

The Group has a significant number of financial derivatives, which are presented as derivatives in the balance sheet. In the table below derivatives with negative market value are included. The non-discounted values are allocated to the time intervals based on the contractual due dates. The contractual due dates decide the maturity date and timing of the cash flow for the derivatives.

<table>
<thead>
<tr>
<th></th>
<th>0-1 year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-4 years</th>
<th>4-5 years</th>
<th>5 years and later</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy derivatives</td>
<td>6 504</td>
<td>1 190</td>
<td>601</td>
<td>340</td>
<td>305</td>
<td>690</td>
</tr>
<tr>
<td>Interest rate- and foreign currency derivatives</td>
<td>124</td>
<td>9</td>
<td>90</td>
<td>30</td>
<td>30</td>
<td>56</td>
</tr>
<tr>
<td>Total derivatives 2019</td>
<td>6 628</td>
<td>1 199</td>
<td>691</td>
<td>370</td>
<td>336</td>
<td>746</td>
</tr>
<tr>
<td>Total derivatives 2018</td>
<td>9 362</td>
<td>2 508</td>
<td>961</td>
<td>550</td>
<td>475</td>
<td>1 444</td>
</tr>
</tbody>
</table>
Management has applied their best judgement when determining the classification of energy contracts as financial instruments or own use contracts.

Energy contracts that can be settled net and that are not within the own use exemption, shall be accounted for as derivatives (financial instruments). Contracts will typically have a stable customer base e.g. bilateral industry contracts, and are always settled by physical delivery.

"Own use” contracts

Statkraft's expected purchase, sale or usage requirements are accounted for as own use contracts. These contracts do not qualify for recognition in the statement of financial position in accordance with IFRS 9 but are accounted for as contracts with customers after IFRS 15 and energy purchase. "Own use” contracts are managed independently of the Group’s energy production. Their main objectives are to achieve profit from changes in the market value of energy and energy-related financial products, as well as profit from non-standard contracts. Financial instruments in energy trading mainly consist of financial and physical agreements relating to purchase and sale of power, gas, oil, coal, carbon quotas and environmental certificates.

Statkraft’s expected purchase, sale or usage requirements are accounted for as own use contracts. These contracts do not qualify for recognition in the statement of financial position. "Own use” contracts are managed independently of the Group’s energy production. Their main objectives are to achieve profit from changes in the market value of energy and energy-related financial products, as well as profit from non-standard contracts. Financial instruments in energy trading mainly consist of financial and physical agreements relating to purchase and sale of power, gas, oil, coal, carbon quotas and environmental certificates.

Financial instruments in energy trading

Financial instruments are used within the trading and origination activities. The trading and origination activities are managed independently of the Group’s energy production. Their main objectives are to achieve profit from changes in the market value of energy and energy-related financial products, as well as profit from non-standard contracts. Financial instruments in energy trading mainly consist of financial and physical agreements relating to purchase and sale of power, gas, oil, coal, carbon quotas and environmental certificates.

Financial instruments in hedging of future revenues from generation

Financial instruments are also used as part of the Group’s financial hedging strategy for continuous optimisation of future revenues from the expected generation from own assets. Derivatives recognised in the statement of financial position are shown as separate items and are measured at fair value with changes in value recognised in the profit and loss statement. Due to hedging of future income, the effect of changes in value of financial energy derivatives may have major effects on the profit and loss statement without necessarily reflecting the underlying business activities.

Financial instruments in financial activities

Financial instruments used in financial activities primarily consist of bonds, commercial papers, loans, interest rate swaps, combined interest rate and currency swaps and forward exchange contracts. To mitigate currency and interest rate risks, Statkraft applies interest rate and foreign currency derivatives in addition to debt in foreign currency. Hedge accounting is reflected in the financial statements for selected loan arrangements where the interest rate has been changed from fixed to floating (fair value hedging), and hedging of some net investments in foreign units. Because not all financial hedging relationships are reflected in the financial statements, changes in value for financial instruments may result in volatility in the profit and loss statement without necessarily reflecting the underlying business activities.

Significant accounting policies

Financial instruments are recognised when Statkraft becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are classified on the basis of the nature and purpose of the instruments into the categories "financial instruments at fair value through profit and loss", "financial assets at fair value through other comprehensive income" and "financial instruments at amortised cost". Initial measurement is fair value for all categories. The content of the categories and subsequent measurement are described below.

Financial instruments measured at fair value through profit and loss

- Physical power sales contracts which are considered to be ready convertible to cash and are not entered into for own use.
- Financial contracts to purchase and sell energy-related products classified as derivatives.
- Embedded derivatives are separated and treated as derivatives when the risks and characteristics of the derivative are not closely related to the host contract, and the host contract is not measured at fair value.
- Currency and interest rate derivatives.
- Long-term shares, were Statkraft does not have control or significant influence, are measured at fair value through profit and loss, unless Statkraft applies the option to recognise changes in fair value through other comprehensive income.
- Other short-term financial assets held for trading.

Financial assets at fair value through other comprehensive income

Long-term shares, were Statkraft does not have control or significant influence, are measured at fair value through other comprehensive income when this option is applied. The changes in fair value will not be recycled to profit and loss. Dividends are recognised in the profit and loss statement as part of Other financial items.

Financial instruments at amortised cost

Asset debt instruments are classified in this category when the cash flows are solely payments of principal and interest and Statkraft intends to hold the asset to the maturity date. Liability debt instruments are classified in this category unless they are held for trading. The instruments, both assets and liabilities, are measured at amortised cost using the effective interest rate method, where the effective interest remains the same over the entire term of the instrument. Financial assets at amortised cost are adjusted for provision for impairment in accordance with the expected credit loss model. Credit losses are deducted from the carrying value and recognised in the profit and loss statement.

Accounting judgement

Statkraft has a significant volume of energy contracts. A characteristic with energy contracts is that they can be accounted for as financial instruments or as contracts with customers, depending on the terms and conditions.

Certain energy contracts are no longer considered as lease contracts, but are now within scope of IFRS 9. See note 13 for more information.

“Own use” contracts

Energy contracts that are entered into and continue to be held for the purpose of the receipt or delivery of the power in accordance with Statkraft’s expected purchase, sale or usage requirements are accounted for as own use contracts. These contracts do not qualify for recognition in the statement of financial position in accordance with IFRS 9 but are accounted for as contracts with customers after IFRS 15 and energy purchase. "Own use” contracts typically have a stable customer base e.g. bilateral industry contracts, and are always settled by physical delivery.

Energy contracts that can be settled net and that are not within the own use exemption, shall be accounted for as derivatives (financial instruments). Management has applied their best judgement when determining the classification of energy contact as financial instruments or own use contracts.
Note 10 continued

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ESTIMATES AND ASSUMPTIONS

**Fair value hierarchy** Financial assets and financial liabilities measured and held at fair value are classified into one of three categories, known as hierarchy levels which are defined according to the inputs used to determine fair value:

- **Level 1:** Fair value is determined using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities.
- **Level 2:** Fair value is determined using significant inputs that may be directly observable inputs or unobservable inputs that are corroborated by market data.
- **Level 3:** Fair value is determined using significant unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in management’s best estimate of fair value.

Level 3 consists of investments in shares and energy derivatives where observable data is not available or does not cover the whole contract period. Observable data (quoted futures) for energy derivatives will normally be available for two to five years ahead of time. If the duration of the contract is longer than the period where observable data exists, the entire contract is a level 3 contract. Energy contracts within the level 3 category mainly consists of physical and financial energy contracts and embedded derivatives from bilateral power sales contracts. A significant part of the embedded derivatives consists of foreign exchange derivatives. These are not affected by estimated future power prices. The discounted cash flow method is used.

Valuation of energy derivatives within level 3 is based on observable market data or estimated with reference to published quotations for the short-term where this is available. For periods observable market data is not available fair value is based on valuation techniques the input of which include data that is not based on or derived from observable market data. For certain contracts, a rebate is included in fair value due to factors such as area prices, contract length, volume, quality factor or other contract-specific risks. Where the calculated fair value at initial recognition differs from the transaction price a day one gain or loss arises. Such gains and losses are deferred, not recognized, and amortized to the profit and loss based on the purchased or delivered volumes over the contractual period until observable market data becomes available. Any gains and losses arising from subsequent changes in the fair value are taken directly to the profit and loss and are presented on a net basis if these are entered into for trading purposes.

Exchange traded contracts are normally discounted with a risk-free rate. For most bilateral contracts, a credit spread is included in the discount rate.

Valuation of investments in shares within level 3 is based on management’s best knowledge of market conditions within the relevant industry. Changes in fair value of these investments are not considered to have any material effects on the Group’s financial statements.

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DESCRIPTION OF CONTRACTS AND ASSUMPTIONS

**Energy contracts** Energy exchange contracts are valued at official closing rates on the reporting date.

For other bilateral energy contracts, the expected cash flow is stipulated on the basis of a market price curve on the reporting date. The market price curve is stipulated on the basis of official closing rates quoted on energy exchanges.

Several energy contracts refer to area prices. These contracts are valued using the official closing rates on energy exchanges, where such exist. Separate models are used for regional prices where official closing prices are unavailable.

Statkraft has energy contracts where the contract price is indexed against raw materials such as metal, paper, gas, petroleum products and coal. These are valued using forward prices from relevant commodity exchanges and major financial institutions.

Several energy contracts have prices in different currencies. Quoted foreign exchange rates from The European Central Bank (ECB) are used in the valuation of contracts denominated in foreign currency. If there are no quotes for the entire period, then the interest parity is used to calculate exchange rates.

The market interest rate curve e.g. swap interest rate, is used as the basis for discounting derivatives. The market interest rate curve is stipulated on the basis of the publicised swap interest rates. A credit surcharge is added to the market interest rate curve in cases where the credit risk is relevant. This applies to all external bilateral contracts classified as assets and liabilities.

**Environmental certificate derivatives**

- CO₂ contracts are priced based on the forward price of European Union Allowance (EUA) quotas and Certified Emission Reduction (CER) quotas.
- Green certificate derivatives are valued at forward price.

**Currency and interest rate derivatives** The fair value of interest rate swaps and combined interest rate and currency swaps, is determined by discounting expected future cash flows to present value through the use of observed market interest rates and quoted exchange rates from ECB. The valuation of forward currency exchange contracts is based on quoted exchange rates from which the forward exchange rate is extrapolated. Estimated net present value is subject to a test of reasonableness against calculations made by the counterparties to the contracts.

**Commercial papers and bonds held for trading** are valued at listed prices.

**Shares and shareholdings** are valued at quoted prices when available. Other securities are valued by discounting expected future cash flows.
### Fair value hierarchy

**2019**

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Fair value measurement at period-end using:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Derivatives at fair value through profit and loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy derivatives, non-current assets</td>
<td></td>
<td>4</td>
<td>1,296</td>
<td>196</td>
<td>1,497</td>
</tr>
<tr>
<td>Energy derivatives, current assets</td>
<td></td>
<td>921</td>
<td>5,186</td>
<td>2,541</td>
<td>8,647</td>
</tr>
<tr>
<td>Energy derivatives, non-current liabilities</td>
<td></td>
<td>-</td>
<td>-3</td>
<td>-774</td>
<td>-777</td>
</tr>
<tr>
<td>Energy derivatives, current liabilities</td>
<td></td>
<td>-679</td>
<td>-5,444</td>
<td>-3,239</td>
<td>-9,362</td>
</tr>
<tr>
<td>Energy derivatives, net</td>
<td></td>
<td>246</td>
<td>1,036</td>
<td>-1,277</td>
<td>5</td>
</tr>
<tr>
<td>Currency and interest rate derivatives, non-current assets</td>
<td></td>
<td>-</td>
<td>1,197</td>
<td>-</td>
<td>1,197</td>
</tr>
<tr>
<td>Currency and interest rate derivatives, current assets</td>
<td></td>
<td>-</td>
<td>104</td>
<td>-</td>
<td>104</td>
</tr>
<tr>
<td>Currency and interest rate derivatives, non-current liabilities</td>
<td></td>
<td>-</td>
<td>-206</td>
<td>-</td>
<td>-206</td>
</tr>
<tr>
<td>Currency and interest rate derivatives, current liabilities</td>
<td></td>
<td>-</td>
<td>-133</td>
<td>-</td>
<td>-133</td>
</tr>
<tr>
<td>Currency and interest rate derivatives, net</td>
<td></td>
<td>-</td>
<td>963</td>
<td>-</td>
<td>963</td>
</tr>
<tr>
<td><strong>Other financial assets at fair value through profit and loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares</td>
<td></td>
<td>-</td>
<td>-</td>
<td>345</td>
<td>345</td>
</tr>
<tr>
<td>Financial investments, current</td>
<td></td>
<td>1,082</td>
<td>389</td>
<td>-</td>
<td>1,470</td>
</tr>
<tr>
<td>Commercial papers and other interest-bearing securities</td>
<td></td>
<td>-</td>
<td>3,707</td>
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<td>3,707</td>
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<tr>
<td>Total</td>
<td></td>
<td>1,082</td>
<td>4,096</td>
<td>345</td>
<td>5,522</td>
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**Financial assets at fair value through other comprehensive income**

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Fair value measurement at period-end using:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
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<tbody>
<tr>
<td>Shares</td>
<td></td>
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</table>

**2018**

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Fair value measurement at period-end using:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Derivatives at fair value through profit and loss</strong></td>
<td></td>
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<td>Energy derivatives, non-current assets</td>
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<td>1,315</td>
<td>336</td>
<td>1,651</td>
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<td>Energy derivatives, current assets</td>
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<td>105</td>
<td>5,204</td>
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<td>Energy derivatives, non-current liabilities</td>
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<td>-628</td>
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<td>Energy derivatives, current liabilities</td>
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<td>566</td>
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<td>Currency and interest rate derivatives, current liabilities</td>
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<td>Currency and interest rate derivatives, net</td>
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<td><strong>Other financial assets at fair value through profit and loss</strong></td>
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<td></td>
<td></td>
<td></td>
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<td>Financial investments, current</td>
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<td>81</td>
<td>-</td>
<td>604</td>
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<td>Commercial papers and short term bonds</td>
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<tr>
<td>Total</td>
<td></td>
<td>8,404</td>
<td>81</td>
<td>207</td>
<td>8,691</td>
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</table>

**Financial assets at fair value through other comprehensive income**

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Fair value measurement at period-end using:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td></td>
<td>-</td>
<td>-</td>
<td>109</td>
<td>109</td>
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</table>
### Assets and liabilities measured at fair value based on Level 3

<table>
<thead>
<tr>
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<th>Assets</th>
<th>Liabilities</th>
<th>Total</th>
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<tbody>
<tr>
<td><strong>Opening balance 01.01.2019</strong></td>
<td>3,895</td>
<td>-3,900</td>
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<td>Unrealised changes in value recognised in profit and loss</td>
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<td>-51</td>
<td>-892</td>
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<tr>
<td>Changes in value recognised in other comprehensive income</td>
<td>27</td>
<td>-</td>
<td>27</td>
</tr>
<tr>
<td>Additions or derecognitions</td>
<td>118</td>
<td>-</td>
<td>118</td>
</tr>
<tr>
<td>Transfers into or out of Level 3</td>
<td>45</td>
<td>-88</td>
<td>-43</td>
</tr>
<tr>
<td>Currency translation effects</td>
<td>-31</td>
<td>25</td>
<td>-6</td>
</tr>
<tr>
<td><strong>Closing balance 31.12.2019</strong></td>
<td>3,214</td>
<td>-4,014</td>
<td>-798</td>
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</table>

Net realised gain (+)/loss (-) recognised in profit and loss 2019: 46

<table>
<thead>
<tr>
<th></th>
<th>Assets</th>
<th>Liabilities</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td><strong>Opening balance 01.01.2018</strong></td>
<td>1,674</td>
<td>-2,105</td>
<td>-431</td>
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<tr>
<td>Unrealised changes in value recognised in profit and loss</td>
<td>1,943</td>
<td>-1,815</td>
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<tr>
<td>Changes in value recognised in other comprehensive income</td>
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<td>-33</td>
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<tr>
<td>Additions or derecognitions</td>
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<td>-</td>
<td>40</td>
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<tr>
<td>Transfers into or out of Level 3</td>
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<td>64</td>
<td>303</td>
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<tr>
<td>Currency translation effects</td>
<td>33</td>
<td>-44</td>
<td>-11</td>
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</table>

Net realised gain (+)/loss (-) recognised in profit and loss 2018: -19

### Sensitivity analysis of factors classified to Level 3

<table>
<thead>
<tr>
<th></th>
<th>Amortised cost</th>
<th>Fair value 1)</th>
<th>Amortised cost</th>
<th>Fair value 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets at amortised cost</strong></td>
<td>Note 2019</td>
<td>2019</td>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td>Loans to equity accounted investments, non-current</td>
<td>27</td>
<td>1,463</td>
<td>2,244</td>
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</tr>
<tr>
<td>Bonds and other long-term receivables</td>
<td>27</td>
<td>770</td>
<td>932</td>
<td></td>
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<tr>
<td>Accounts receivable</td>
<td>29</td>
<td>8,024</td>
<td>7,439</td>
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</tr>
<tr>
<td>Loans to equity accounted investments, current</td>
<td>29</td>
<td>55</td>
<td>75</td>
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<tr>
<td>Cash collateral and margin calls</td>
<td>29</td>
<td>3,035</td>
<td>3,351</td>
<td></td>
</tr>
<tr>
<td>Other receivables 2)</td>
<td>29</td>
<td>965</td>
<td>917</td>
<td></td>
</tr>
<tr>
<td>Cash and cash deposits</td>
<td>30</td>
<td>11,496</td>
<td>15,295</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td>25,810</td>
<td>30,253</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Amortised cost</th>
<th>Fair value 1)</th>
<th>Amortised cost</th>
<th>Fair value 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial liabilities at amortised cost</strong></td>
<td>Note 2019</td>
<td>2019</td>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td>Bonds issued in the Norwegian market</td>
<td>32</td>
<td>-3,050</td>
<td>-3,150</td>
<td>-6,050</td>
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<tr>
<td>Debt issued in non-Norwegian markets</td>
<td>32</td>
<td>-21,603</td>
<td>-23,177</td>
<td>-21,770</td>
</tr>
<tr>
<td>Lease liabilities (non-current)</td>
<td>32</td>
<td>-1,457</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>External debt in subsidiaries and other debt</td>
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<td>-2,051</td>
<td>-2,055</td>
<td>-2,535</td>
</tr>
<tr>
<td>Cash collateral</td>
<td>32</td>
<td>-1,383</td>
<td>-1,510</td>
<td></td>
</tr>
<tr>
<td>First year’s instalment on long-term debt</td>
<td>32</td>
<td>-2,575</td>
<td>-2,576</td>
<td>-4,440</td>
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<tr>
<td>Lease liabilities (current)</td>
<td>32</td>
<td>-217</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other interest-bearing short-term debt</td>
<td>32</td>
<td>-304</td>
<td>-397</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
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<td>-1,593</td>
<td>-1,115</td>
<td></td>
</tr>
<tr>
<td>Accrued interest-free liabilities</td>
<td>33</td>
<td>-5,812</td>
<td>-5,658</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>33</td>
<td>-1,519</td>
<td>-2,364</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>-41,564</td>
<td>-45,837</td>
<td></td>
</tr>
</tbody>
</table>

1) Fair value is not disclosed when the carrying amount is a reasonable approximation of fair value.

2) Amount differs from note 29 since prepaid expenses and indirect taxes are not included in note 10.
The tables show a reconciliation of gross amounts, booked amounts and net value (net exposure) of financial instruments where there are netting agreements or similar.

A financial asset and a financial liability are presented net in the statement of financial position when Statkraft has a legally enforceable right to offset the asset and the liability, and intends to settle on a net basis or realise the asset and the liability simultaneously.

For energy derivatives, futures and spot transactions, Statkraft has agreements with counterparties based on various types of master agreements setting the standard terms and conditions between the two parties. In general, the master netting agreements permit netting of payments and involve offsetting cash flows between the two parties when certain conditions are met, such as same currency and maturity.

The master agreements further serve to mitigate exposure to credit loss by allowing offsetting when an agreement is terminated, provided that such offsetting is permitted within the jurisdiction of the counterparty.

Termination can occur for instance if a party is bankrupt or has defaulted on the agreement. Such close-out netting does not in itself meet the criteria of offsetting in the statement of the financial position.

Currency and interest rate derivatives are booked net for each contract in the statement of financial position.

Financial collateral is typically cash collateral and margin payments to/from counterpart, usually a bank or a clearing house. Financial collateral can also be cash set a side on a restricted bank account to cover forthcoming interest payments and instalments on a loan.

In the tables, the energy, currency and interest rate derivatives are separated in assets and liabilities. Cash collaterals received or pledged are booked net per counterpart and presented as current assets/liabilities, regardless of the maturity of the corresponding derivative. The derivatives, both current and non-current, are therefore presented on the same line item in the table above.

The figures for Energy derivatives are restated to reflect a gross amount measured to fair value.

1) The figures for Energy derivatives are restated to reflect a gross amount measured to fair value.

2) The figures for Energy derivatives are restated to reflect a gross amount measured to fair value.
Note 11 Hedge accounting

GENERAL INFORMATION
For information about how Statkraft manages interest rate and foreign exchange risks, see note 7. Statkraft is exposed to foreign exchange and interest rate risks and use financial instruments to mitigate these risks. Statkraft often manages the risk on a net basis, where few of the hedging relationships fulfill the requirement of hedge accounting. The main objective of the hedge accounting strategy is to reduce the volatility in the profit and loss statement.

Fair value hedging Two loan arrangements are treated as fair value hedges. Issued bonds have been designated as hedging items in the hedging relationships, and the associated interest rate swaps have been designated as hedging instruments. The hedging items are fixed-interest rate bonds with a total nominal value of EUR 750 million. The hedging instruments are interest rate swaps with a nominal value of EUR 750 million, entered into with major banks as the counterparties. The agreements swap interest rate from fixed to floating 3-month EURIBOR. The objective of the economic hedging arrangements is to hedge the exposure to changes in the fair value of the borrowings, which are issued at a fixed rate (interest rate risk).

EUR 100 million in issued bond and the corresponding interest rate swap of EUR 100 million were discontinued in 2019 due to repayment of the debt.

Critical terms of the hedging items and hedging instruments are deemed to be approximately the same and there was no significant impact in profit and loss resulting from ineffectiveness.

Hedging of net investments in foreign operation It was not established any hedging contracts of net investments in foreign operations in 2019, and there were no hedging of net investments in foreign operations in 2019.

SIGNIFICANT ACCOUNTING POLICIES

Financial instruments designated as hedging instruments Financial instruments that are designated as hedging instruments or hedged items in hedge accounting are identified based on the intention with entering into a financial instrument. In a fair value hedge the value change will meet the corresponding change in value of the hedged item and presented in the same line item in the profit and loss and statement of financial position.

The value changes from hedges of net investments in foreign operations are recognised in other comprehensive income. Gains and losses resulting from changes in exchange rates on debt entered into to hedge net investments in a foreign entity are recognised directly in other comprehensive income and recycled to profit and loss upon disposal of the foreign entity.

The ineffectiveness from the hedges is recognised in profit and loss.

We refer to the amendments to IFRS 9 and IAS 39 as a response to the IBOR reform. Statkraft made an early adoption of the amendments in the standards and the amendments are effective from 2019. The amendments modified some specific hedge accounting requirements and provided relief from any potential effects of the uncertainty caused by the IBOR reform. For Statkraft the IBOR reform has no effects related to fair value hedging in 2019 and it is not necessary to discontinue any of the hedging relationships.

Hedging instruments

<table>
<thead>
<tr>
<th>Year</th>
<th>Fair value hedges</th>
<th>Net investment hedges</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Interest rate risk:</td>
<td>Foreign exchange risk:</td>
</tr>
<tr>
<td></td>
<td>Interest rate swaps</td>
<td>MEUR 750</td>
</tr>
<tr>
<td></td>
<td>Interest rate swaps</td>
<td>MEUR 850</td>
</tr>
<tr>
<td></td>
<td>Foreign exchange risk:</td>
<td>Forward exchange rate contracts</td>
</tr>
</tbody>
</table>

1) Accrued interest is not a part of the carrying amount.
Note 11 continued

Hedging instruments - timing profile

<table>
<thead>
<tr>
<th>NOK million</th>
<th>0-1 year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-4 years</th>
<th>4-5 years</th>
<th>5 years and later</th>
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</thead>
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<tr>
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</tr>
<tr>
<td><strong>Interest rate risk:</strong></td>
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</tr>
<tr>
<td>Interest rate swaps</td>
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<td></td>
<td></td>
<td>MEUR 500</td>
<td>MEUR 250</td>
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<td><strong>2018</strong></td>
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<td><strong>Fair value hedges</strong></td>
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<td><strong>Interest rate risk:</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td></td>
<td>MEUR 100</td>
<td></td>
<td></td>
<td>MEUR 500</td>
<td>MEUR 250</td>
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</table>

Hedged items

<table>
<thead>
<tr>
<th>Hedging instrument</th>
<th>Nominal amount of the hedged item</th>
<th>Carry amount of the hedged item</th>
<th>Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item</th>
<th>Line item in the statement of financial position where in which the hedged item is included</th>
<th>Changes in value used for calculating hedge ineffectiveness for the period</th>
<th>Net investment hedge reserve</th>
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</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>Interest rate risk:</strong></td>
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<tr>
<td>Fixed rate borrowing</td>
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<td>Foreign exchange risk:</td>
<td>Discontinued net investments hedges in foreign operations</td>
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<td>-</td>
</tr>
<tr>
<td><strong>2018</strong></td>
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<td></td>
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<tr>
<td><strong>Interest rate risk:</strong></td>
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<td></td>
</tr>
<tr>
<td>Fixed rate borrowing</td>
<td>MEUR 850</td>
<td>-</td>
<td>-8 593</td>
<td>-</td>
<td>-177</td>
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<td><strong>Net investment hedges</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
| Foreign exchange risk: | Discontinued net investments hedges in foreign operations | MGBP 220                        | -                                                                | -                                                                                | -                                                                               | -47                         | -321

1)Accrued interest is not a part of the carrying amount.
### Note 11 continued

#### Hedging effectiveness

<table>
<thead>
<tr>
<th></th>
<th>Change in the value of the hedging instrument recognised in other comprehensive income</th>
<th>Hedge ineffectiveness recognised in profit and loss</th>
<th>Line item in profit and loss (that includes hedge ineffectiveness)</th>
<th>Amount reclassified from net investment hedge reserve to profit and loss statement</th>
<th>Line item affected in profit and loss statement because of the reclassifications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
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<td></td>
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</tr>
<tr>
<td><strong>Fair value hedges</strong></td>
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<td>Interest rate risk:</td>
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<tr>
<td>Fixed rate borrowing</td>
<td>-</td>
<td>5</td>
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<tr>
<td><strong>Net investment hedges</strong></td>
<td></td>
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</tr>
<tr>
<td>Foreign exchange risk:</td>
<td></td>
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<td>Net investments in foreign operations</td>
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<td>Interest rate risk:</td>
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<td><strong>Net investment hedges</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange risk:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investments in foreign operations</td>
<td>47</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Hedging reserves

<table>
<thead>
<tr>
<th></th>
<th>Foreign exchange risk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net investment hedge reserve</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at 01.01</td>
<td>-321</td>
</tr>
<tr>
<td>Hedging gain or loss</td>
<td>-</td>
</tr>
<tr>
<td>Balance at 31.12</td>
<td>-321</td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net investment hedge reserve</strong></td>
<td></td>
</tr>
<tr>
<td>Balance at 01.01</td>
<td>-368</td>
</tr>
<tr>
<td>Hedging gain or loss</td>
<td>47</td>
</tr>
<tr>
<td>Balance at 31.12</td>
<td>-321</td>
</tr>
</tbody>
</table>
Note 12 Sales revenues and energy purchase

GENERAL INFORMATION

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

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

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

**Grid and other** mainly consists of grid activities in Norway and Peru, a subsea interconnector between Sweden and Germany, rental of power plants in Norway and downstream market services in the UK.

The revenues from rental of power plants in Norway have been reclassified from Other operating income to Sales revenues in the category Grid and other. Comparable figures have been restated.

SIGNIFICANT ACCOUNTING POLICIES

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.

**Generation**

The revenues from Generation bear 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 generation to counties and municipalities where the power is generated. 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.

Government grants are conditional to own generation of power from certain technologies. The right to receive the grants are obtained at the time of generation, and at the point of generation there is a reasonable assurance that Statkraft complies with the conditions related to the government grants and that the grants will be received. The grants are closely connected to the generation and the income is therefore presented as sales revenues and revenue category generation. The recognised amount from government grants was NOK 531 million for 2019 (NOK 881 million).

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

**Customers**

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. If Statkraft is a principal, the remuneration received from the customer is presented gross as sales revenues. The corresponding energy purchase is presented gross on a separate line item in the profit and loss statement. If Statkraft is an agent, the compensation for the service delivered is presented net as revenues.

With the transition to IFRS 16 from 1 January 2019, certain contracts are no longer presented gross as lease contracts, but are within the scope of IFRS 9. See note 13.

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

**Grid and other**

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 to 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 customers to the grid for electricity or to district heating. 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) and revenue is therefore recognised over time. Statkraft has considered that it is appropriate to recognise these revenues over the expected useful life of the infrastructure assets.
### Specification per revenue category

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Statkraft AS Group</th>
<th>European flexible generation</th>
<th>Market operations</th>
<th>International power</th>
<th>European wind and solar</th>
<th>District heating</th>
<th>Industrial ownership</th>
<th>Other activities</th>
<th>Group items</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation - sales revenues</td>
<td>26 138</td>
<td>19 323</td>
<td>22</td>
<td>2 791</td>
<td>1 260</td>
<td>902</td>
<td>2 095</td>
<td>-</td>
<td>-254</td>
</tr>
<tr>
<td>Generation - energy purchase</td>
<td>-2 139</td>
<td>-1 662</td>
<td>-22</td>
<td>-250</td>
<td>-266</td>
<td>-51</td>
<td>-113</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Generation - net</td>
<td>24 000</td>
<td>17 660</td>
<td>2</td>
<td>2 542</td>
<td>1 260</td>
<td>638</td>
<td>2 044</td>
<td>-</td>
<td>-141</td>
</tr>
<tr>
<td>Customers - sales revenues</td>
<td>13 588</td>
<td>-</td>
<td>14 575</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-990</td>
<td></td>
</tr>
<tr>
<td>Customers - energy purchase</td>
<td>-13 515</td>
<td>-</td>
<td>-14 505</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>990</td>
<td></td>
</tr>
<tr>
<td>Customers - net</td>
<td>73</td>
<td>-</td>
<td>70</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grid and other - sales revenues</td>
<td>3 724</td>
<td>1 168</td>
<td>1 127</td>
<td>256</td>
<td>-</td>
<td>13</td>
<td>1 192</td>
<td>18</td>
<td>-50</td>
</tr>
<tr>
<td>Grid and other - energy purchase</td>
<td>-8 29</td>
<td>-642</td>
<td>-47</td>
<td>-187</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Grid and other - net</td>
<td>2 894</td>
<td>526</td>
<td>1 080</td>
<td>69</td>
<td>-</td>
<td>13</td>
<td>1 192</td>
<td>18</td>
<td>-3</td>
</tr>
<tr>
<td>Sales revenues - total</td>
<td>43 450</td>
<td>20 490</td>
<td>15 725</td>
<td>3 048</td>
<td>1 260</td>
<td>915</td>
<td>3 289</td>
<td>18</td>
<td>-1 295</td>
</tr>
<tr>
<td>Energy purchase - total</td>
<td>-16 483</td>
<td>-2 305</td>
<td>-14 575</td>
<td>-437</td>
<td>-266</td>
<td>-50</td>
<td>1 150</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sales revenues adjusted for energy purchase</strong></td>
<td>26 967</td>
<td>18 186</td>
<td>1 149</td>
<td>2 611</td>
<td>1 260</td>
<td>649</td>
<td>3 239</td>
<td>18</td>
<td>-144</td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation - sales revenues</td>
<td>26 973</td>
<td>20 092</td>
<td>185</td>
<td>2 387</td>
<td>1 267</td>
<td>881</td>
<td>2 451</td>
<td>-</td>
<td>-290</td>
</tr>
<tr>
<td>Generation - energy purchase</td>
<td>-1 334</td>
<td>-925</td>
<td>-167</td>
<td>-166</td>
<td>-258</td>
<td>-47</td>
<td>-228</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Generation - net</td>
<td>25 638</td>
<td>19 167</td>
<td>18</td>
<td>2 221</td>
<td>1 267</td>
<td>623</td>
<td>2 404</td>
<td>-</td>
<td>-62</td>
</tr>
<tr>
<td>Customers - sales revenues 1)</td>
<td>26 946</td>
<td>-</td>
<td>26 153</td>
<td>-</td>
<td>-</td>
<td>1 183</td>
<td>-</td>
<td>-390</td>
<td></td>
</tr>
<tr>
<td>Customers - energy purchase 1)</td>
<td>-25 606</td>
<td>-</td>
<td>-25 671</td>
<td>-</td>
<td>-</td>
<td>-1 002</td>
<td>-</td>
<td>1 067</td>
<td></td>
</tr>
<tr>
<td>Customers - net</td>
<td>1 340</td>
<td>-</td>
<td>482</td>
<td>-</td>
<td>-</td>
<td>181</td>
<td>-</td>
<td>677</td>
<td></td>
</tr>
<tr>
<td>Grid and other - sales revenues 2)</td>
<td>2 969</td>
<td>1 286</td>
<td>319</td>
<td>214</td>
<td>-</td>
<td>12</td>
<td>1 189</td>
<td>-</td>
<td>-50</td>
</tr>
<tr>
<td>Grid and other - energy purchase</td>
<td>-917</td>
<td>-739</td>
<td>-45</td>
<td>-156</td>
<td>-</td>
<td>-</td>
<td>-23</td>
<td>-</td>
<td>45</td>
</tr>
<tr>
<td>Grid and other - net</td>
<td>2 052</td>
<td>547</td>
<td>273</td>
<td>58</td>
<td>-</td>
<td>12</td>
<td>1 166</td>
<td>-</td>
<td>-4</td>
</tr>
<tr>
<td>Sales revenues - total</td>
<td>56 888</td>
<td>21 378</td>
<td>26 657</td>
<td>2 601</td>
<td>1 267</td>
<td>893</td>
<td>4 822</td>
<td>-</td>
<td>-731</td>
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<tr>
<td>Energy purchase - total</td>
<td>-27 858</td>
<td>-1 664</td>
<td>-25 884</td>
<td>-322</td>
<td>-258</td>
<td>-1 071</td>
<td>-</td>
<td>1 340</td>
<td></td>
</tr>
<tr>
<td><strong>Sales revenues adjusted for energy purchase</strong></td>
<td>29 030</td>
<td>19 714</td>
<td>774</td>
<td>2 279</td>
<td>1 267</td>
<td>635</td>
<td>3 752</td>
<td>-</td>
<td>610</td>
</tr>
</tbody>
</table>

1) Sales revenues and energy purchase were reported NOK 1 050 million too low in 2018, and have been restated. This was related to market access activities in Germany.

2) NOK 488 million in revenues from rental of power plants in Norway have been reclassified from Other operating income to Sales revenues in 2018.

### Specification per geographical area

External sales revenues are allocated on the basis of the geographical origin of generating assets or activities.

#### Geographical areas

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Statkraft AS Group</th>
<th>Norway</th>
<th>Germany</th>
<th>Sweden</th>
<th>UK</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales revenues external</td>
<td>43 450</td>
<td>22 464</td>
<td>12 042</td>
<td>3 188</td>
<td>2 423</td>
<td>3 334</td>
</tr>
<tr>
<td>Generation</td>
<td>26 138</td>
<td>18 077</td>
<td>2 635</td>
<td>2 650</td>
<td>187</td>
<td>2 589</td>
</tr>
<tr>
<td>Customers</td>
<td>13 588</td>
<td>2 794</td>
<td>9 190</td>
<td>-</td>
<td>1 141</td>
<td>493</td>
</tr>
<tr>
<td>Grid and other</td>
<td>3 724</td>
<td>1 622</td>
<td>217</td>
<td>538</td>
<td>1 094</td>
<td>252</td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales revenues external</td>
<td>56 888</td>
<td>24 859</td>
<td>14 681</td>
<td>3 092</td>
<td>10 780</td>
<td>3 475</td>
</tr>
<tr>
<td>Generation</td>
<td>26 973</td>
<td>19 929</td>
<td>1 610</td>
<td>2 881</td>
<td>218</td>
<td>2 335</td>
</tr>
<tr>
<td>Customers</td>
<td>26 946</td>
<td>3 264</td>
<td>12 447</td>
<td>19</td>
<td>10 296</td>
<td>920</td>
</tr>
<tr>
<td>Grid and other</td>
<td>2 969</td>
<td>1 667</td>
<td>624</td>
<td>192</td>
<td>266</td>
<td>221</td>
</tr>
</tbody>
</table>
Further specification of sales revenues for revenue category **Generation**:

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spot sales</td>
<td>16 102</td>
<td>17 257</td>
</tr>
<tr>
<td>Long term contracts</td>
<td>8 085</td>
<td>7 470</td>
</tr>
<tr>
<td>Concessionary power</td>
<td>397</td>
<td>378</td>
</tr>
<tr>
<td>District heating</td>
<td>1 024</td>
<td>987</td>
</tr>
<tr>
<td>Environmental certificates</td>
<td>531</td>
<td>881</td>
</tr>
<tr>
<td><strong>Generation - sales revenues</strong></td>
<td><strong>26 138</strong></td>
<td><strong>26 973</strong></td>
</tr>
</tbody>
</table>

The **Customers** category mainly relates to market access activities in Europe. Statkraft offers market access services to small producers of renewable energy. These services include wind forecasting, nomination, balancing, settlement and necessary IT systems in order to market the power. The main objective is to achieve low imbalance costs. The market access business is a low margin activity combined with large scale, where the power is sold through the power exchanges. The most significant revenues are in Germany, see specification per geographical area on previous page.

Further specification of sales revenues for revenue category **Grid and other**:

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution grid</td>
<td>1 446</td>
<td>1 369</td>
</tr>
<tr>
<td>Subsea cable</td>
<td>722</td>
<td>796</td>
</tr>
<tr>
<td>Revenues from rental of power plants 1)</td>
<td>445</td>
<td>488</td>
</tr>
<tr>
<td>Downstream market services in the UK</td>
<td>1 080</td>
<td>271</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>30</td>
<td>44</td>
</tr>
<tr>
<td><strong>Grid and other - sales revenues</strong></td>
<td><strong>3 724</strong></td>
<td><strong>2 969</strong></td>
</tr>
</tbody>
</table>

1) Revenues from power plants that are leased to third parties are presented as sales revenues, while expenses related to the operations of the power plants are recognised under operating expenses.
**Note 13** Gains/losses from market activities

<table>
<thead>
<tr>
<th>GENERAL INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk reducing activities</strong> consist of financial power contracts that mitigate price risk related to power generation. The activities also include the dynamic asset management portfolios.</td>
</tr>
<tr>
<td><strong>Trading activities</strong> include buying and selling standardised and liquid products, such as power, oil and gas contracts.</td>
</tr>
<tr>
<td><strong>Origination activities</strong> include buying and selling both standardised and structured energy-related products and services. It also includes certain market access activities.</td>
</tr>
<tr>
<td><strong>Embedded derivatives</strong> are related to long-term power sales agreements with industrial customers in Norway, where the contracts are nominated in euro and/or where the pricing is linked to certain commodity prices.</td>
</tr>
</tbody>
</table>

For more information on the categories above, see note 7.

**SIGNIFICANT ACCOUNTING POLICIES**

**Derivatives** Risk reducing derivatives and most of the contracts within trading and origination are recognised as derivatives at fair value through profit and loss (see note 10). The gains and losses consist of both realised and unrealised items and are presented net.

**Embedded derivatives** The foreign exchange exposure Statkraft takes on by nominating power sale contracts with Norwegian industrial customers in euro is considered to be an embedded derivative. In addition, some of these contracts are linked to the development of commodity prices. These derivatives are separated from its host contract and recognised at fair value in the statement of financial position. See note 10.

Certain contracts were prior to 1 January 2019 recognised under IAS 17 Leases, and the power purchase from the generators and power sales to the exchange were presented gross in the statement of profit and loss in line items energy purchase and sales revenues respectively. Statkraft is providing market access to renewable energy producers by entering into long-term power purchase agreements, handling the volume and balancing risk and selling the power to the exchange. Depending on the price mechanisms in the power purchase agreements with the producers, Statkraft is exposed to a price risk. The price risk is mitigated by entering into financial contracts, mainly futures and forwards, with third parties. In addition, risk reduction measures are taken to secure future margins from the portfolio. The contracts are not considered to meet the requirements to be classified as contracts held for normal purchase or sale (own use). Statkraft accounts for the contracts as derivatives measured at fair value in the statement of profit and loss.

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

The impact from measuring these contracts at fair value at 1 January 2019 was an increase in equity of NOK 380 million.

<table>
<thead>
<tr>
<th>Gains/losses from market activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOK million</td>
</tr>
<tr>
<td>Risk reducing activities</td>
</tr>
<tr>
<td>Trading activities</td>
</tr>
<tr>
<td>Origination activities</td>
</tr>
<tr>
<td>Embedded derivatives in energy contracts</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

1) NOK -252 million was incorrectly reported as trading activities in 2018, this should have been reported as Risk reducing activities. Figures have been restated.

**Note 14** Other operating income

<table>
<thead>
<tr>
<th>Other operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOK million</td>
</tr>
<tr>
<td>Gains from divestments of business activities</td>
</tr>
<tr>
<td>Miscellaneous other operating income 1)</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

1) Includes income from an insurance settlement related to a hydropower plant in Turkey and income related to sale of a wind power project.
Note 15 Impairments

SIGNIFICANT ACCOUNTING POLICIES

Property, plant, equipment and intangible assets are reviewed for impairment at the end of every quarter. When there are indicators that future earnings cannot justify the carrying value, the recoverable amount is calculated to consider whether an allowance for impairment must be made. The recoverable amount is the higher of the asset’s fair value less costs of disposal and its value in use. Intangible assets with indefinite useful life are not depreciated, but are considered for impairment once every year and when there are circumstances or indicators implying an impairment test should be performed. Previously impaired non-financial assets, except goodwill, are reviewed for possible reversal of the impairment at each reporting date.

For the purposes of assessing impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGUs). CGUs in Statkraft are identified as follows:

- **Hydropower**: Power plants sharing the same water flow and/or being subject to the same infrastructure limitation are managed together to optimise power generation.
- **Wind farms**: The individual wind farm.
- **Gas-fired power plants**: A gas-fired power plant normally constitutes a CGU unless two or more plants are controlled and optimised together so that revenues are not independent of each other.
- **District heating**: Each plant together with associated infrastructure including distribution networks.
- **Biomass power plants**: The individual biomass power plants.
- **Goodwill**: Segment is the lowest CGU level used when testing goodwill for impairment.

**Equity accounted investments** are tested for impairment when there are indications of possible loss in value. An impairment loss is recognised if the recoverable amount, estimated as the higher of fair value less cost to sell or value in use, is below the carrying value. Impairments in equity accounted investments are presented as a part of share of profit/loss in equity accounted investments in the profit and loss statement.

ACCOUNTING JUDGEMENTS

**Indicator assessment**: In accordance with the ordinary reporting procedures, impairment of the carrying value of an asset is reviewed on a quarterly basis. Indicators that might give rise to an impairment loss are analysed and discussed by the segments and the Group’s specialists. If indicators are identified, calculations will be made and if the carrying value is higher than the recoverable amount, an impairment loss is recognised in the financial statement. Analogue procedures are performed regarding reversal of earlier impairment. The Audit committee is informed of any impairment issues on a quarterly basis.

Special attention is given to assets where one or more of the following situations are present:

- The difference between carrying value and recoverable amount is marginal.
- Regulatory environment are unclear or project execution is uncertain.
- Structural changes in market conditions that lead to changes in the expected long-term power prices.
- Impairment loss has been assessed in earlier periods.

**Value in use**: is calculated as future expected cash flows discounted by using a required rate of return equal to the market’s required rate of return for corresponding assets in the same industry. The operating expenses are derived from the current year’s expenses and next year’s budget. Restructuring activities that the Group has not yet committed to or significant future investments that will enhance the asset’s performance in the CGU being tested, are not included. Expected maintenance investments are included for commissioned power plants. Provision for decommissioning is not usually included in the value in use calculation.

When determining the value in use for property, plant and equipment under construction, remaining investments approved by Statkraft’s management are included.

**Assumptions applied when assessing value in use**: The recoverable amount is sensitive to the long-term price forecast for power, expected production volumes and the discount rate.

- **Power prices**: For the short-term period, typically the first five years, observable market prices are applied as a basis for estimating future revenues. For the long-term period, typically ten years subsequent of the balance sheet date, estimated revenues are based on Statkraft’s long-term price forecast for power, as described in note 2. For the period between short-term and long-term period the prices are interpolated.

- **Production volumes**: The production volume used in the discounted cash flow analyses is the long-term expected production volume for any given site, taking into account all expected technical, hydrological and wake losses. The volume estimate is a combination of information from turbine suppliers, third-party consultants and Statkraft’s internal estimates.

- **Discount rate**: Calculated value in use is based on nominal discount rates after tax, whereas the tax effects are considered in the calculated cash flows. This means that the recoverable amount calculated is consistent with before-tax calculations. The discount rates applied take into account the risk profile of the asset or asset class in the relevant market.

**Assumptions applied when assessing fair value less cost to sell**: A fair value less cost to sell approach is applied for assets operating in a market where observable transactions for comparable assets exist. This is applied for onshore wind assets in the UK, where the fair value of the CGUs was derived from comparable onshore wind transactions in the UK market. The valuation model applied is based on multiples for annual power production.
Note 15 continued

Impairment losses recognised in the profit and loss statement

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant, equipment and intangible assets</td>
<td>900</td>
<td>167</td>
</tr>
<tr>
<td>Reversal of impairment on property, plant and equipment and intangible assets</td>
<td>-1 035</td>
<td>-</td>
</tr>
<tr>
<td>Total impairment losses/reversal of impairment in consolidated business</td>
<td>-136</td>
<td>167</td>
</tr>
<tr>
<td>Equity accounted investments</td>
<td>115</td>
<td>-</td>
</tr>
<tr>
<td>Total impairment losses/reversal of impairment</td>
<td>-21</td>
<td>167</td>
</tr>
</tbody>
</table>

---

**IMPAIRMENT IN 2019**

**Property, plant and equipment and intangible assets**

**Gas-fired power in Germany** Improved outlook for future gas to power margin has led to a reversal of previous years’ impairments for gas-fired power plants in Germany of NOK 1035 million. The assets are part of the segment European flexible generation. Calculated value in use is based on a nominal discount rate after tax of 6.1% (representing 8.8% before tax).

The estimated values in use are particularly sensitive to changes in future gas to power margins and cost of capital. An increase in future gas to power margins of 10% will result in a change of approximately NOK 442 million. A decrease in the future gas to power margins of 10% will result in a change of approximately NOK -445 million. A decrease in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK 255 million. An increase in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK -227 million.

**Wind power in Sweden** The growth in generation capacity in the Nordic region is expected to lead to decreased income for certain assets. As a result, an impairment of wind power assets in Sweden amounting to NOK 333 million has been recognised. The assets are part of the segment European wind and solar. Calculated value in use is based on a nominal discount rate after tax of 6.1% (representing 7.7% before tax).

The estimated values in use are particularly sensitive to changes in future power prices and cost of capital. An increase in the future power price of 10% will result in a change of approximately NOK 426 million. A decrease in the future power price of 10% will result in a change of approximately NOK -426 million. A decrease in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK 250 million. An increase in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK -219 million.

**Hydropower in Chile** Reduced long-term price expectations led to impairments of hydropower assets in Chile of NOK 209 million. The assets are part of the segment International power. Calculated value in use is based on a nominal discount rate after tax of 6.5% (representing 8.9% before tax).

The estimated values in use are particularly sensitive to changes in future power prices and cost of capital. An increase in the future power price of 10% will result in a change of approximately NOK 618 million. A decrease in the future power price of 10% will result in a change of approximately NOK -173 million. A decrease in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK 737 million. An increase in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK -536 million.

**Hydropower in Nepal** At the expiry date of the current power purchase agreement, the subsidiary Himal Power Ltd (HPL) in Nepal is obliged to arrange for the transfer of 50% of its ownership interest in the hydropower plant Khimti. The transfer will be made to a new established company jointly owned by Nepal Electricity Authority (NEA) and HPL. Revised assumptions indicate that the jointly owned company will not qualify for continued consolidation. This led to an impairment of NOK 254 million. Calculated value in use is based on a nominal discount rate after tax of 11.6%.

The remaining impairment loss of NOK 104 million was related to goodwill from previous acquisitions in Brazil, Sweden and Chile of NOK 76 million in total, in addition to an impairment loss recognised in Peru of NOK 28 million.

**Equity accounted investments**

**Hydropower in India** An impairment of NOK 115 million (Statkraft’s share) was recognised in the joint venture Allain Duhangan Hydro Power Ltd. in India. The impairment was related to hydropower assets, mainly as a result of reduced long-term price expectations. The assets are part of the International power segment.

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**IMPAIRMENT IN 2018**

**Hydropower plants in Peru** Two hydropower plants in Peru were impaired by NOK 132 million. The assets are part of the International power segment.

The remaining impairment loss of NOK 35 million was related to goodwill from previous acquisitions in Brazil and Sweden.
### Note 16  Payroll costs and number of full-time equivalents

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>2,618</td>
<td>2,425</td>
</tr>
<tr>
<td>Employers’ national insurance contribution</td>
<td>469</td>
<td>417</td>
</tr>
<tr>
<td>Pension costs ¹)</td>
<td>240</td>
<td>380</td>
</tr>
<tr>
<td>Other benefits</td>
<td>645</td>
<td>393</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,971</strong></td>
<td><strong>3,615</strong></td>
</tr>
</tbody>
</table>

¹) Pension costs are described in further detail in note 17.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of full-time equivalents Group</td>
<td>3,415</td>
<td>3,270</td>
</tr>
<tr>
<td>Number of full-time equivalents as of 31.12.</td>
<td>3,601</td>
<td>3,229</td>
</tr>
</tbody>
</table>
Note 17 Pensions

GENERAL INFORMATION

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

Defined contribution schemes A defined contribution scheme is a retirement benefit scheme where the Group pays fixed contributions to a fund manager without incurring further obligations once the payment has been made. The payments are expensed as salaries and payroll costs. Statkraft’s pension scheme for new employees in wholly owned companies in Norway from 1 January 2014 is a defined contribution scheme. The contributions are 6% of the pensionable salary up to 7.1 of the National Insurance Scheme’s basic amount (G), and 18% of the pensionable salary between 7.1G and 12G. In addition to retirement pensions, the contribution scheme also entails risk coverage.

Defined benefit schemes A defined benefit scheme is a retirement benefit scheme that defines the retirement benefits that an employee will receive on retirement. The retirement benefit is normally set as a percentage of the employee’s salary. To be able to receive full retirement benefits, contributions will normally be required to be paid over a period of between 30 and 40 years. Employees who have not made full contributions will have their retirement benefits proportionately reduced.

Funded defined benefit schemes Norwegian companies in the Group have organised their pension schemes in the National Pension Fund (SPK), own pension funds as well as in insurance companies. Employees in the Group’s Norwegian companies participate in public service occupational pension schemes in accordance with the Norwegian Public Service Pension Fund Act, the Norwegian Public Pension Service Pension Fund Transfer Agreement and the regulatory framework governing public service pensions. The defined benefit schemes cover retirement, disability and survivor pensions. The majority of the companies also offer early retirement from the age of 62 under the Norwegian early retirement pension scheme. Pension scheme benefits are coordinated with the benefits provided by the Norwegian National Insurance Scheme. At maximum accrual, the retirement schemes provide pension benefits amounting to 66% of pensionable salary, up to 12G. Employees who leave before retirement age receive a deferred pension entitlement provided they have at least three years’ pension entitlements.

National Pension Fund (SPK) Companies with schemes in the SPK pay an annual premium and are responsible for the financing of the scheme. Pension benefits from the SPK are guaranteed by the Norwegian state. The SPK scheme is not asset-based, but management of the pension fund assets is simulated as though the assets were invested in bonds with 1, 3, 5 or 10-year duration. In this simulation it is assumed that the bonds are held to maturity. The pension benefit scheme in the National Pension Fund (SPK) was closed for new employees 1 January 2014.

Pension funds and insurance companies The pension funds and insurance companies have placed the pension assets in a diversified portfolio of Norwegian and foreign interest-bearing securities, Norwegian and foreign shares, secured loans to members, hedge funds and properties through external asset managers.

Unfunded defined benefit schemes Some Group companies in Norway have entered into an additional pension agreement that provides all employees whose pensionable incomes exceed 12G with a retirement and disability pension equivalent to 66% of their pensionable income exceeding 12G. This agreement was closed for new employees 30 April 2012. Existing members of the closed agreement who leave before pensionable age receive a deferred pension entitlement for the scheme above 12G, based on the accrued share, provided they have at least three years’ pension entitlements.

SIGNIFICANT ACCOUNTING POLICIES

The liability recognised in the balance sheet which relates to the defined benefit scheme is the present value of the future retirement benefits that are reduced by the fair value of the plan assets. Net pension fund assets for underfunded schemes are classified as non-current assets and recognised in the balance sheet at fair value. Net retirement liabilities of underfunded schemes and non-funded schemes that are covered by operations are classified as non-current liabilities.

The net retirement benefit cost for the period is included under salaries and other payroll costs, and comprises the total of the retirement benefits accrued during the period, the interest on the estimated liability and the projected yield on pension fund assets. Gains and losses attributable to changes in actuarial assumptions or base data are recognised in other comprehensive income.

ESTIMATES AND ASSUMPTIONS

The calculation of pension liabilities involves the use of judgement and estimates across a range of parameters. Present value of accrued pension entitlements for defined benefit schemes and present value of accrued pension entitlements for the year are calculated using the accrued benefits method. Net pension liabilities in the balance sheet are adjusted for expected future salary increases until retirement age. Calculations are based on staff numbers and salary data at the end of the year.

The discount rate The discount rate is based on high-quality corporate bonds (covered bonds - OMF). Statkraft is of the opinion that the market for covered bonds represents a deep and liquid market with relevant durations that qualify as a reference interest rate in accordance with IAS 19.

Changes in the public sector pension scheme in Norway Statkraft has recognised a reduced pension cost in 2019 related to changes in the public sector pension scheme in Norway. The changes mainly entail new regulations for how the public benefit schemes shall be coordinated with the benefits provided by the Norwegian National Insurance Scheme, and a new pension scheme for employees born in 1963 or later.

Actuarial gains Actuarial gains recognised in other comprehensive income in 2019 are mainly due to increased value of pension assets.

The following assumptions are used 1)

<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate and expected return</td>
</tr>
<tr>
<td>Salary adjustment</td>
</tr>
<tr>
<td>Adjustment of current pensions in public schemes</td>
</tr>
<tr>
<td>Adjustment of the National Insurance Scheme’s basic amount (G)</td>
</tr>
<tr>
<td>Demographic factors for mortality and disability</td>
</tr>
</tbody>
</table>

1) The assumptions apply for Norwegian entities. Foreign entities apply assumptions adapted to local conditions.
Note 17 continued

Members of defined benefit schemes

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>1,460</td>
<td>1,511</td>
</tr>
<tr>
<td>Pensioners and people</td>
<td>2,779</td>
<td>2,699</td>
</tr>
<tr>
<td>with deferred entitlements</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Breakdown of net defined benefit pension liability

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of accrued pension entitlements for funded defined benefit schemes</td>
<td>6,978</td>
<td>6,915</td>
</tr>
<tr>
<td>Fair value of pension assets</td>
<td>6,232</td>
<td>5,744</td>
</tr>
<tr>
<td>Net pension liability for funded defined benefit schemes</td>
<td>746</td>
<td>1,171</td>
</tr>
<tr>
<td>Present value of accrued pension entitlements for unfunded defined benefit schemes</td>
<td>765</td>
<td>694</td>
</tr>
<tr>
<td>Employers' national insurance contribution</td>
<td>288</td>
<td>297</td>
</tr>
<tr>
<td>Net pension liabilities in the balance sheet</td>
<td>7,999</td>
<td>2,161</td>
</tr>
<tr>
<td>Of which net pension assets - see note 27</td>
<td>886</td>
<td>494</td>
</tr>
<tr>
<td>Of which net pension liabilities</td>
<td>2,685</td>
<td>2,655</td>
</tr>
</tbody>
</table>

Movement in defined benefit pension liability

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined gross benefit pension liabilities 01.01</td>
<td>7,609</td>
<td>7,433</td>
</tr>
<tr>
<td>Net change in liabilities due to additions/disposals</td>
<td>-</td>
<td>-243</td>
</tr>
<tr>
<td>Present value of accrued pension entitlements for the year</td>
<td>225</td>
<td>229</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>190</td>
<td>165</td>
</tr>
<tr>
<td>Scheme changes</td>
<td>-161</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial gains/losses</td>
<td>79</td>
<td>199</td>
</tr>
<tr>
<td>Paid benefits</td>
<td>-194</td>
<td>-184</td>
</tr>
<tr>
<td>Currency translation effects</td>
<td>-4</td>
<td>10</td>
</tr>
<tr>
<td>Gross defined benefit pension liabilities 31.12</td>
<td>7,744</td>
<td>7,609</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of pension assets 01.01</td>
<td>5,744</td>
<td>5,653</td>
</tr>
<tr>
<td>Net change in assets due to additions/disposals</td>
<td>-</td>
<td>-150</td>
</tr>
<tr>
<td>Expected return on pension assets</td>
<td>144</td>
<td>127</td>
</tr>
<tr>
<td>Actuarial gains/losses</td>
<td>224</td>
<td>-13</td>
</tr>
<tr>
<td>Total contributions</td>
<td>279</td>
<td>274</td>
</tr>
<tr>
<td>Paid benefits</td>
<td>-160</td>
<td>-151</td>
</tr>
<tr>
<td>Currency translation effects</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Fair value of pension assets 31.12</td>
<td>6,232</td>
<td>5,744</td>
</tr>
</tbody>
</table>

Pension assets comprise

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity instruments</td>
<td>1,572</td>
<td>1,303</td>
</tr>
<tr>
<td>Interest-bearing instruments</td>
<td>4,126</td>
<td>3,878</td>
</tr>
<tr>
<td>Other</td>
<td>534</td>
<td>563</td>
</tr>
<tr>
<td>Fair value of pension assets 31.12</td>
<td>6,232</td>
<td>5,744</td>
</tr>
</tbody>
</table>

Actuarial gains and losses recognised in other comprehensive income

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated actuarial gains and losses recognised in other comprehensive income before tax 31.12</td>
<td>2,470</td>
<td>2,604</td>
</tr>
</tbody>
</table>

Pension cost recognised in the income statement

Defined benefit schemes

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of accrued pension entitlements for the year</td>
<td>225</td>
<td>229</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>190</td>
<td>165</td>
</tr>
<tr>
<td>Expected return on pension assets</td>
<td>-144</td>
<td>-127</td>
</tr>
<tr>
<td>Scheme changes</td>
<td>-161</td>
<td>-</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>-18</td>
<td>-17</td>
</tr>
<tr>
<td>Employers' national insurance contribution</td>
<td>37</td>
<td>47</td>
</tr>
<tr>
<td>Net pension cost defined benefit schemes</td>
<td>127</td>
<td>297</td>
</tr>
</tbody>
</table>

Defined contribution schemes

<table>
<thead>
<tr>
<th></th>
<th>113</th>
<th>83</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer payments</td>
<td>113</td>
<td>83</td>
</tr>
<tr>
<td>Total pension cost - see note 16</td>
<td>240</td>
<td>380</td>
</tr>
</tbody>
</table>

Sensitivity analysis upon changes in assumptions

<table>
<thead>
<tr>
<th></th>
<th>Discount rate</th>
<th>Salary adjustment</th>
<th>Adjustment of G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (+)/decrease (-) in net pension cost defined benefit schemes for the period</td>
<td>-22%</td>
<td>23%</td>
<td>14%</td>
</tr>
<tr>
<td>Increase (+)/decrease (-) in gross defined pension liability as of 31.12</td>
<td>-16%</td>
<td>21%</td>
<td>4%</td>
</tr>
</tbody>
</table>
**Note 18  Property tax and licence fees**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property tax</td>
<td>736</td>
<td>987</td>
</tr>
<tr>
<td>Licence fees</td>
<td>404</td>
<td>364</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 139</td>
<td>1 352</td>
</tr>
</tbody>
</table>

**Note 19  Other operating expenses**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of third-party services  (^1)</td>
<td>2 053</td>
<td>1 656</td>
</tr>
<tr>
<td>Materials</td>
<td>417</td>
<td>362</td>
</tr>
<tr>
<td>Power plants operated by third parties</td>
<td>288</td>
<td>287</td>
</tr>
<tr>
<td>Compensation payments</td>
<td>152</td>
<td>202</td>
</tr>
<tr>
<td>IT</td>
<td>391</td>
<td>335</td>
</tr>
<tr>
<td>Marketing</td>
<td>65</td>
<td>67</td>
</tr>
<tr>
<td>Travel</td>
<td>160</td>
<td>154</td>
</tr>
<tr>
<td>Insurance</td>
<td>90</td>
<td>56</td>
</tr>
<tr>
<td>Rental costs (^2)</td>
<td>43</td>
<td>243</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-1</td>
<td>77</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3 638</td>
<td>3 439</td>
</tr>
</tbody>
</table>

\(^1\) Purchase of third-party services includes mainly consultants and other services.

\(^2\) Rental costs have decreased due to implementation of IFRS 16. See note 25.

**Note 20  Financial items**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>440</td>
<td>404</td>
</tr>
</tbody>
</table>

**Interest expenses**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expenses external debt</td>
<td>-671</td>
<td>-969</td>
</tr>
<tr>
<td>Other interest expenses</td>
<td>-68</td>
<td>-55</td>
</tr>
<tr>
<td>Interest expenses from lease liabilities</td>
<td>-52</td>
<td>-</td>
</tr>
<tr>
<td>Capitalised borrowing costs</td>
<td>123</td>
<td>119</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-669</td>
<td>-905</td>
</tr>
</tbody>
</table>

Net currency effects  

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>132</td>
<td>-464</td>
</tr>
</tbody>
</table>

**Other financial items**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealised gains/losses on interest rate derivatives and securities</td>
<td>415</td>
<td>27</td>
</tr>
<tr>
<td>Gains/losses from divestments of equity accounted investments  (^1)</td>
<td>737</td>
<td>5 449</td>
</tr>
<tr>
<td>Other</td>
<td>-323</td>
<td>-98</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>829</td>
<td>5 377</td>
</tr>
</tbody>
</table>

Net financial items

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>733</td>
<td>4 412</td>
</tr>
</tbody>
</table>

\(^1\) See note 5.
**Note 21** Unrealised effects recognised in the statement of profit and loss

**GENERAL INFORMATION**

The table below discloses 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.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrealised</td>
<td>Realised</td>
</tr>
<tr>
<td>Generation</td>
<td>-</td>
<td>26 138</td>
</tr>
<tr>
<td>Customers</td>
<td>-</td>
<td>13 588</td>
</tr>
<tr>
<td>Grid and other</td>
<td>-</td>
<td>3 724</td>
</tr>
<tr>
<td>Total sales revenues</td>
<td>-</td>
<td>43 450</td>
</tr>
<tr>
<td>Gains/losses from market activities 3)</td>
<td>1 250</td>
<td>2 467</td>
</tr>
<tr>
<td>Generation</td>
<td>-</td>
<td>-2 139</td>
</tr>
<tr>
<td>Customers</td>
<td>-</td>
<td>-13 515</td>
</tr>
<tr>
<td>Other purchase</td>
<td>-</td>
<td>-829</td>
</tr>
<tr>
<td>Total energy purchase</td>
<td>-</td>
<td>-16 483</td>
</tr>
</tbody>
</table>

Unrealised effects included in Operating profit (EBIT) 1)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrealised</td>
<td>Realised</td>
</tr>
<tr>
<td></td>
<td>1 250</td>
<td>-4 557</td>
</tr>
</tbody>
</table>

Net currency effects 2)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>562</td>
<td>-430</td>
</tr>
<tr>
<td>Other financial items</td>
<td>415</td>
<td>414</td>
</tr>
</tbody>
</table>

Unrealised effects included in Net financial items

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>977</td>
<td>633</td>
</tr>
</tbody>
</table>

**Total unrealised effects**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2 227</td>
<td>-3 924</td>
</tr>
</tbody>
</table>
Note 22 Income taxes

GENERAL INFORMATION

Group companies that are engaged in energy generation in Norway are subject to the special rules for taxation of energy companies. The Group’s tax expense therefore includes, in addition to ordinary income tax, natural resource tax and resource rent tax.

Income tax is calculated in accordance with ordinary tax rules and by applying the adopted tax rate. The tax expense in the income statement comprises taxes payable and changes in deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward.

Natural resource tax is a profit-independent tax that is calculated on the basis of the individual power plant’s average output over the past seven years. The tax rate is NOK 13/MWh. Income tax can be offset against the natural resource tax paid.

Resource rent tax is a profit-dependent tax levied on the net resource rent revenue generated by each power plant. Resource rent revenue is calculated on the basis of the individual power plant’s production hour by hour, multiplied by the spot price for the corresponding hour. The actual contract price is applied for deliveries of concessionary power and power subject to physical contracts with a term exceeding seven years. Income from green certificates is included in gross resource rent revenue. Actual operating expenses, depreciation and a tax-free allowance are deductible. The tax-free allowance is set each year on the basis of the taxable value of the power plant’s operating assets, multiplied by a normative interest rate. Negative resource rent revenues per power plant from the 2006 fiscal year or earlier years can only be carried forward with interest offset against future positive resource rent revenues from the same power plant. From 2007 onwards negative resource rent revenues per power plant can be pooled with positive resource rent revenues for other power plants.

SIGNIFICANT ACCOUNTING POLICIES

Tax related to items recognised in other comprehensive income is also recognised in other comprehensive income.

Deferred tax liabilities and deferred tax assets are recognised net provided that these are expected to reverse in the same period. The same applies to deferred tax liabilities and deferred tax assets connected with resource rent tax. Deferred tax positions connected with income tax payable cannot be offset against tax positions connected with resource rent tax. Any natural resource tax that exceeds income tax can be carried forward with interest to subsequent years, and is recognised as prepaid tax. The tax-free allowance deductible for resource rent tax is treated as a permanent difference in the year it is calculated for, and therefore does not affect the calculation of deferred tax connected with resource rent.

ESTIMATES AND ASSUMPTIONS

Recognition of deferred tax assets involves judgment. Deferred tax assets are recognised to the extent that it is probable that they will be utilised. Deferred tax assets relating to resource rent revenue carryforwards are recognised in the balance sheet with the amount expected to be utilised within a period of ten years. The period over which negative resource rent revenues can be used is estimated on the basis of expectations related to normal production and price curves. Other deferred tax assets are recognised in the balance sheet if they are expected to be utilised within a period of five years. For uncertain tax positions see note 34.

Nominal Norwegian tax rates in the income statement

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax rate</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td>Resource rent tax rate</td>
<td>37.0%</td>
<td>35.7%</td>
</tr>
</tbody>
</table>

Nominal Norwegian tax rates in the balance sheet statement (deferred tax)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax rate</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Resource rent tax rate</td>
<td>37.0%</td>
<td>37.0%</td>
</tr>
</tbody>
</table>

The tax expense in the income statement

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax payable (including natural resource tax payable)</td>
<td>3 249</td>
<td>3 181</td>
</tr>
<tr>
<td>Resource rent tax payable</td>
<td>3 407</td>
<td>3 678</td>
</tr>
<tr>
<td>Withholding tax payable</td>
<td>10</td>
<td>23</td>
</tr>
<tr>
<td>Previous years payable tax expense</td>
<td>-10</td>
<td>87</td>
</tr>
<tr>
<td>Change in deferred tax net of group contributions</td>
<td>977</td>
<td>289</td>
</tr>
<tr>
<td>Tax expense in the income statement</td>
<td>7 632</td>
<td>7 258</td>
</tr>
</tbody>
</table>

Taxes payable in the balance sheet

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax payable</td>
<td>2 470</td>
<td>2 443</td>
</tr>
<tr>
<td>Natural resource tax payable</td>
<td>625</td>
<td>634</td>
</tr>
<tr>
<td>Resource rent tax payable</td>
<td>3 407</td>
<td>3 678</td>
</tr>
<tr>
<td>Previous years taxes payable</td>
<td>606</td>
<td>635</td>
</tr>
<tr>
<td>Taxes payable in the balance sheet</td>
<td>7 109</td>
<td>7 391</td>
</tr>
</tbody>
</table>

Tax included in receivables

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid tax</td>
<td>89</td>
<td>107</td>
</tr>
<tr>
<td>Tax included in receivables - see note 29</td>
<td>89</td>
<td>107</td>
</tr>
</tbody>
</table>
Note 22 continued

Reconciliation of nominal Norwegian tax rate and effective tax rate

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>18,959</td>
<td>20,649</td>
</tr>
<tr>
<td>Expected tax expense at a nominal rate of 22% (23%)</td>
<td>4,171</td>
<td>4,749</td>
</tr>
</tbody>
</table>

Effect on taxes of

| Resource rent tax | 3,670 | 4,122 |
| Foreign tax rate differences | 259 | -245 |
| Change in tax rates | -275 | -182 |
| Tax-free income | -269 | -1,392 |
| Changes relating to previous years | 227 | -5 |
| Change in unrecognised deferred tax assets | -235 | 198 |
| Other permanent differences | 85 | 121 |

Tax expense | 7,632 | 7,258 |
Effective tax rate | 40.3% | 35.2% |

1) Tax free income is mainly related to sale of shares in BKK and Fjordkraft, and unrealised gain on remaining investment in Fjordkraft.
2) Change in unrecognised deferred tax assets is mainly related to Germany.
3) Other permanent differences are mainly non-deductible expenses and items included in the profit and loss statement without tax effect. Items included in the profit and loss statement without tax effect entail depreciation of assets with no initial deferred tax recognised.

Breakdown of deferred tax

<table>
<thead>
<tr>
<th>NOK million</th>
<th>01.01.19</th>
<th>Implementation of IFRS 16</th>
<th>Tax expense in the income statement</th>
<th>Other comprehensive income</th>
<th>Acquisitions and sale of companies</th>
<th>31.12.19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets/current liabilities</td>
<td>-110</td>
<td>-233</td>
<td>-6</td>
<td>-0</td>
<td>117</td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment not part of resource rent tax regime 1)</td>
<td>4,031</td>
<td>288</td>
<td>163</td>
<td>-35</td>
<td>47</td>
<td>4,494</td>
</tr>
<tr>
<td>Property, plant and equipment part of resource rent tax regime</td>
<td>7,667</td>
<td>2</td>
<td>346</td>
<td>-</td>
<td>0</td>
<td>8,016</td>
</tr>
<tr>
<td>Pension liabilities</td>
<td>-776</td>
<td>-85</td>
<td>46</td>
<td>0</td>
<td>-645</td>
<td></td>
</tr>
<tr>
<td>Derivatives</td>
<td>826</td>
<td>47</td>
<td>-21</td>
<td>-13</td>
<td>-838</td>
<td></td>
</tr>
<tr>
<td>Other long-term items</td>
<td>-66</td>
<td>-290</td>
<td>-135</td>
<td>8</td>
<td>-25</td>
<td>-508</td>
</tr>
<tr>
<td>Tax loss carryforward/compensation 1)</td>
<td>-179</td>
<td>-30</td>
<td>8</td>
<td>-26</td>
<td>-228</td>
<td></td>
</tr>
<tr>
<td>Negative resource rent tax carryforward 2)</td>
<td>-2,241</td>
<td>-337</td>
<td>-</td>
<td>-</td>
<td>-1,904</td>
<td></td>
</tr>
<tr>
<td>Total net deferred tax liability</td>
<td>9,151</td>
<td>47</td>
<td>977</td>
<td>8</td>
<td>-4</td>
<td>10,178</td>
</tr>
<tr>
<td>Of which presented as deferred tax assets</td>
<td>676</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>614</td>
</tr>
<tr>
<td>Of which presented as deferred tax liabilities</td>
<td>9,826</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,792</td>
</tr>
</tbody>
</table>

Deferred tax recognised in other comprehensive income

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remeasurement of pension obligations</td>
<td>45</td>
<td>-95</td>
</tr>
<tr>
<td>Currency translation effects</td>
<td>-36</td>
<td>-36</td>
</tr>
<tr>
<td>Changes in fair value of financial instruments</td>
<td>-1</td>
<td>9</td>
</tr>
<tr>
<td>Total deferred tax recognised in other comprehensive income</td>
<td>8</td>
<td>-122</td>
</tr>
</tbody>
</table>
Note 23 Intangible assets

SIGNIFICANT ACCOUNTING POLICIES

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Costs relating to intangible assets, including goodwill, are recognised in the balance sheet when it is probable that the asset will generate future economic benefits and the costs can be measured reliably. Goodwill and intangible assets with an indefinite useful life are not amortised and are tested annually for impairment.

Research expenditures are expensed as incurred. Development costs are capitalised to the extent that a future economic benefit can be identified from the development of an identifiable intangible asset.

NOK million

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019 Balance at 01.01</td>
<td>1 351</td>
<td>2 558</td>
<td>3 909</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>290</td>
<td>290</td>
</tr>
<tr>
<td>Additions from business combinations</td>
<td>307</td>
<td>342</td>
<td>649</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-95</td>
<td>167</td>
<td>72</td>
</tr>
<tr>
<td>Transfer between asset classes</td>
<td>70</td>
<td>-70</td>
<td>-</td>
</tr>
<tr>
<td>Amortisations</td>
<td>-</td>
<td>-159</td>
<td>-159</td>
</tr>
<tr>
<td>Impairments</td>
<td>-76</td>
<td>-</td>
<td>-76</td>
</tr>
<tr>
<td>Reversal of impairments</td>
<td>-</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-22</td>
<td>-22</td>
</tr>
<tr>
<td>Currency translation effects</td>
<td>4</td>
<td>-68</td>
<td>-64</td>
</tr>
<tr>
<td>Balance at 31.12</td>
<td>1 561</td>
<td>3 072</td>
<td>4 633</td>
</tr>
</tbody>
</table>

Cost 31.12

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions</td>
<td>-48</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>Additions from business combinations</td>
<td>339</td>
<td>630</td>
<td>969</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-28</td>
<td>-</td>
<td>-28</td>
</tr>
<tr>
<td>Amortisations</td>
<td>-143</td>
<td>-</td>
<td>-143</td>
</tr>
<tr>
<td>Impairments</td>
<td>-95</td>
<td>-</td>
<td>-95</td>
</tr>
<tr>
<td>Derecognition from divestments</td>
<td>-1</td>
<td>-115</td>
<td>-120</td>
</tr>
<tr>
<td>Currency translation effects</td>
<td>-5</td>
<td>-115</td>
<td>-120</td>
</tr>
<tr>
<td>Balance at 31.12</td>
<td>1 561</td>
<td>3 072</td>
<td>4 633</td>
</tr>
</tbody>
</table>

(1) Mainly related to acquisitions in the segments International power and European wind and solar. In addition to rights in connection with leasehold improvements for power plants in Norway.

RESEARCH AND DEVELOPMENT

The Group’s research and development activities are focused on investigating potential new energy sources and developing existing plants and technologies. Research activities relating to new energy sources include general research projects. These projects are intended to provide further knowledge on technologies or other areas that could provide a basis for future activities/projects.

In order to gain new knowledge and develop new methods within the fields of energy optimisation and preservation, the Group also performs research and development activities in connection with existing plants/energy sources. Research and development activities carried out in 2019 and 2018 are expensed with NOK 40 million and NOK 36 million, respectively. Capitalised development costs in 2019 and 2018 were NOK 5 million and NOK 10 million respectively.
Note 24 Property, plant and equipment

SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment. The cost includes expenditures incurred to bring the assets into the location and condition to be capable of operating in the manner intended by management. In addition, the cost includes directly attributable borrowing costs. Subsequent expenditures related to ordinary repair and maintenance are recognised in the statement of profit and loss when incurred. Expenditures that involve replacing parts of the assets or expansions are capitalised. The estimated decommissioning obligation is included in the carrying value of the relevant assets.

Depreciation commence when the asset is available for its intended use and is calculated on a straight-line basis over the asset’s expected useful life. The depreciation period is adapted to the licence period. Expected useful life, depreciation methods and residual values are assessed annually.

Waterfall rights that are considered to have perpetual life and with no obligation of reversion to the authorities, are presented as property, plant and equipment and are not depreciated.

ESTIMATES AND ASSUMPTIONS

Property, plant and equipment are depreciated over its expected useful life. Expected useful life is estimated based on the Group’s technical expertise and is adjusted in the event of any changes to the expectations. Residual values are estimated and included in the carrying value when applicable and depreciated over the asset’s useful lifetime.

Estimates of decommissioning obligations, which are included as part of the plant’s carrying amount, are subject to annual review. The decommissioning obligation is Statkraft’s best estimate of the present value of the cost of removing an item of property, plant and equipment as well as restoring the site at the date when the operation ceases.

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Regulation plants</th>
<th>Turbines, generators etc</th>
<th>Waterfall rights</th>
<th>Properties, mountain halls, buildings, roads, bridges and quay facilities</th>
<th>Plants under construction</th>
<th>Other</th>
<th>Sum</th>
<th>Right-of-use assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of 31.12.2018</td>
<td>28 855</td>
<td>26 321</td>
<td>23 130</td>
<td>8 797</td>
<td>7 099</td>
<td>11 541</td>
<td><strong>105 744</strong></td>
<td>-</td>
<td><strong>105 744</strong></td>
</tr>
<tr>
<td>Implementation of IFRS 16 - see note 25</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1 584</td>
<td><strong>1 584</strong></td>
</tr>
<tr>
<td>Balance as of 01.01.2019</td>
<td>28 855</td>
<td>26 321</td>
<td>23 130</td>
<td>8 797</td>
<td>7 099</td>
<td>11 541</td>
<td><strong>105 744</strong></td>
<td>1 584</td>
<td><strong>107 328</strong></td>
</tr>
<tr>
<td>Additions</td>
<td>110</td>
<td>228</td>
<td>-</td>
<td>97</td>
<td>5 045</td>
<td>409</td>
<td><strong>5 889</strong></td>
<td>146</td>
<td><strong>6 035</strong></td>
</tr>
<tr>
<td>Remeasurements and other changes (IFRS 16)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td><strong>2</strong></td>
</tr>
<tr>
<td>Additions from business combinations</td>
<td>-</td>
<td>278</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>90</td>
<td><strong>373</strong></td>
<td>137</td>
<td><strong>510</strong></td>
</tr>
<tr>
<td>Capitalised borrowing costs</td>
<td>-</td>
<td>47</td>
<td>-</td>
<td>-</td>
<td>76</td>
<td>-</td>
<td><strong>123</strong></td>
<td>-</td>
<td><strong>123</strong></td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-68</td>
<td>-1</td>
<td><strong>-72</strong></td>
<td>-</td>
<td><strong>-72</strong></td>
</tr>
<tr>
<td>Transfer between asset classes</td>
<td>265</td>
<td>2 223</td>
<td>-200</td>
<td>750</td>
<td>-3 899</td>
<td>861</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciations</td>
<td>-779</td>
<td>-1 440</td>
<td>-</td>
<td>-478</td>
<td>1</td>
<td>-782</td>
<td><strong>-3 478</strong></td>
<td>-187</td>
<td><strong>-3 665</strong></td>
</tr>
<tr>
<td>Impairments</td>
<td>-427</td>
<td>-212</td>
<td>-164</td>
<td>-7</td>
<td>-8</td>
<td>-818</td>
<td>-5</td>
<td>-823</td>
<td></td>
</tr>
<tr>
<td>Reversal of impairments</td>
<td>-814</td>
<td>-</td>
<td>-125</td>
<td>63</td>
<td>-</td>
<td><strong>1 002</strong></td>
<td>-</td>
<td><strong>1 002</strong></td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>-2</td>
<td>-18</td>
<td>-9</td>
<td>-12</td>
<td>-31</td>
<td>-72</td>
<td>-</td>
<td>-72</td>
<td></td>
</tr>
<tr>
<td>Currency translation effects</td>
<td>-168</td>
<td>-226</td>
<td>62</td>
<td>-196</td>
<td>33</td>
<td>-23</td>
<td><strong>-518</strong></td>
<td>3</td>
<td><strong>-515</strong></td>
</tr>
<tr>
<td>Balance at 31.12</td>
<td>28 281</td>
<td>27 797</td>
<td>22 780</td>
<td>8 922</td>
<td>8 336</td>
<td>12 056</td>
<td><strong>108 172</strong></td>
<td>1 680</td>
<td><strong>109 852</strong></td>
</tr>
</tbody>
</table>

Carrying value 31.12 of assets with infinite useful life | n/a | n/a | 22 780 | 67 | n/a | 37 | **22 885** | n/a | **22 885** |       |

Cost 31.12 | 44 073 | 54 797 | 23 387 | 16 332 | 9 000 | 25 279 | **172 868** | 1 873 | **174 741** |       |

Accumulated deprecinations and impairments as of 31.12 | -15 792 | -27 000 | -607 | -7 410 | -664 | -13 223 | **-64 696** | -193 | **-64 889** |       |

Balance at 31.12 | 28 281 | 27 797 | 22 780 | 8 922 | 8 336 | 12 056 | **108 172** | 1 680 | **109 852** |       |

1) The average interest rate applied during the year was 1.64%.
Note 24 continued

### INVESTMENTS IN 2019

The additions in 2019 of NOK 6035 million in property, plant and equipment (excluding capitalised borrowing costs of NOK 123 million) and of NOK 290 million in intangible assets, consisted of investments in new generating capacity, maintenance investments and other investments. Maintenance investments and other investments amounted to NOK 2712 million (NOK 2067 million). The investments were primarily related to hydropower plants in Norway. Investments in new capacity amounted to NOK 3738 million (NOK 3053 million). The largest projects were hydropower plants in Albania and India, and wind farms in Norway.

### ASSETS PLEDGED AS SECURITY TO COUNTERPARTIES

Statkraft has pledged property, plant and equipment as security to counterparties. For more information, see note 35.

### INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT PER COUNTRY

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Intangibles</th>
<th>PP&amp;E</th>
<th>Total</th>
<th>Intangibles</th>
<th>PP&amp;E</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>1 062</td>
<td>61 704</td>
<td>62 766</td>
<td>799</td>
<td>58 011</td>
<td>58 810</td>
</tr>
<tr>
<td>Sweden</td>
<td>68</td>
<td>20 331</td>
<td>20 399</td>
<td>76</td>
<td>21 353</td>
<td>21 428</td>
</tr>
<tr>
<td>Germany</td>
<td>145</td>
<td>3 525</td>
<td>3 670</td>
<td>39</td>
<td>2 508</td>
<td>2 547</td>
</tr>
<tr>
<td>UK</td>
<td>426</td>
<td>1 334</td>
<td>1 760</td>
<td>67</td>
<td>1 218</td>
<td>1 285</td>
</tr>
<tr>
<td>Turkey</td>
<td>1</td>
<td>1 146</td>
<td>1 147</td>
<td>2</td>
<td>1 294</td>
<td>1 295</td>
</tr>
<tr>
<td>Albania</td>
<td>1</td>
<td>5 381</td>
<td>5 382</td>
<td>2</td>
<td>4 999</td>
<td>5 001</td>
</tr>
<tr>
<td>Peru</td>
<td>110</td>
<td>9 231</td>
<td>9 341</td>
<td>114</td>
<td>9 231</td>
<td>9 345</td>
</tr>
<tr>
<td>Brazil</td>
<td>1 687</td>
<td>3 678</td>
<td>5 365</td>
<td>1 919</td>
<td>3 612</td>
<td>5 531</td>
</tr>
<tr>
<td>Chile</td>
<td>499</td>
<td>1 961</td>
<td>2 460</td>
<td>450</td>
<td>2 071</td>
<td>2 521</td>
</tr>
<tr>
<td>Other</td>
<td>634</td>
<td>1 561</td>
<td>2 195</td>
<td>443</td>
<td>1 448</td>
<td>1 891</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4 633</strong></td>
<td><strong>109 852</strong></td>
<td><strong>114 485</strong></td>
<td><strong>3 909</strong></td>
<td><strong>105 744</strong></td>
<td><strong>109 653</strong></td>
</tr>
</tbody>
</table>

1) The average interest rate applied during the year was 2.55%.

2) Transfer between asset classes "Properties, mountain halls, buildings, etc." (MNOK -5425), "Waterfall rights" (MNOK 4877), "Turbines, generators, etc." (MNOK 263) and "Regulation plants" (MNOK 285) due to incorrect classification of asset classes within PP&E.
### EXPECTED USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT

A more detailed specification of the expected useful life of the various assets is provided below.

<table>
<thead>
<tr>
<th>Depreciation period (years)</th>
<th>Depreciation period (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulation plants</strong></td>
<td></td>
</tr>
<tr>
<td>- riprap dams, concrete dams</td>
<td>75</td>
</tr>
<tr>
<td>- other dams</td>
<td>30</td>
</tr>
<tr>
<td>- tunnel systems</td>
<td>90</td>
</tr>
<tr>
<td><strong>Properties, mountain halls, roads, bridges etc.</strong></td>
<td><strong>perpetual</strong></td>
</tr>
<tr>
<td>- land</td>
<td>90</td>
</tr>
<tr>
<td>- underground facilities</td>
<td>90</td>
</tr>
<tr>
<td>- roads, bridges and quays</td>
<td>75</td>
</tr>
<tr>
<td>- control equipment</td>
<td>20</td>
</tr>
<tr>
<td>- operating centre</td>
<td>20</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
</tr>
<tr>
<td>- communication equipment</td>
<td>10</td>
</tr>
<tr>
<td>- control equipment</td>
<td>20</td>
</tr>
</tbody>
</table>

| **Turbines, generators etc.** |                             |
| - pipe trenches              | 75                          |
| - generators (turbine, valve)| 40                          |
| - other mechanical installations| 15                        |
| - transformer/generator      | 40                          |
| - wind turbines              | 20-25                       |
| - gas and steam generators   | 20-25                       |
| - gas power plant transformers| 20-25                      |
| **Other**                    |                             |
| - transformer (grid)         | 25-50                       |
| - switchgear, high voltage (grid) | 35-40            |
| - buildings                  | 25-50                       |
| - other fixed installations  | 10-20                       |
| - miscellaneous fixtures     | 5                           |
| - office and computer equipment| 3                         |
| - furnishings and equipment  | 5                           |
| - vehicles                   | 8                           |
| - construction equipment     | 12                          |
| - small watercraft           | 10                          |
| - water cooling systems      | 20-25                       |

| **Waterfall rights**         |                             |
| - perpetual                 |                             |
| - office and computer equipment| 3                         |
| - furnishings and equipment  | 5                           |
| - vehicles                   | 8                           |
| - construction equipment     | 12                          |
| - small watercraft           | 10                          |
| - water cooling systems      | 20-25                       |
Note 25 Leases

GENERAL INFORMATION

Statkraft’s leases mainly involve the following type of assets:
The contracts that have largely affected the recognition of the lease debt 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.

SIGNIFICANT ACCOUNTING POLICIES

In current year Statkraft has applied IFRS 16 that is effective for annual periods beginning on or after 1 January 2019. IFRS 16 introduces new or amended
requirements with respect to lease accounting. It introduces significant changes to lease accounting by removing the distinction between operating and finance
lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for leases, except for short-term leases and leases of low value
assets when such recognition exemptions are adopted. The impact of the adoption of IFRS 16 on the Group’s consolidated financial statements is described
below.

Statkraft has applied IFRS 16 using the modified retrospective approach which:
• Requires Statkraft to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date
of initial application.
• Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

At the commencement date of a lease, Statkraft as the lessee recognised a liability at the present value of future 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. Statkraft is required to recognise the interest expense on the lease liability and the depreciation expense on the
right-of-use asset separately.

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.

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

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the
customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on “risks and
rewards” in IAS 17 and IFRIC 4.

At the date of initial application of IFRS 16, the Group recognised a lease liability for leases previously classified as operating leases under IAS 17 in
accordance with the transition requirements. The Group measured the lease liabilities at the present value of the remaining lease payments, discounted using
the incremental borrowing rate at 1 January 2019. Statkraft has not been applying the practical expedient to rely on previous assessments of whether a contract
is or contains a lease and has therefore performed a reassessment of the contract portfolio. Further, the right-of-use assets on a lease-by-lease basis are
measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Depreciation of right-of-use assets and
interest on lease liabilities are recognised in the statement of profit or loss. The total amount of cash paid is separated into a principal portion and an interest
portion in the statement of cash flow (both presented within financing activities).

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 can be net settled and not held for own use. Under IAS 17 the rent paid to
the power producers is presented as energy purchase. When preparing the financial statements for 2019, power purchase agreements assessed to be
derivatives are recognised at fair value with value changes through profit and loss. See note 13.

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) and for low value assets (defined as less than NOK 50). These expenses are
presented within Other operating expenses.
• Excluded any initial direct costs from the measurement of the right-of-use asset.
• Rely on previous assessment of whether a lease is onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and not
performed an impairment review. For such leases, the right-of-use assets have been adjusted by the amount of such provisions recognised in the
statement of financial position.
• Intangible assets have also been chosen to be excluded from IFRS 16, hence leased concessions or payments for power production licenses, for
instance, are not treated within IFRS 16.

Measurement

Statkraft has evaluated whether the Group is reasonably certain to exercise an option to renew a lease, not terminate a lease or to purchase the underlying
asset. All relevant factors that can create an economic incentive for Statkraft to exercise options e.g. contract-, asset-, entity- and market-based factors are
evaluated. Contracts to rent office premises are in most occasions 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, for such options to extend the lease period 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 are not presented separately in the statement of financial position, but are disclosed separately in the notes.

ESTIMATES AND ASSUMPTIONS

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.
Note 25 continued

TRANSITION

Statkraft implemented IFRS 16 in accordance with the modified retrospective approach. The weighted average yearly discount rate applied at 1 January 2019 was 3.22% and the effect of discounting the nominal values was approximately NOK 427 million. The following reconciliation to the opening balance for the lease liabilities as of 1 January 2019 is based upon the operating lease obligations as of 31 December 2018.

Reconciliation of IAS 17 lease commitments to IFRS 16 lease liabilities

<table>
<thead>
<tr>
<th>NOK million</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IAS 17 off balance sheet operating lease commitments at 31 December 2018</strong></td>
<td>1 890</td>
</tr>
<tr>
<td>Options 1)</td>
<td>42</td>
</tr>
<tr>
<td>Practical expedient related to short-term leases and leases of low-value assets</td>
<td>-7</td>
</tr>
<tr>
<td>Other differences</td>
<td>41</td>
</tr>
<tr>
<td><strong>Nominal lease liabilities at 1 January 2019</strong></td>
<td>1 936</td>
</tr>
<tr>
<td>Discounting effect using the incremental borrowing rate</td>
<td>-427</td>
</tr>
<tr>
<td><strong>Lease liabilities at 1 January 2019 under IFRS 16</strong></td>
<td>1 509</td>
</tr>
</tbody>
</table>

1) Options include extension options and purchase options reasonably certain to be exercised and termination options reasonably certain not to be exercised.

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

The implementation of IFRS 16 had no direct effect on the equity as of 1 January 2019, and the difference between the opening balances of the right-of-use asset and the lease liability is due to prepayments. However, following the reclassification of certain power purchase agreements, the equity as of 1 January was increased by NOK 380 million. See also note 13.

STATKRAFT AS A LESSEE

<table>
<thead>
<tr>
<th>Right-of-use assets</th>
<th>Office buildings</th>
<th>Land and other property</th>
<th>Vehicles, equipment and other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOK million</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 01.01</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additions due to implementation of IFRS 16 at 01.01.2019</td>
<td>1 258</td>
<td>306</td>
<td>20</td>
<td>1 584</td>
</tr>
<tr>
<td>Additions</td>
<td>85</td>
<td>15</td>
<td>46</td>
<td>146</td>
</tr>
<tr>
<td>Additions from acquisitions</td>
<td>-</td>
<td>-</td>
<td>137</td>
<td>137</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-158</td>
<td>-16</td>
<td>-13</td>
<td>-187</td>
</tr>
<tr>
<td>Impairments</td>
<td>-</td>
<td>-</td>
<td>-5</td>
<td>-5</td>
</tr>
<tr>
<td>Remeasurement and other changes</td>
<td>2</td>
<td>3</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td><strong>Balance at 31.12</strong></td>
<td>1 187</td>
<td>308</td>
<td>185</td>
<td>1 680</td>
</tr>
</tbody>
</table>

Amounts recognised in profit and loss

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from sub-leasing right-of-use assets 1)</td>
<td>18</td>
</tr>
<tr>
<td>Variable lease payments not included in the measurement of lease liabilities 2)</td>
<td>-4</td>
</tr>
<tr>
<td>Expenses relating to short-term leases and leases of low-value assets 2)</td>
<td>-38</td>
</tr>
<tr>
<td>Depreciation from right-of-use assets 3)</td>
<td>-187</td>
</tr>
<tr>
<td>Interest expenses from lease liabilities 4)</td>
<td>-52</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-263</td>
</tr>
</tbody>
</table>

1) Presented as Other operating income
2) Presented as Other operating expenses
3) Presented as Depreciations and amortisations
4) Presented as Interest expenses

Amounts recognised in the statement of cash flow

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal portion of lease payments on lease liabilities 1)</td>
<td>-164</td>
</tr>
<tr>
<td>Interest portion of lease payments on lease liabilities 1)</td>
<td>-52</td>
</tr>
<tr>
<td><strong>Total payments on lease liabilities</strong></td>
<td>-216</td>
</tr>
</tbody>
</table>

1) Presented as cash flow from financing activities
Note 25 continued

Lease liabilities

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-bearing liabilities, current</td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>217</td>
</tr>
<tr>
<td>Interest-bearing liabilities, non-current</td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>1,457</td>
</tr>
<tr>
<td>Total lease liabilities</td>
<td>1,673</td>
</tr>
</tbody>
</table>

Maturity schedule lease liabilities - contractual undiscounted cash flows

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1 year</td>
<td>248</td>
</tr>
<tr>
<td>1-5 years</td>
<td>891</td>
</tr>
<tr>
<td>5 years and later</td>
<td>906</td>
</tr>
<tr>
<td>Total undiscounted lease liabilities as of 31.12</td>
<td>2,045</td>
</tr>
</tbody>
</table>

Future cash flows not reflected in the measurement of lease liabilities

Extension options:
Several leases of office buildings contain extension options exercisable by Statkraft, where the lease of the head-quarter in Oslo is the most significant one. This lease agreement expires in 2028, with options to prolong for ten plus ten years, and the annual lease payment is NOK 102 million. The buildings included in this lease agreement are considered to be standardised office buildings, not particularly customised to Statkraft or Statkraft’s business. With several years left of this contract, it is not considered reasonably certain that these extensions option will be exercised, and thus no period after 2028 has been included in the measurement of the lease liability. Similar assessment is applied to other leases as well.

STATKRAFT AS A LESSOR

Operating lease
Statkraft has sub-leases office buildings, and has classified the sub-leases as operating leases. Statkraft leases out power plants to third parties. The revenues from rental of power plants are based on a fixed and a variable part, and the income are presented as sales revenues (see note 12).

Maturity schedule lease payments - contractual undiscounted cash flows

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1 year</td>
<td>20</td>
</tr>
<tr>
<td>1-5 years</td>
<td>40</td>
</tr>
<tr>
<td>Total undiscounted lease payments as of 31.12</td>
<td>60</td>
</tr>
</tbody>
</table>
Note 25 continued

2018

SIGNIFICANT ACCOUNTING POLICIES

Operating leases are mainly recognised as an expense on a straight-line basis over the lease term. For leased production plants where use is closely connected with the production, lease payments are measured by consumption and presented as energy purchases.

ESTIMATES AND ASSUMPTIONS

Power purchase agreements Judgement is made when determining whether a power purchase agreement contains a lease. A power purchase agreement contains a lease if its fulfilment depends on a specific asset and the arrangement conveys a right to control the use of the underlying asset and Statkraft takes a significant amount of the output at a price that is neither fixed nor equal to the current market price.

The total of future minimum lease payments in relation to non-cancellable leases for each of the following periods was:

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Within 1 year of the end of the period</th>
<th>Between 1 and 5 years after the end of the period</th>
<th>More than 5 years after the end of the period</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property rental agreements</td>
<td>170</td>
<td>625</td>
<td>1 001</td>
<td>1 797</td>
</tr>
<tr>
<td>Vehicles</td>
<td>8</td>
<td>9</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>Other leases</td>
<td>5</td>
<td>33</td>
<td>40</td>
<td>78</td>
</tr>
<tr>
<td>Total</td>
<td>183</td>
<td>667</td>
<td>1 041</td>
<td>1 890</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Minimum lease expense</th>
<th>Variable lease expense</th>
<th>Lease and sublease income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property rental agreements</td>
<td>184</td>
<td>5</td>
<td>21</td>
</tr>
<tr>
<td>Vehicles</td>
<td>7</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other leases</td>
<td>11</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>202</td>
<td>5</td>
<td>21</td>
</tr>
</tbody>
</table>

Total future minimum sublease income under non-cancellable subleases was NOK 100 million at 31 December 2018.

The majority of Statkraft’s lease expenses and future lease commitments was related to rent of premises and land. Statkraft is offering market access to smaller renewable energy producers. Some of these contracts are defined as operating leases, due to a fixed element in the lease payments, and are presented as energy purchases, see note 12. The lease agreements have durations ranging up to 20 years and the rent paid for 2018 was NOK 10 286 million.

Statkraft had no significant financial lease agreements at the end of 2018.
**Note 26  Associates and joint arrangements**

SIGNIFICANT ACCOUNTING POLICIES

The gain/loss from a transaction where the investment changes from being classified as a joint operation to be classified as a joint venture or associated company are recognised in the Group’s consolidated financial statement only to the extent of other parties interest in the joint operation. Hence, the carrying value of Statkraft’s remaining ownership is booked at continuity. In addition changed contractual rights and obligations relating to the underlying asset or debt and changes in the shareholders agreement might lead to a change in the accounting method.

ACCOUNTING JUDGEMENTS

The degree of control over the investee is one of the key elements in the assessment to whether the investment should be accounted for as subsidiary, joint operation, joint venture or associate. The assessment of control is judgmental and entails that all facts and circumstances are evaluated.

The decisions about relevant activities that significantly affect the return of the investments are the elements that require the highest degree of judgement. In order to conclude on the degree of control, Statkraft has systematically defined the relevant activities and value drivers for each of its main type of technologies, in addition to an individual assessment per investment to reflect other facts and circumstances.

Judgement is required in assessing whether a joint arrangement is a joint operation or a joint venture. Rights and obligations arising from a joint arrangement, including other facts and circumstances, are evaluated in order to classify the joint arrangement. For investments structured through a legal entity, other facts and circumstances, such as agreements between shareholders and agreements between shareholders and the investee, must override its legal form for a joint operation to exist. Entities established to produce power and where the owners are committed to purchase all the power produced, as well as being responsible for settling of short term and long term financing of the company, are normally classified as joint operations. When Statkraft has rights to the net assets of the arrangement, the arrangement is a joint venture.

Co-owned power plants in which Statkraft has joint control are recognised as joint operation.
Note 26 continued

Based on size and complexity, the following associated companies and joint ventures are considered material:

### 2019

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Agder BKK AS</th>
<th>Hidroelectrica La Energi AS</th>
<th>Wind UK Holding ASA</th>
<th>Fjordkraft Higuera S.A</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance 01.01. - as previously reported</td>
<td>5 556</td>
<td>3 474</td>
<td>939</td>
<td>879</td>
<td>1 001</td>
<td>1 255</td>
</tr>
<tr>
<td>Changes in accounting principle 2)</td>
<td>-</td>
<td>-</td>
<td>174</td>
<td>-</td>
<td>-</td>
<td>628</td>
</tr>
<tr>
<td>Balance as of 01.01.</td>
<td>5 556</td>
<td>3 474</td>
<td>1 113</td>
<td>879</td>
<td>1 001</td>
<td>1 883</td>
</tr>
</tbody>
</table>

**Additions**

- - - - - 4 4

**Divestments 1)**

-535 - - - -992 -27 -1 554

**Share of profit/loss**

990 423 6 14 46 -19 1 460

**Depreciation of excess value**

-13 -66 - -2 -11 -5 -97

**Impairment 3)**

- - - - - -115 -115

**Dividends**

-368 -269 - -50 -37 -11 -736

**Currency translation effects**

- 2 9 36 - -13 30

**Items recorded in other comprehensive income**

60 16 -48 -6 -7 1 16

**Closing balance 31.12.**

5 691 3 577 1 080 871 -1 698 12 917

**Excess value 31.12.**

1 782 1 737 396 43 - 134 4 092

**Of which unamortised waterfall rights**

1 553 314 370 - - - 2 237

1) See note 5 for more information about the transactions.
2) Following an amendment to IAS 28, two former loans to the equity accounted investments Hidroelectrica La Higuera S.A and Hidroelectrica La Confluencia S.A were reassessed. The impact was a decrease in carrying value of other financial assets and an increase in carrying value of Equity accounted investments. See note 1.
3) Impairment in the Indian joint venture, Allain Duhangan Hydro Power Ltd, was recognised as Share of profit/loss in equity accounted investments in the profit and loss. See note 15.

### 2018

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Agder BKK AS</th>
<th>Fjordkraft Holding ASA 1)</th>
<th>Hidroelectrica La Energi AS</th>
<th>Wind UK Holding ASA</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance 01.01.</td>
<td>5 417</td>
<td>3 935</td>
<td>-</td>
<td>844</td>
<td>876</td>
<td>2 264</td>
</tr>
</tbody>
</table>

**Additions 1)**

108 - - 967 - - - 1 075

**Divestments 1)**

-250 - - -4 - - -1 066 -1 320

**Deconcolidation**

- - - - - -60 -60

**Share of profit/loss**

730 26 59 43 33 102 993

**Depreciation and impairment of excess value**

-62 -110 -25 - -2 -4 -203

**Capital increases**

- - - - - -111 111

**Dividends**

-258 -276 - - -24 -49 -607

**Currency translation effects**

-8 -4 - -53 3 -56 -88

**Items recorded in other comprehensive income**

-45 -97 4 -1 -6 -14 -131

**Closing balance 31.12.**

5 556 3 474 1 001 939 879 1 255 13 105

**Excess value 31.12.**

1 976 1 803 845 392 -44 148 5 208

**Of which unamortised waterfall rights**

1 711 314 - 370 - - 2 395

1) See note 5 for more information about the transactions.
2) Hidroelectrica La Higuera S.A was previously included in "Other".
DESCRIPTION OF THE ACTIVITIES IN SIGNIFICANT ASSOCIATES AND JOINT VENTURES

BKK AS has operations mainly in Western Norway, with its core activities being production, sale and transmission of electric power. BKK also develops, builds, owns and operates infrastructure for electrification, and offer customers fibre internet access and district heating.

Agder Energi AS has operations mainly in Southern Norway, with its core activities being production, trading and transmission of electric power, as well as other energy-related services.

Hidroelectrica La Higuera S.A has operations in Chile and contains the La Higuera hydropower plant.

Wind UK Invest Ltd. (WUKI) owns the land-based wind farms Altwalls, Baillie and Berry Burn in the UK.

Fjordkraft Holding ASA is a national electricity supplier in Norway, which serves private households and companies with electricity.

See note 35 for information regarding bank guarantees and parent company guarantees related to associates and joint arrangements.

FINANCIAL INFORMATION FOR SIGNIFICANT ASSOCIATED COMPANIES

The following table presents summarised financial information for significant associated companies. The figures apply to 100% of the companies’ operations in accordance with IFRS 12.

### 2019

<table>
<thead>
<tr>
<th>NOK million</th>
<th>BKK AS 1)</th>
<th>Agder Energi AS 1)</th>
<th>Hidroelectrica La Higuera S.A 1)</th>
<th>Wind UK Invest Ltd. 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>2 465</td>
<td>3 077</td>
<td>216</td>
<td>240</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>22 751</td>
<td>19 124</td>
<td>4 525</td>
<td>3 091</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>4 098</td>
<td>5 482</td>
<td>217</td>
<td>201</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>11 357</td>
<td>12 638</td>
<td>3 333</td>
<td>1 496</td>
</tr>
<tr>
<td>Gross operating revenues</td>
<td>5 439</td>
<td>13 532</td>
<td>632</td>
<td>374</td>
</tr>
<tr>
<td>Net profit</td>
<td>2 134</td>
<td>1 121</td>
<td>168</td>
<td>27</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>2 003</td>
<td>1 110</td>
<td>90</td>
<td>15</td>
</tr>
</tbody>
</table>

1) Figures are preliminary and unaudited.

### 2018

<table>
<thead>
<tr>
<th>NOK million</th>
<th>BKK AS 1)</th>
<th>Agder Energi AS 1)</th>
<th>Fjordkraft Holding ASA 1)</th>
<th>Hidroelectrica La Higuera S.A 1)</th>
<th>Wind UK Invest Ltd. 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>3 270</td>
<td>3 072</td>
<td>2 918</td>
<td>328</td>
<td>265</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>20 285</td>
<td>18 283</td>
<td>530</td>
<td>4 350</td>
<td>3 038</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>6 586</td>
<td>5 967</td>
<td>2 300</td>
<td>439</td>
<td>206</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>8 391</td>
<td>11 736</td>
<td>296</td>
<td>3 145</td>
<td>3 302</td>
</tr>
<tr>
<td>Gross operating revenues</td>
<td>5 155</td>
<td>13 980</td>
<td>6 721</td>
<td>631</td>
<td>428</td>
</tr>
<tr>
<td>Net profit</td>
<td>1 729</td>
<td>57</td>
<td>254</td>
<td>86</td>
<td>64</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>1 661</td>
<td>-158</td>
<td>255</td>
<td>84</td>
<td>52</td>
</tr>
</tbody>
</table>

1) Figures as shown in the Statkraft’s annual report 2018.

JOINT VENTURES, JOINT OPERATIONS AND ASSOCIATES

Shares in companies classified as joint ventures and associates are recognised using the equity method in the consolidated financial statements. Statkraft recognises its share of assets, liabilities, revenues and expenses of companies classified as joint operations on a line-by-line basis in the group financial statements.

<table>
<thead>
<tr>
<th>Name</th>
<th>Registered office</th>
<th>Ownership</th>
<th>Voting share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allain Duhangan Hydro Power Ltd.</td>
<td>New Delhi</td>
<td>43.12%</td>
<td>43.12%</td>
</tr>
<tr>
<td>Dugar Hydro Power Ltd</td>
<td>New Delhi</td>
<td>50.00%</td>
<td>50.00%</td>
</tr>
<tr>
<td>Hidroelectrica La Confluencia S.A</td>
<td>Santiago</td>
<td>50.00%</td>
<td>50.00%</td>
</tr>
<tr>
<td>Hidroelectrica La Higuera S.A</td>
<td>Santiago</td>
<td>50.00%</td>
<td>50.00%</td>
</tr>
<tr>
<td>KraftCERT AS</td>
<td>Baern</td>
<td>33.33%</td>
<td>33.33%</td>
</tr>
<tr>
<td>Malana Power Company Ltd.</td>
<td>New Delhi</td>
<td>49.00%</td>
<td>49.00%</td>
</tr>
<tr>
<td>Silva Green Fuel AS</td>
<td>Oslo</td>
<td>51.00%</td>
<td>51.00%</td>
</tr>
<tr>
<td>Silva Green Fuel DA</td>
<td>Oslo</td>
<td>51.00%</td>
<td>51.00%</td>
</tr>
<tr>
<td>Vattenkraftens Miljöfond Sverige AB</td>
<td>Stockholm</td>
<td>9.06%</td>
<td>9.06%</td>
</tr>
<tr>
<td>Windpark Kollweiler GmbH &amp; Co</td>
<td>Billerbeck</td>
<td>20.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td>Wind UK Invest Ltd.</td>
<td>London</td>
<td>51.00%</td>
<td>51.00%</td>
</tr>
<tr>
<td>Glencloosagh Energy Ltd</td>
<td>Cork</td>
<td>50.00%</td>
<td>50.00%</td>
</tr>
</tbody>
</table>
Note 26 continued

<table>
<thead>
<tr>
<th>Name</th>
<th>Registered office</th>
<th>Ownership</th>
<th>Voting share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>JOINT OPERATIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aktieselskabet Tyssefaldene 1)</td>
<td>Tyssedal</td>
<td>60.17%</td>
<td>60.17%</td>
</tr>
<tr>
<td>Fosen Vind DA</td>
<td>Oslo</td>
<td>52.10%</td>
<td>52.10%</td>
</tr>
<tr>
<td>Harsele AB</td>
<td>Stockholm</td>
<td>50.57%</td>
<td>50.57%</td>
</tr>
<tr>
<td>Kraftwerksgesellschaft Herdecke, GmbH &amp; Co. KG</td>
<td>Hagen</td>
<td>50.00%</td>
<td>50.00%</td>
</tr>
<tr>
<td>Sira-Kvina Kraftselskap DA</td>
<td>Sirdal</td>
<td>46.70%</td>
<td>46.70%</td>
</tr>
<tr>
<td>Grytten</td>
<td>Rauma</td>
<td>88.00%</td>
<td>88.00%</td>
</tr>
<tr>
<td>Gåddede</td>
<td>Stockholm</td>
<td>70.00%</td>
<td>70.00%</td>
</tr>
<tr>
<td>Kobbelv</td>
<td>Sarfold</td>
<td>82.50%</td>
<td>82.50%</td>
</tr>
<tr>
<td>Kraftverkene i Orkla</td>
<td>Rennebu</td>
<td>48.60%</td>
<td>48.60%</td>
</tr>
<tr>
<td>Sima</td>
<td>Eidjord</td>
<td>65.00%</td>
<td>65.00%</td>
</tr>
<tr>
<td>Solbergfoss 2)</td>
<td>Askim</td>
<td>33.33%</td>
<td>33.33%</td>
</tr>
<tr>
<td>Stegaros</td>
<td>Tinn</td>
<td>50.00%</td>
<td>50.00%</td>
</tr>
<tr>
<td>Svaritsen</td>
<td>Melay</td>
<td>70.00%</td>
<td>70.00%</td>
</tr>
<tr>
<td>Svorka</td>
<td>Surnadal</td>
<td>50.00%</td>
<td>50.00%</td>
</tr>
<tr>
<td>Vikfall</td>
<td>Vik</td>
<td>88.00%</td>
<td>88.00%</td>
</tr>
<tr>
<td>Volgjólfors</td>
<td>Stockholm</td>
<td>73.10%</td>
<td>73.10%</td>
</tr>
<tr>
<td>Utla-Farre</td>
<td>Suldal</td>
<td>73.48%</td>
<td>73.48%</td>
</tr>
<tr>
<td><strong>ASSOCIATES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agder Energi AS</td>
<td>Kristiansand</td>
<td>45.50%</td>
<td>45.50%</td>
</tr>
<tr>
<td>BKK AS</td>
<td>Bergen</td>
<td>43.44%</td>
<td>43.44%</td>
</tr>
<tr>
<td>Nape Kraftverk AS</td>
<td>Grimstad</td>
<td>49.00%</td>
<td>49.00%</td>
</tr>
<tr>
<td>Passos Maia Energética S.A.</td>
<td>Caçador City</td>
<td>50.00%</td>
<td>50.00%</td>
</tr>
<tr>
<td>Laugstol AS</td>
<td>Porsgrunn</td>
<td>33.40%</td>
<td>33.40%</td>
</tr>
<tr>
<td>Rædal-Suldal Kraft AS 3)</td>
<td>Suldal</td>
<td>4.79%</td>
<td>4.79%</td>
</tr>
<tr>
<td>Air Liquide Skagerak AS</td>
<td>Porsgrunn</td>
<td>49.00%</td>
<td>49.00%</td>
</tr>
<tr>
<td>Aursjøvegen AS</td>
<td>Sunndalsara</td>
<td>17.00%</td>
<td>17.00%</td>
</tr>
</tbody>
</table>

1) Statkraft controls 71.4% of the production from the Tysso II power plant.
2) Statkraft owns 33.3% of Solbergfoss, but controls 35.6% of the production.
3) Statkraft owns 8.74% of the shares in Røldal-Suldal Kraft AS, which in turn owns 54.79% of the Røldal-Suldal plants. Statkraft’s indirect shareholding in the power plant is thus 4.79%.

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

Note 27 Other non-current financial assets

SIGNIFICANT ACCOUNTING POLICIES

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

The implementation of this amendment had limited impact on the presentation in Statkraft’s statement of profit and loss and statement of equity. See note 26.

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans to equity accounted investments</td>
<td>1 463</td>
<td>2 244</td>
</tr>
<tr>
<td>Bonds and other long-term receivables</td>
<td>770</td>
<td>932</td>
</tr>
<tr>
<td>Net pension assets</td>
<td>886</td>
<td>494</td>
</tr>
<tr>
<td>Other shares and securities</td>
<td>478</td>
<td>316</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3 597</strong></td>
<td><strong>3 986</strong></td>
</tr>
</tbody>
</table>
Note 28 Inventories

GENERAL INFORMATION

Statkraft’s inventories are mainly related to environmental certificates, such as green certificates in the Nordics, Renewable Obligation Certificates (ROCs) in the UK and European Union Allowances (EUAs). Green certificates and ROCs are obtained from trading, origination and market access activities and in addition from own generating assets that are eligible for receiving these government grants.

The most significant part of the environmental certificate inventories is related to trading, origination and market access activities.

In addition to the environmental certificates Statkraft also has some inventories which are directly related to the tangible assets, whereof spare parts are the most significant part.

SIGNIFICANT ACCOUNTING POLICIES

Statkraft holds environmental certificates both for own-use and for trading.

Inventories measured at fair value less costs to sell

Purchased environmental certificates classified as inventory when they are received, and measured at fair value less costs to sell. Changes in fair value of inventories related to trading activities are presented as Gains/losses from market activities in the profit and loss statement. Certificates held for trading are acquired with the purpose of taking advantage of short-term fluctuations in the market. Such certificates are measured at fair value less cost to sell and consist mainly of ROCs received through power purchase agreements with wind power producers in UK.

Inventories measured at the lower of cost price and net realisable value

Environmental certificates held for own-use include EUAs and GoOs (guarantees of origin). EUAs held for own use is related to the generation of gas-fired power in Germany. GoOs are related to the generation of power, mainly from generation of hydropower in the Nordics. These GoOs are recognised with a cost price of zero.

Other inventory is directly related to the tangible assets and is recognised at the lowest of cost price and net realisable amount.

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognised value</td>
<td>Cost price</td>
</tr>
<tr>
<td>Environmental certificates</td>
<td>3 817</td>
</tr>
<tr>
<td>Total</td>
<td>3 817</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOK million</td>
<td></td>
</tr>
<tr>
<td>Environmental certificates</td>
<td>391</td>
</tr>
<tr>
<td>Spare parts</td>
<td>176</td>
</tr>
<tr>
<td>Other</td>
<td>85</td>
</tr>
<tr>
<td>Total</td>
<td>652</td>
</tr>
</tbody>
</table>

Total | 4,468 | 6,316 |
Note 29 Receivables

<table>
<thead>
<tr>
<th>Receivables overdue by</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NOK million</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>8 024</td>
<td>7 439</td>
</tr>
<tr>
<td>Loans to equity accounted investments (1)\</td>
<td>55</td>
<td>75</td>
</tr>
<tr>
<td>Prepaid tax</td>
<td>89</td>
<td>107</td>
</tr>
<tr>
<td>Cash collateral and margin calls</td>
<td>3 035</td>
<td>3 351</td>
</tr>
<tr>
<td>Other receivables</td>
<td>2 145</td>
<td>1 859</td>
</tr>
<tr>
<td>Total</td>
<td>13 348</td>
<td>12 831</td>
</tr>
</tbody>
</table>

\(1)\ Mainly related to trading activities and Nordic hydropower generation. See note 9.

Maturity analysis of receivables

<table>
<thead>
<tr>
<th>Receivables overdue by</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not yet due</td>
<td>90 days</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>7 186</td>
<td>799</td>
</tr>
<tr>
<td>Other receivables</td>
<td>5 159</td>
<td>45</td>
</tr>
<tr>
<td>Total</td>
<td>12 345</td>
<td>844</td>
</tr>
</tbody>
</table>

Recognised as loss for the year

<table>
<thead>
<tr>
<th>Receivables overdue by</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

-34

Note 30 Cash and cash equivalents

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents includes commercial papers and other interest-bearing securities which normally are due within a period of three months. The item also includes restricted cash. Classification of cash deposit to cover margin calls related to trading activities depends on the characteristics of the exchange clearing service. If the service provider is neither a financial institution, nor part of Statkraft’s daily cash management and holds no bank accounts in the name of Statkraft, the cash deposit is classified as other receivables.

Market settlements for derivatives connected with financial activities (cash collateral) are recognised in the statement of financial position as either receivables or liabilities. Bank deposits, cash and similar from joint operations are also presented under this line item.

The table below shows transactions with related parties classified as associates or joint ventures.

<table>
<thead>
<tr>
<th>Receivables</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOK million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash deposits (1)\</td>
<td>11 496</td>
<td>15 295</td>
</tr>
<tr>
<td>Commercial papers and other interest-bearing securities</td>
<td>3 707</td>
<td>7 880</td>
</tr>
<tr>
<td>Total</td>
<td>15 203</td>
<td>23 175</td>
</tr>
</tbody>
</table>

\(1)\ Includes NOK 328 million and NOK 357 million respectively in 2019 and 2018 from companies reported as joint operations.

Book value of cash and cash equivalents pledged as security to counterparties (restricted cash)

<table>
<thead>
<tr>
<th>Receivables</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOK million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposit account related to power sales on energy exchanges</td>
<td>30</td>
<td>54</td>
</tr>
<tr>
<td>Other restricted cash</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>61</td>
</tr>
</tbody>
</table>
Note 31 Provisions

SIGNIFICANT ACCOUNTING POLICIES

Provisions, contingent assets and contingent liabilities Provisions are only recognised when there is an existing obligation as a result of a past event, and when it is more than 50% probable that an obligation has arisen. It must also be possible to reliably measure the provision. Provisions are recognised with an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. If the probability is lower than 50%, the conditions will be stated in note 35, if significant.

Onerous contracts Obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Concessionary power Each year, concessionary sales are made to local authorities at statutory prices stipulated by the Norwegian Parliament. The supply of concessionary power is recognised as revenues on an ongoing basis in accordance with the established concessionary price. In the case of certain concessionary power contracts, agreements have been made regarding financial settlement in which Statkraft is invoiced for the difference between the spot price and the concessionary price. Such concessionary contracts are not included in the financial statements. The capitalised value of future concessionary power obligations is estimated and disclosed in note 35.

Decommissioning Provisions related to decommissioning typically arise when Statkraft has the right to time-limited concessions.

Reconciliation of movements during the period

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying value 01.01.</td>
<td>3 189</td>
<td>3 492</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>208</td>
<td>278</td>
</tr>
<tr>
<td>Additions due to company acquisitions</td>
<td>127</td>
<td>80</td>
</tr>
<tr>
<td>Provisions used/reversed during the year</td>
<td>-505</td>
<td>-485</td>
</tr>
<tr>
<td>Reclassifications</td>
<td></td>
<td>-123</td>
</tr>
<tr>
<td>Other movements</td>
<td>32</td>
<td>6</td>
</tr>
<tr>
<td>Currency translation effects</td>
<td>-17</td>
<td>-60</td>
</tr>
<tr>
<td>Carrying value 31.12</td>
<td>3 033</td>
<td>3 189</td>
</tr>
</tbody>
</table>

1) Mainly related to annual compensations and free power, long-term power agreements and equity instruments.
2) Mainly related to gas-fired power plants and wind farms.
### Note 32  Interest-bearing liabilities

#### Interest-bearing liabilities, current

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>First year’s instalment on non-current debt</td>
<td>2,575</td>
<td>4,440</td>
</tr>
<tr>
<td>Cash collateral</td>
<td>1,383</td>
<td>1,510</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>217</td>
<td>-</td>
</tr>
<tr>
<td>Debt to Statkraft SF</td>
<td>179</td>
<td>218</td>
</tr>
<tr>
<td>Other short-term debt</td>
<td>125</td>
<td>179</td>
</tr>
<tr>
<td>Total</td>
<td>4,479</td>
<td>6,346</td>
</tr>
</tbody>
</table>

#### Interest-bearing liabilities, non-current

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds issued in the Norwegian market</td>
<td>3,050</td>
<td>6,050</td>
</tr>
<tr>
<td>Debt issued in non-Norwegian markets</td>
<td>21,603</td>
<td>21,770</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>1,457</td>
<td>-</td>
</tr>
<tr>
<td>External debt in subsidiaries and other debt</td>
<td>2,051</td>
<td>2,535</td>
</tr>
<tr>
<td>Total</td>
<td>28,160</td>
<td>30,354</td>
</tr>
</tbody>
</table>

Total interest-bearing liabilities

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from interest-bearing liabilities and derivatives allocated to the debt portfolio</td>
<td>32,639</td>
<td>36,700</td>
</tr>
</tbody>
</table>

1) In 2019, the derivatives included in the opening balance amounted to NOK -706 million. In 2018 the corresponding amount was NOK -112.

2) In 2019, the derivatives included in the closing balance amounted to NOK -963 million. In 2018 the corresponding amount was NOK -706.

### Note 33  Other interest-free liabilities

#### Other interest-free liabilities

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>1,593</td>
<td>1,115</td>
</tr>
<tr>
<td>Indirect taxes payable</td>
<td>1,124</td>
<td>1,108</td>
</tr>
<tr>
<td>Accrued interest-free liabilities</td>
<td>5,812</td>
<td>5,658</td>
</tr>
<tr>
<td>Accrued interest related to long-term debt</td>
<td>256</td>
<td>433</td>
</tr>
<tr>
<td>Other</td>
<td>1,263</td>
<td>1,931</td>
</tr>
<tr>
<td>Total</td>
<td>10,049</td>
<td>10,245</td>
</tr>
</tbody>
</table>

1) Mainly related to trading activities, external power producers (market access activities) and subcontractors in construction projects.
Note 34  Disputes, contingencies and uncertain tax positions

DISPUTES AND CONTINGENCIES

The Group is involved in a number of legal proceedings in various forms. Whilst acknowledging the uncertainties of litigation, the Group is of the opinion that based on the information currently available, these matters will be resolved without any adverse material effect, individually or collectively on the Group's financial position. For legal disputes, in which the Group assesses it to be probable that an economic outflow will be required to settle the obligation, provisions have been made based on management’s best estimate. For significant cases with uncertainty, see details below.

Brazil

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

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.

UNCERTAIN TAX POSITIONS

The Group is subject to income taxes in several jurisdictions. There is uncertainty related to the final tax liability for many transactions and calculations. A dispute or examination of a particular tax treatment by taxation authorities may affect the accounting for current or deferred taxes. When assessing the recognition of uncertain tax assets or liabilities, it is considered if the asset or liability is probable. If the final outcome of the tax disputes deviates from the amounts recognised in the balance sheet, the deviations will impact the income tax expense in the income statement for the applicable period.

The Group’s recognised taxes payable as of 31.12.2019 included NOK 890 million relating to management estimate of uncertain tax treatments in Norway and Germany. The amounts represent the most likely amounts due to expecting binary outcome of final tax treatment. No uncertain tax asset has been recognised in the balance sheet.

The Group’s estimate of accumulated uncertain tax treatments being expensed and paid as of 31.12.2019 amounted to NOK 371 million.

The Group estimated that the potential tax payable including associated interests related to unrecognised uncertain tax treatments as of 31.12.2019 amounted to NOK 3.2 billion. Of this, NOK 2.5 billion NOK is related to Statkraft Treasury Centre SA. See details below.

Statkraft Treasury Centre SA

On 9 October 2017, Statkraft AS received a draft decision of a tax reassessment from the Norwegian tax authorities. On 11 September 2019, Statkraft AS received a revised draft. The revised draft decision regards the income tax returns for the fiscal years 2010-2014 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 2010-2017 is estimated to NOK 2.5 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.
Note 35 Pledges, guarantees and obligations

PLEDGES

Under certain circumstances local authorities and publicly owned energy companies are entitled to a share of the output from power plants belonging to Statkraft in return for paying a share of the construction costs. To finance the acquisition of such rights, the local authorities/companies have been granted permission to pledge the power plant as security. The mortgage debt raised by the local authorities under this scheme totals NOK 255 million.

In addition, other subsidiaries have a total of NOK 1401 million in pledged debt. As of 31 December 2019, the carrying value of the pledged assets in Statkraft Energi AS totalled NOK 850 million, and a total of NOK 3558 million in other subsidiaries, mainly in the Statkraft IH Invest Group. Pledged assets in Statkraft IH Invest Group consist of property, plant and equipment to ensure compliance of long-term debt.

GUARANTEES

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

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent company guarantees on behalf of subsidiaries 1)</td>
<td>17 470</td>
<td>16 790</td>
</tr>
<tr>
<td>Parent company guarantees on behalf of associates and joint arrangements</td>
<td>828</td>
<td>451</td>
</tr>
<tr>
<td>Other</td>
<td>801</td>
<td>876</td>
</tr>
<tr>
<td>Total guarantees in Statkraft AS</td>
<td>19 099</td>
<td>18 116</td>
</tr>
</tbody>
</table>

1) Whereof the most material guarantees are regarding energy purchase of NOK 16 094 million and liabilities to suppliers of NOK 1 675 million.

Guarantees issued by subsidiaries 3 614 2 710
Guarantees issued by associates and joint arrangements 194 158
Total guarantees in subsidiaries, associates and joint arrangements 3 808 2 868

Total guarantees 22 907 20 986

CONTRACT OBLIGATIONS

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

- Statkraft is obliged to pay licence fees related to hydropower plants, mainly in Norway. The present value of the Group’s future licence fee obligations, not recognised in the statement of financial position, is estimated to NOK 12 696 million. The estimated amount is based on a regulated discount rate of 3.2%, annual compensation and funds etc. In 2018, the corresponding amount was NOK 9560 million with a discount rate of 3.8%.
- A power purchase agreement with an estimated 16-year horizon. The purchase obligation is NOK 1425 million.
- Obligation regarding service agreements related to gas-fired power plants of NOK 575 million.
- A licence agreement relating to the development, construction and operation of one hydropower plant which involves a responsibility estimated to NOK 294 million.

CONCESSIONARY POWER CONTRACTS

The Group recognises concessionary power as normal buying and selling in accordance with stipulated concessionary power prices upon delivery, regardless of whether the settlement takes place upon physical delivery or financial settlement. Concessionary power contracts are normally regarded as indefinite. The parties can however agree on financial settlement for a period of time.

At the end of 2019, the contracts with financial settlement had a total volume of around 18.7 GWh and an average price from the Ministry of Petroleum and Energy of 11.3 øre/kWh. For the remaining contracts with financial settlement, the estimated fair value at 31 December 2019 was NOK 289 million.
### Note 36  Fees paid to external auditors

Deloitte AS is the Statkraft Group’s auditor and audits all subsidiaries subject to auditing requirements.

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

<table>
<thead>
<tr>
<th>Service</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory auditing</td>
<td>16,942</td>
<td>13,992</td>
</tr>
<tr>
<td>Other attestation services</td>
<td>1,041</td>
<td>809</td>
</tr>
<tr>
<td>Tax consultancy services</td>
<td>907</td>
<td>1,302</td>
</tr>
<tr>
<td>Other services (^1)</td>
<td>536</td>
<td>6,181</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19,426</strong></td>
<td><strong>22,284</strong></td>
</tr>
</tbody>
</table>

\(^1\) The main items in fees for other services in 2019 relate to attestation of the sustainability report. The corresponding figure for 2018 relates to assistance in a due diligence process and the attestation of the sustainability report.
Note 37 Benefits paid to executive management and the Board of Directors

Statkraft is organised into business units and support functions. The managers of these units report to the Group management, which comprises the executive vice presidents (EVPs) and the President and CEO.

Salary and other benefits – executive management

2019

<table>
<thead>
<tr>
<th>NOK</th>
<th>Salary</th>
<th>Bonus</th>
<th>Benefits in kind</th>
<th>Salaries and other benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christian Rynning-Tønnesen, President and CEO</td>
<td>5 490 637</td>
<td>921 000</td>
<td>201 883</td>
<td>6 613 520</td>
</tr>
<tr>
<td>Anne Harris, Executive Vice President and CFO</td>
<td>1 769 563</td>
<td>586 000</td>
<td>141 737</td>
<td>2 497 300</td>
</tr>
<tr>
<td>Hallvard Granheim, Executive Vice President</td>
<td>3 603 927</td>
<td>650 000</td>
<td>209 901</td>
<td>4 463 828</td>
</tr>
<tr>
<td>Steinar Bysveen, Executive Vice President</td>
<td>2 879 584</td>
<td>453 000</td>
<td>208 686</td>
<td>3 541 270</td>
</tr>
<tr>
<td>Hilde Bakken, Executive Vice President</td>
<td>2 958 516</td>
<td>615 000</td>
<td>213 169</td>
<td>3 786 685</td>
</tr>
<tr>
<td>Jürgen Tzschoppe, Executive Vice President</td>
<td>3 686 725</td>
<td>589 000</td>
<td>161 534</td>
<td>4 437 260</td>
</tr>
<tr>
<td>Jon Vatnaland, Executive Vice President</td>
<td>2 610 410</td>
<td>533 000</td>
<td>209 193</td>
<td>3 352 603</td>
</tr>
</tbody>
</table>

1) Bonus earned in 2019, but disbursed in 2020.
2) Anne Harris was appointed Executive Vice President on 2 May 2019.

2018

<table>
<thead>
<tr>
<th>NOK</th>
<th>Salary</th>
<th>Bonus</th>
<th>Benefits in kind</th>
<th>Salaries and other benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christian Rynning-Tønnesen, President and CEO</td>
<td>5 288 570</td>
<td>664 000</td>
<td>196 054</td>
<td>6 148 623</td>
</tr>
<tr>
<td>Irene Egset, Executive Vice President and CFO</td>
<td>2 569 843</td>
<td>-</td>
<td>198 239</td>
<td>2 768 082</td>
</tr>
<tr>
<td>Hallvard Granheim, Executive Vice President</td>
<td>3 318 523</td>
<td>442 000</td>
<td>199 592</td>
<td>3 960 115</td>
</tr>
<tr>
<td>Steinar Bysveen, Executive Vice President</td>
<td>2 812 461</td>
<td>445 000</td>
<td>208 940</td>
<td>3 466 401</td>
</tr>
<tr>
<td>Hilde Bakken, Executive Vice President</td>
<td>2 788 684</td>
<td>432 000</td>
<td>206 193</td>
<td>3 426 877</td>
</tr>
<tr>
<td>Jürgen Tzschoppe, Executive Vice President</td>
<td>3 553 969</td>
<td>473 000</td>
<td>159 992</td>
<td>4 186 961</td>
</tr>
<tr>
<td>Jon Vatnaland, Executive Vice President</td>
<td>2 332 114</td>
<td>429 000</td>
<td>199 025</td>
<td>2 960 139</td>
</tr>
</tbody>
</table>

1) Bonus earned in 2018, but disbursed in 2019.
2) Irene Egset resigned from her position as Executive Vice President and CFO on 31 December 2018.

The Group management has not received any compensation or financial benefits from other companies in the same Group other than those shown above. No additional compensation for special services beyond normal managerial functions has been provided, nor have any loans or surety been granted.

For 2019, total salaries and other benefits paid to the executive management amounted to NOK 28 692 467. The corresponding amount in 2018 was NOK 28 917 198.

Pension costs – executive management

<table>
<thead>
<tr>
<th>NOK</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christian Rynning-Tønnesen, President and CEO</td>
<td>2 217 459</td>
<td>2 496 232</td>
</tr>
<tr>
<td>Irene Egset, Executive Vice President and CFO</td>
<td>-</td>
<td>1 394 708</td>
</tr>
<tr>
<td>Anne Harris, Executive Vice President and CFO</td>
<td>97 228</td>
<td>-</td>
</tr>
<tr>
<td>Hallvard Granheim, Executive Vice President</td>
<td>289 451</td>
<td>289 049</td>
</tr>
<tr>
<td>Steinar Bysveen, Executive Vice President</td>
<td>1 180 345</td>
<td>1 203 229</td>
</tr>
<tr>
<td>Hilde Bakken, Executive Vice President</td>
<td>1 355 548</td>
<td>1 474 632</td>
</tr>
<tr>
<td>Jürgen Tzschoppe, Executive Vice President</td>
<td>144 545</td>
<td>140 832</td>
</tr>
<tr>
<td>Jon Vatnaland, Executive Vice President</td>
<td>1 001 963</td>
<td>948 879</td>
</tr>
</tbody>
</table>

1) Irene Egset resigned from her position as Executive Vice President and CFO on 31 December 2018.
2) Anne Harris was appointed Executive Vice President on 2 May 2019.

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

For 2019, the total pension costs for executive management were NOK 6 286 539. In 2018 the corresponding amount was NOK 7 946 561.
Remuneration to the Board, Audit Committee and Compensation Committee as well as participation in Board meetings

2019

<table>
<thead>
<tr>
<th>NOK</th>
<th>Board remuneration</th>
<th>Audit Committee</th>
<th>Compensation Committee</th>
<th>Participation in board meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thorhild Widvey, chair</td>
<td>524 000</td>
<td>-</td>
<td>54 200</td>
<td>10</td>
</tr>
<tr>
<td>Peter Mellbye, deputy chair</td>
<td>370 000</td>
<td>-</td>
<td>33 550</td>
<td>9</td>
</tr>
<tr>
<td>Hilde Dranen, director</td>
<td>304 000</td>
<td>101 400</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Mikael Lundin, director</td>
<td>304 000</td>
<td>73 400</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Ingelise Arntsen, director</td>
<td>304 000</td>
<td>73 400</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Bengt Ekenstierna, director</td>
<td>304 000</td>
<td>-</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Vilde Eriksen Bjerknes, employee-elected director</td>
<td>304 000</td>
<td>-</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Thorbjørn Hølas, employee-elected director</td>
<td>304 000</td>
<td>73 400</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Asbjørn Sevlejordet, employee-elected director</td>
<td>304 000</td>
<td>-</td>
<td>33 550</td>
<td>10</td>
</tr>
</tbody>
</table>

2018

<table>
<thead>
<tr>
<th>NOK</th>
<th>Board remuneration</th>
<th>Audit Committee</th>
<th>Compensation Committee</th>
<th>Participation in board meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thorhild Widvey, chair</td>
<td>501 000</td>
<td>-</td>
<td>51 650</td>
<td>9</td>
</tr>
<tr>
<td>Peter Mellbye, deputy chair</td>
<td>323 000</td>
<td>-</td>
<td>32 050</td>
<td>9</td>
</tr>
<tr>
<td>Hilde Dranen, director</td>
<td>290 500</td>
<td>83 700</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Mikael Lundin, director 1)</td>
<td>150 000</td>
<td>36 150</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>Halvor Stenstadvold, director 2)</td>
<td>170 500</td>
<td>46 650</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Ingelise Arntsen, director</td>
<td>290 500</td>
<td>69 950</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Bengt Ekenstierna, director</td>
<td>290 500</td>
<td>-</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Vilde Eriksen Bjerknes, employee-elected director</td>
<td>290 500</td>
<td>-</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Thorbjørn Hølas, employee-elected director</td>
<td>290 500</td>
<td>69 950</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Asbjørn Sevlejordet, employee-elected director</td>
<td>290 500</td>
<td>-</td>
<td>32 050</td>
<td>9</td>
</tr>
</tbody>
</table>

1) Was appointed board member in June 2018.
2) Left the Board in June 2018.

The Board has no remuneration agreements other than the directors’ fee and remuneration for participation in committee work, nor have any loans or surety been granted to directors of the Board. Total remuneration paid to the Board, Audit Committee and Compensation Committee in 2019 was NOK 3 022 000, NOK 321 600 and NOK 121 300, respectively. The respective amounts in 2018 were NOK 2 887 500, NOK 306 400 and NOK 115 750.

THE BOARD’S STATEMENT REGARDING SALARIES AND OTHER REMUNERATIONS TO SENIOR EXECUTIVES – 2019

The board of Statkraft will contribute to a moderate, but competitive development of executive pay in Statkraft. The principles and guidelines for executive salary and other remunerations are formed accordingly. There were no significant policy changes with regard to salaries and other remunerations in 2019.

Statkraft AS and fully owned subsidiaries follows the Ministry of Trade, Industry and Fisheries’s guidance for salary and other benefits to corporate management in state owned companies.

Statkraft’s policy is to offer competitive terms, but not take a leading position. Upon deciding salaries and other remunerations in Statkraft, an external position assessment system delivered by Korn Ferry Hay Group that ranks positions according to a recognized and widely used methodology is utilised. This company conducts an annual survey, evaluating how similarly ranked positions in the Norwegian labour market are compensated. The survey contains compensation data from a wide range of Norwegian companies representing the Norwegian total market and is not limited to single sectors.

This information, together with the general salary development in Statkraft, forms the basis for determining compensation.

Organisation

The board of Statkraft has established a separate Compensation Committee. The mandate of the committee is as follows:

- Once a year prepare the board’s treatment of items relating to the CEO’s salary and conditions of employment.
- Prepare the board’s statement on executive pay and other compensation paid to senior executives.
- Prepare the Board’s treatment of all the fundamental issues relating to salary, bonus systems, pension and employment agreements and similar for the executive management in Statkraft.
- Deal with specific issues related to compensation for employees in the Statkraft Group to the extent that the Committee deems that these concern matters of particular importance for the Group’s reputation, competitiveness and attractiveness as an employer.
- The CEO shall consult the Compensation Committee regarding the salaries for the corporate executives and head of Corporate Audit before they are decided upon.
- The CEO shall consult the Compensation Committee regarding the salaries for the corporate executives and head of Corporate Audit before they are decided upon.
- Once a year prepare the board’s treatment of items relating to the CEO’s salary and conditions of employment.
- Prepare the board’s statement on executive pay and other compensation paid to senior executives.
- Prepare the Board’s treatment of all the fundamental issues relating to salary, bonus systems, pension and employment agreements and similar for the executive management in Statkraft.
- Deal with specific issues related to compensation for employees in the Statkraft Group to the extent that the Committee deems that these concern matters of particular importance for the Group’s reputation, competitiveness and attractiveness as an employer.
- The CEO shall consult the Compensation Committee regarding the salaries for the corporate executives and head of Corporate Audit before they are decided upon.

Report on executive remuneration policy

The CEO and corporate executives receive both a fixed salary and a variable payment.

Fixed salary

The fixed salary is determined based on an assessment of the specific position and the market – as well as an assessment against Statkraft’s policy of offering competitive terms, but not take a leading position. Statkraft apply the Korn Ferry Hay Group methodology for position and market evaluations. When deciding the annual salary regulation, the average salary increases of other employees are also considered.

Variable salary

Base salary is the primary compensation element in Statkraft. In addition, the company has a variable remuneration scheme for the senior executives based on key performance indicators and individual goals. The purpose is to drive operational performance and manage risks to achieve the objectives in the strategy.
Note 37 continued

Statkraft has established a performance management process to ensure clear relationship between the Group’s overall Strategic platform and defined targets. Performance is reported and followed up through key performance indicators (KPIs) in the Group scorecard. The key performance indicators are based on the most relevant value drivers and strategic ambitions for the group. The targets are set to ensure value creation.

The variable remuneration scheme for Statkraft’s senior executives is developed to support the performance management process, establishing a clear link between value-creating activities and individual variable remuneration.

Below is a description of relevant categories of KPIs included in the variable remuneration scheme. The measurement is weighted on the individual’s area of responsibility:

i) Care for people and environment
   - Within this category Statkraft monitors that required legal, environmental, social and ethical standards in the industry are followed. A main focus is on health, safety and security risks for employees and reduction of negative environmental impact. Common health and safety targets are included for all members of executive management.

ii) Financial indicators
   - Statkraft’s financial performance from market activities is measured through profitability KPIs, where Statkraft’s added value from energy management and other market activities are measured against the market. The main focus is to enhance value creation for Statkraft, measured by different KPIs with stretch targets.

iii) Operational indicators
   - There are several KPIs to follow up operational performance. Statkraft measures the utility-adjusted availability of the power plants, i.e. the availability in times where Statkraft benefits from available plants. Moreover Statkraft follows up costs by measuring the development of the cost base. Also for these indicators, the main focus is on enhanced value creation for Statkraft, measured by different KPIs with stretch targets.

For the CEO and corporate management, the variable remuneration has a maximum potential of 25 per cent of gross base salary. Calculation of variable remuneration is based on level of goal achievement ranging from 0 to 100% for specific, defined sub targets.

Sub targets are defined at three levels:
- Expected level: results in range with goal achievements on this level reflect expected delivery and is not rewarded with variable pay.
- Stretch goals: defined results above expected delivery level that represent 50% goal achievement.
- Outstanding: defined results high above expected delivery level that represent 100% goal achievement.

For the CEO and corporate management, targets are defined for strategic objectives as well as financial and operational performance. The CEO’s variable pay is fully based on these targets while the variable pay for the executive vice presidents has a combined weighting of 70% of these targets and a 30% weighting of individual targets on leadership and organisational development. Assessment of variable remuneration level for the executive vice presidents is conducted in consultation with the compensation committee of the Statkraft board. The assessment of variable remuneration level for the CEO is conducted by the compensation committee and decided by the board.

Main targets for 2019 encompassed the areas security (TRI), total measurable cost per kWh, market adjusted availability for all power production, market operations, specific targets for hydro power, international power and European wind and solar, as well as business development and other organizational targets. All targets were supported by comprehensive plans and measures.

Other variable elements
Other variable elements include arrangements with a company car, newspapers, phone and coverage of broadband communication in accordance with established standards.

Pension plans
For wholly owned Norwegian subsidiaries, Statkraft has established a defined contribution plan in Gjensidige Pensjonsforsikring AS and has a closed defined benefit plan in the Government Pension Fund (SPK).

The CEO, Christian Rynning-Tønnesen, has a retirement age of 67 years, and will receive a pension of 68% of his annual salary, provided that he has been part of SPK during the entire 30-year vesting period. The other corporate executives have a retirement age of 65 years at the earliest, with the right to 66% of their annual salary, provided that they have been part of SPK during the entire 30-year vesting period.

Statkraft established a pension scheme funded out of current income for income above 12G in 2003. The scheme included all employees with an annual salary over 12G, including the CEO and corporate executives. This scheme was closed to new employees in 2012. There is no established new retirement pension scheme for annual salary over 12G, but an additional salary system has been established that can be used for supplementary private pension savings. Additional salary is set at 18% of ordinary salary over 12G. Group disability coverage relating to salaries over 12G has also been established.

Employees with a salary above 12 G and date of hire prior to April 30 2012 kept their pension agreements in the closed pension scheme. This practice was also applied for internal promotions to corporate management. Members of the closed scheme for income above 12G included in 2018 the CEO and four members of corporate management. Statkraft will for future internal promotions assume that the 12G restraint for pension schemes shall be made applicable for new members of corporate management regardless of hire date in the company.

Position change agreements
The CEO and one member of corporate management have agreements regarding change of position after the age of 62. These are agreements where, at any time after the employee has reached 62 years of age, the executive or the company has a mutual right to request to resign, or be requested to resign, from his executive position without further justification. If any of the parties exercise this right, the executive should be offered another position with a salary of 75% of the executive’s pay – and working hours of up to 50% until the agreed-upon retirement age. The policy regarding executive remuneration has been amended and the arrangement is closed to new employees.

Severance arrangements
The mutual period of notice for the CEO is 6 months. For corporate executives, there is a mutual notice period of 3 months. After more than 2 years of employment, the employer’s period of notice is 6 months.

For the CEO, and two members of corporate management, agreements have been signed guaranteeing a special severance pay from the employer if notice is given by the employer with a shorter deadline than mentioned above. The agreement waives the employee’s rights in the Work Environment Act (Arbeidsmiljøloven) for protection against dismissal. If the employer uses this right of termination, the employee is entitled to a severance payment of up to 12 months’ salary in excess of agreed notice period. The amount shall be paid monthly.

Severance pay shall be reduced according to established rules if the employee receives other income within the payment period. These agreements are entered into in accordance with the guidelines for the employment conditions of managers in state owned enterprises and companies of 28 June 2004. The policy regarding executive remuneration has been changed, and the arrangement is closed to new employees.

Terms for the CEO
Fixed salary paid to the CEO for 2020 is NOK 5 500 000, with other terms as set out in this statement.
Note 38  Related parties

GENERAL INFORMATION

All subsidiaries, associates and joint arrangements stated in note 26 and note 39 are related parties of Statkraft. Intercompany balances and transactions between consolidated companies are eliminated in Statkraft’s consolidated financial statements and are not presented in this note.

The individuals stated in note 37 are members of the executive management or the Board of Directors and are also related parties of Statkraft.

The table below shows transactions with related parties classified as associates or joint ventures.

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>136</td>
<td>92</td>
</tr>
<tr>
<td>Expenses</td>
<td>184</td>
<td>314</td>
</tr>
<tr>
<td>Receivables at the end of the period</td>
<td>1,576</td>
<td>2,394</td>
</tr>
<tr>
<td>Liabilities at the end of the period</td>
<td>10</td>
<td>34</td>
</tr>
</tbody>
</table>

Significant transactions with the owner and companies controlled by the owner

The shares in Statkraft AS are all owned by Statkraft SF, which is a company wholly owned by the Norwegian State.

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross operating revenues and other income includes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concessionary sales at statutory prices</td>
<td>397</td>
<td>378</td>
</tr>
<tr>
<td>Net operating revenues and other income includes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy purchases from Equinor</td>
<td>1,178</td>
<td>390</td>
</tr>
<tr>
<td>Transmission costs to Statnett</td>
<td>1,385</td>
<td>1,498</td>
</tr>
<tr>
<td>Operating expenses includes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property tax and licence fees to Norwegian authorities</td>
<td>977</td>
<td>1,052</td>
</tr>
<tr>
<td>Financial expenses includes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expenses to Statkraft SF</td>
<td>30</td>
<td>33</td>
</tr>
<tr>
<td>Tax expenses includes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes payable to Norwegian authorities</td>
<td>5,954</td>
<td>6,706</td>
</tr>
<tr>
<td>Dividend and Group contribution from Statkraft AS to Statkraft SF</td>
<td>6,500</td>
<td>8,510</td>
</tr>
</tbody>
</table>

Transmission costs to Statnett are mainly grid tariff. The prices in this market are stipulated by the Norwegian Water Resources and Energy Directorate. Other transactions with related parties are conducted at commercial terms and conditions.

Except for interest-bearing debt covered in note 32, there are no other significant items between Statkraft AS and Statkraft SF in the statement of financial position.

Statkraft also has transactions and balances with other enterprises controlled by the Norwegian state, but their size, neither individually nor combined, have significance for Statkraft’s financial statements.
<table>
<thead>
<tr>
<th>Name</th>
<th>Segment 1)</th>
<th>Country</th>
<th>Registered office</th>
<th>Parent company</th>
<th>Shareholding and voting share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hitra Vind AS</td>
<td>EW</td>
<td>Norway</td>
<td>Oslo</td>
<td>Statkraft AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Kjøllefjord Vind AS</td>
<td>EW</td>
<td>Norway</td>
<td>Oslo</td>
<td>Statkraft AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Smela Vind 2 AS</td>
<td>EW</td>
<td>Norway</td>
<td>Oslo</td>
<td>Statkraft AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Vind Utvikling DA</td>
<td>EW</td>
<td>Norway</td>
<td>Kristiansand</td>
<td>Statkraft AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft European Wind and Solar Holding AS</td>
<td>EW</td>
<td>Norway</td>
<td>Oslo</td>
<td>Statkraft AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Zonneakker De Doorbraak B.V</td>
<td>EW</td>
<td>The Netherlands</td>
<td>Amsterdam</td>
<td>Statkraft European Wind and Solar Holding AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Hydrogen Sweden AB</td>
<td>DA</td>
<td>Sweden</td>
<td>Stockholm</td>
<td>Statkraft AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Biofuel Holding AS</td>
<td>DA</td>
<td>Norway</td>
<td>Oslo</td>
<td>Statkraft AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Italia S.R.L</td>
<td>EW</td>
<td>Italy</td>
<td>Milan</td>
<td>Statkraft European Wind and Solar Holding AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Asset Holding AS</td>
<td>EF, OA</td>
<td>Norway</td>
<td>Oslo</td>
<td>Statkraft AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Baltic Cable AB</td>
<td>EF</td>
<td>Sweden</td>
<td>Malmö</td>
<td>Statkraft Asset Holding AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft France SAS</td>
<td>EF</td>
<td>France</td>
<td>Lyon</td>
<td>Statkraft Asset Holding AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Markets BV</td>
<td>MO</td>
<td>The Netherlands</td>
<td>Amsterdam</td>
<td>Statkraft Asset Holding AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Renewables Albania SHPK</td>
<td>IP</td>
<td>Albania</td>
<td>Tirana</td>
<td>Statkraft Markets BV</td>
<td>100.00%</td>
</tr>
<tr>
<td>Devoll Hydropower Sh.A.</td>
<td>IP</td>
<td>Albania</td>
<td>Tirana</td>
<td>Statkraft Markets BV</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Solar Solutions Pte Ltd</td>
<td>IP</td>
<td>India</td>
<td>New Delhi</td>
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<td>100.00%</td>
</tr>
<tr>
<td>Statkraft (China) Energy Ltd.</td>
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<td>China</td>
<td>Beijing</td>
<td>Statkraft Markets BV</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Sverige AB</td>
<td>EF, EW</td>
<td>Sweden</td>
<td>Stockholm</td>
<td>Statkraft Asset Holding AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Gidskefab AB</td>
<td>EF</td>
<td>Sweden</td>
<td>Stockholm</td>
<td>Statkraft Sverige AB</td>
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<td>MO</td>
<td>Norway</td>
<td>Oslo</td>
<td>Statkraft Asset Holding AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft US LLC</td>
<td>MO</td>
<td>USA</td>
<td>San Francisco</td>
<td>Statkraft US Holding AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Värme AB</td>
<td>DH</td>
<td>Sweden</td>
<td>Kungsbacka</td>
<td>Statkraft Asset Holding AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Vind AB</td>
<td>EW</td>
<td>Sweden</td>
<td>Stockholm</td>
<td>Statkraft Asset Holding AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Vind AB</td>
<td>EW</td>
<td>Sweden</td>
<td>Stockholm</td>
<td>Statkraft Vind AB</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Vind AB</td>
<td>EW</td>
<td>Sweden</td>
<td>Stockholm</td>
<td>Statkraft Vind AB</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Ireland Limited</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Asset Holding AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Winter Winds Limited</td>
<td>EW</td>
<td>Ireland</td>
<td>Limerick</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Boolvyvanmanan Renewable Energy Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Cloncant Renewable Energy Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>North Irish Sea Array Windfarm Ltd</td>
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<td>EW</td>
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<td>Cork</td>
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<tr>
<td>Cosie Wind Farm Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Greengawre Transmission Pentir Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Greennawre Transmission South Wales Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Jupiter Energy Supply Company Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Moanavane Wind Farm Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>North Kildare Wind Farm Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>North Meath Wind Farm Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Behy Renewables Energy Limited</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Fossey Wind Farm Limited</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Asset Management Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Development Projects Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Ireland Projects Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Kilsaallahen Solar Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Tomsaalagh Solar Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Clofnd Solar Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Meath Solar Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Featherbed Lane Solar Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Dungneosa Solar Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Sronag Solar Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Rathleaguue Solar Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Demarcat Wind Farm Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Kilsaallahen Solar Ltd</td>
<td>EW</td>
<td>Ireland</td>
<td>Cork</td>
<td>Statkraft Ireland Limited</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Carbon Invest AS</td>
<td>MO</td>
<td>Norway</td>
<td>Oslo</td>
<td>Statkraft AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Elektrik Enerjesi Toptan Satis Ltd. Sti</td>
<td>MO</td>
<td>Turkey</td>
<td>Istanbul</td>
<td>Statkraft AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Enerji AS</td>
<td>MO, EF, EW</td>
<td>Norway</td>
<td>Oslo</td>
<td>Statkraft AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Tolle AS</td>
<td>OA</td>
<td>Norway</td>
<td>Oslo</td>
<td>Statkraft Enerji AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Varme AS</td>
<td>DH</td>
<td>Norway</td>
<td>Trondheim</td>
<td>Statkraft Energi AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Sjørdal Fjernvarme AS</td>
<td>DH</td>
<td>Norway</td>
<td>Trondheim</td>
<td>Statkraft Varme AS</td>
<td>85.00%</td>
</tr>
<tr>
<td>Statkraft Enerji A.S.</td>
<td>IP</td>
<td>Turkey</td>
<td>Istanbul</td>
<td>Statkraft Enerji A.S.</td>
<td>100.00%</td>
</tr>
<tr>
<td>Kari Kizimak Enerji A.S.</td>
<td>IP</td>
<td>Turkey</td>
<td>Istanbul</td>
<td>Statkraft Enerji A.S.</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Financial Energy AB</td>
<td>MO</td>
<td>Sweden</td>
<td>Stockholm</td>
<td>Statkraft AS</td>
<td>100.00%</td>
</tr>
<tr>
<td>Statkraft Forskiring AS</td>
<td>OA</td>
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<td>Oslo</td>
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Note 39 continued

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<th>Shareholding and voting share</th>
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<td>Oslo</td>
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### Income statement

Statkraft AS parent company

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**Appropriation of profit for the year and equity transfers**

| Dividends payable                               | 15   | 6 362 | 8 500 |
| Transfer to/from retained earnings              | 15   | 2 743 | 8 492 |
## Statement of Financial Position
Statkraft AS parent company

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<td>Taxes payable</td>
<td>9</td>
<td>27</td>
<td>20</td>
</tr>
<tr>
<td>Derivatives</td>
<td>19, 23</td>
<td>189</td>
<td>700</td>
</tr>
<tr>
<td>Other interest-free liabilities</td>
<td>18, 23</td>
<td>6 778</td>
<td>9 147</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td>23 992</td>
<td>32 361</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td>129 738</td>
<td>139 846</td>
</tr>
</tbody>
</table>
## Statement of Cash Flow
Statkraft AS parent company

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOW FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td></td>
<td>9,310</td>
<td>17,153</td>
</tr>
<tr>
<td>Depreciations</td>
<td>10</td>
<td>37</td>
<td>48</td>
</tr>
<tr>
<td>Write-downs/reversal of write-downs from previous years</td>
<td>8</td>
<td>-2,226</td>
<td>-708</td>
</tr>
<tr>
<td>Gain/loss on sale of shares</td>
<td></td>
<td>-808</td>
<td>-698</td>
</tr>
<tr>
<td>Unrealised changes in value</td>
<td></td>
<td>-121</td>
<td>18</td>
</tr>
<tr>
<td>Changes in other short-term items</td>
<td></td>
<td>-199</td>
<td>701</td>
</tr>
<tr>
<td>Booked income from dividend and group contribution with no cash effects</td>
<td></td>
<td>-7,014</td>
<td>-8,162</td>
</tr>
<tr>
<td>Group contribution and dividend received</td>
<td></td>
<td>13,115</td>
<td>12,259</td>
</tr>
<tr>
<td>Taxes paid</td>
<td></td>
<td>-28</td>
<td>-7</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities (A)</strong></td>
<td></td>
<td>12,066</td>
<td>20,609</td>
</tr>
</tbody>
</table>

| **CASH FLOW FROM INVESTING ACTIVITIES** |      |       |       |
| Investments in property, plant and equipment |      | -15   | -20   |
| Loans to subsidiaries and associates |      | -     | -3,400|
| Repayment of loans from subsidiaries and associates |      | 625   | 15,262|
| Investments in subsidiaries and associates |      | -2,980| -13,992|
| Capital reduction in subsidiaries and associates |      | -     | 67    |
| Divestments of shares |      | 15    | 360   |
| **Cash flow from investing activities (B)** |      | -2,355| -1,723|

| **CASH FLOW FROM FINANCING ACTIVITIES** |      |       |       |
| Changes in cash pool |      | -4,690| -1,074|
| New debt |      | 65    | 358   |
| Repayment of debt |      | -4,761| -4,161|
| Dividend paid |      | -8,500| -6,040|
| **Cash flow from financing activities (C)** |      | -17,886| -10,917|

| Net change in cash and cash equivalents (A)+(B)+(C) |      | -8,175| 7,969 |

| Cash and cash equivalents 01.01 |      | 14    | 19,954| 11,985|
| Cash and cash equivalents 31.12 |      | 14    | 11,779| 19,954|

| Unused committed credit lines |      | 9,167 | 9,167 |
| Unused overdraft facilities |      | 1,000 | 1,000 |

### SIGNIFICANT ACCOUNTING POLICIES

The cash flow statement has been prepared using the indirect method. The statement starts with the company’s result for the year in order to show cash flow generated by regular operating, investing and financing activities respectively.
## Index of notes to Statkraft AS parent company financial statement

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>Page</th>
<th>Note</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Significant accounting policies</td>
<td>133</td>
<td>13</td>
<td>Receivables</td>
<td>143</td>
</tr>
<tr>
<td>2</td>
<td>Market risk</td>
<td>134</td>
<td>14</td>
<td>Cash and cash equivalents</td>
<td>143</td>
</tr>
<tr>
<td>3</td>
<td>Analysis of market risk</td>
<td>135</td>
<td>15</td>
<td>Equity</td>
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<td>4</td>
<td>Hedge accounting</td>
<td>136</td>
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<td>Provisions</td>
<td>144</td>
</tr>
<tr>
<td>5</td>
<td>Payroll costs and number of full-time equivalents</td>
<td>136</td>
<td>17</td>
<td>Interest-bearing liabilities</td>
<td>145</td>
</tr>
<tr>
<td>6</td>
<td>Pensions</td>
<td>137</td>
<td>18</td>
<td>Other interest-free liabilities</td>
<td>145</td>
</tr>
<tr>
<td>7</td>
<td>Other operating expenses</td>
<td>138</td>
<td>19</td>
<td>Derivatives</td>
<td>146</td>
</tr>
<tr>
<td>8</td>
<td>Financial items</td>
<td>139</td>
<td>20</td>
<td>Fees paid to external auditors</td>
<td>147</td>
</tr>
<tr>
<td>9</td>
<td>Income Taxes</td>
<td>140</td>
<td>21</td>
<td>Obligations and guarantees</td>
<td>147</td>
</tr>
<tr>
<td>10</td>
<td>Property, plant and equipment</td>
<td>141</td>
<td>22</td>
<td>Disputes</td>
<td>147</td>
</tr>
<tr>
<td>11</td>
<td>Shares in subsidiaries and associates</td>
<td>142</td>
<td>23</td>
<td>Related parties</td>
<td>147</td>
</tr>
<tr>
<td>12</td>
<td>Other non-current financial assets</td>
<td>143</td>
<td>24</td>
<td>Transactions</td>
<td>149</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>25</td>
<td>Subsequent events</td>
<td>149</td>
</tr>
</tbody>
</table>
Note 1 Significant accounting policies

GENERAL INFORMATION

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

The descriptions of accounting policies in the statements and notes form part of the overall description of accounting policies:

- Statement of cash flow
- Hedge accounting
- Pensions
- Research and development costs
- Income taxes
- Property, plant and equipment
- Investments in subsidiaries and associates
- Other non-current financial assets
- Receivables
- Cash and cash equivalents
- Long-term liabilities
- Derivatives

VALUATION AND CLASSIFICATION PRINCIPLES

Uncertainties in estimates The accounts are based on assumptions and estimates that affect the book value of assets, liabilities, income and costs. The best estimate at the time when the accounts are rendered form the basis, but the actual figures may deviate from the initial estimates.

Principles for recognition of income and expensing of costs Recognition of revenues from sale of goods and services takes place when earned, whilst expensing of costs takes place in accordance with the accrual principle.

Gains/losses from sale of property, plant and equipment are treated as operating revenues or expenses.

Classification and valuation of assets and debt Assets intended for lasting ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables that will be repaid within 12 months are classified as current assets. Corresponding criteria are used to classify current and long-term liabilities.

Fixed assets are valued at cost, but are impaired when the reduction in value is not expected to be transitory. Impairment is reversed when the basis for the impairment no longer exists. Fixed assets with limited useful economic life are depreciated according to schedule.

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

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

Foreign currency Monetary items denominated in foreign currency are valued at the exchange rate on the balance sheet date. Realised and unrealised currency effects are presented as net in the financial statements. Transactions denominated in foreign currency are translated using the exchange rate at the transaction date.
Note 2  Market risk

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS IN GENERAL

The risk management policy is based upon assuming the right risk based on the Group’s ability and willingness to take risks, expertise, financial strength and development plans. The purpose of risk management policy is to identify threats and opportunities for the Group, and to manage the risk within an acceptable level. The central Treasury function in Statkraft AS coordinates and manages the financial risks relating to currency, interest rates, credit and liquidity of the Group. A more detailed explanation of how these are managed will be provided in the following.

FOREIGN EXCHANGE AND INTEREST RATE RISK

Statkraft is exposed to foreign exchange and interest rate risk. Statkraft uses interest rate and foreign currency derivatives in addition to debt in foreign currency to mitigate these risks. Funding, forwards and swaps in foreign currency in combination with interest rate swaps are used to achieve the desired currency and interest rate structure of the company’s debt portfolio.

Statkraft’s methods for managing these risks are described below:

Foreign exchange risk  Statkraft manages the Group’s currency risk. Statkraft incurs currency risk in the form of transaction risk, mainly in connection with energy sales revenues, investments and dividends. Translation risk is related to shareholdings in foreign subsidiaries, associates and joint operations.

Statkraft’s settlement currency at the Nordic power exchange Nord Pool is euro, and all power contracts traded in the Nordic power exchange Nasdaq are denominated in euro. In addition most of Statkraft’s bilateral power purchase agreements in Norway and all power purchase and sales abroad are denominated in foreign currency. The objective of Statkraft’s currency hedging is to secure the value in Norwegian kroner for future cash flows exposed to foreign exchange risk. Hedging of foreign exchange risk is primarily done by allocating appropriate volumes of currency debt to the relevant cash flows. The foreign exchange risk is subject to continuous assessment and treated in accordance with the Group strategy. Few of these hedging relationships fulfil the requirements of hedge accounting.

Interest rate risk  Statkraft’s interest rate exposure is related to its debt portfolio. The management of interest rate risk is based on a balance of keeping interest cost low over time and contributing to stabilise the Group’s cash flows with regards to interest rate changes. The interest rate risk is monitored by having duration as the measure. Statkraft shall at all times keep the average duration of its debt portfolio within the range of two to five years.

Compliance with the limit for currency and interest rate risk is followed up continuously by the middle-office function. Responsibility for entering into and following up the various positions has been delegated and allocated to separate organisational units.

Statkraft has established a project to assess the potential economic and accounting consequences of the transition from IBORs to ARRs which is expected to take place in 2021. At the current stage it is too early to draw any conclusions about the potential consequences.

LIQUIDITY RISK

The purpose of Statkraft’s liquidity management is to secure fulfilment of payment obligations at all times. Statkraft has incorporated a separate target figure for short term liquidity to ensure that Statkraft has a satisfactory level of liquidity sources, consisting of cash and cash equivalents, short term financial investments and unused committed credit facilities.

The liquidity risk is further mitigated through liquidity forecasts, access to different borrowing sources and markets. Statkraft plans for an evenly distributed debt redemption profile to keep refinancing risk low.

Statkraft issues debt primarily under its Euro Medium Term Note Programme (EUR 6.0 billion) listed on the London and Irish Stock Exchange. In addition, Statkraft has a backup facility of NOK 9.2 billion supported by the Group’s core banks. The backup facility is maturing in 2023. Statkraft has an unused overdraft facility of NOK 1.9 billion which is renewed on an annual basis too.

The main cash outflows include the annual dividend payment, tax payments in addition to planned investments.

CREDIT RISK

Credit risk is the risk that Statkraft incurs losses due to the failure of counterparties to honour their financial obligations. Statkraft is facing credit risk when entering into transactions with financial institutions. Credit risk against financial institutions arises from cash or current account, deposit, investment of interest bearing securities, derivative transactions and incoming guarantees. Statkraft also assumes credit risk when providing loans to associates and joint ventures.

Excess liquidity is managed in a conservative manner considering credit risk, diversification and duration. Statkraft’s excess liquidity is mainly held in Norwegian kroner and invested across various short-term financial instruments such as commercial papers, time deposits and bank deposits. Credit and duration limits are stipulated for each counterparty based on credit ratings and total assets.

As of 31 December 2019, approximately 21% of Statkraft’s excess liquidity (including cash in subsidiaries participating in the cash pool) were held in time deposits, 31% in commercial paper and 48% in overnight bank deposits.

Statkraft AS has entered into agreements under which collateral is transferred or received based on the mark-to-market value of interest rate and foreign exchange derivatives between counterparties. Collateral is transferred or received on a weekly basis. Counterparty credit risk is significantly mitigated by collateral under these agreements.
### Note 3 Analysis of market risk

#### Specification of debt by currency 1)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt in NOK 2)</td>
<td>-2 088</td>
<td>4 253</td>
</tr>
<tr>
<td>Debt in EUR</td>
<td>23 970</td>
<td>23 635</td>
</tr>
<tr>
<td>Debt in USD</td>
<td>4 182</td>
<td>2 824</td>
</tr>
<tr>
<td>Debt in BRL</td>
<td>-</td>
<td>361</td>
</tr>
<tr>
<td>Debt in GBP</td>
<td>556</td>
<td>423</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>26 621</td>
<td>31 496</td>
</tr>
</tbody>
</table>

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

2) The negative figure in NOK reflects the effects from allocated forward exchange contracts and combined interest rate and currency swaps.

#### Specification of interest by currency

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal average interest rate, NOK 1)</td>
<td>n.a</td>
<td>3.30%</td>
</tr>
<tr>
<td>Nominal average interest rate, EUR</td>
<td>1.10%</td>
<td>2.10%</td>
</tr>
<tr>
<td>Nominal average interest rate, USD</td>
<td>3.10%</td>
<td>3.30%</td>
</tr>
<tr>
<td>Nominal average interest rate, BRL</td>
<td>7.10%</td>
<td>8.50%</td>
</tr>
<tr>
<td>Nominal average interest rate, GBP</td>
<td>1.60%</td>
<td>0.70%</td>
</tr>
</tbody>
</table>

1) Nominal average interest rate in NOK is not applicable because the figure is negative in the above table Specification of debt by currency.

#### Fixed interest rate debt portfolio 1)

<table>
<thead>
<tr>
<th></th>
<th>Future interest rate adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0-1 year</td>
</tr>
<tr>
<td>Debt in NOK</td>
<td>-1 470</td>
</tr>
<tr>
<td>Debt in EUR</td>
<td>14 451</td>
</tr>
<tr>
<td>Debt in USD</td>
<td>1 203</td>
</tr>
<tr>
<td>Debt in BRL</td>
<td>-</td>
</tr>
<tr>
<td>Debt in GBP</td>
<td>2 875</td>
</tr>
<tr>
<td><strong>Total fixed interest 2019</strong></td>
<td>17 058</td>
</tr>
<tr>
<td><strong>Total fixed interest 2018</strong></td>
<td>16 694</td>
</tr>
</tbody>
</table>

1) The specification includes long-term interest-bearing liabilities, first-year instalment on long-term interest-bearing debt, the currency effect of allocated forward exchange rate contracts and the currency effect of combined interest rate and currency swaps. The split between years also take into account maturity of allocated forward exchange rate contracts, interest rate adjustments in interest rate swaps and combined interest rate and currency swaps. Negative figures reflect that Statkraft AS receives fixed interest from interest rate swaps.

#### Repayment schedule

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds issued in the Norwegian market</td>
<td>2 445</td>
<td>800</td>
</tr>
<tr>
<td>Debt issued in non-Norwegian markets</td>
<td>-</td>
<td>6 888</td>
</tr>
<tr>
<td>Other debt</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Currency effect of allocated forward exchange rate contracts and currency effects of combined interest rate and currency swaps</td>
<td>-5</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total repayment schedule 2019</strong></td>
<td>2 440</td>
<td>820</td>
</tr>
<tr>
<td><strong>Total repayment schedule 2018</strong></td>
<td>4 031</td>
<td>3 037</td>
</tr>
</tbody>
</table>

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

2) The negative figure in NOK reflects the effects from allocated forward exchange contracts and combined interest rate and currency swaps.
Note 4  Hedge accounting

GENERAL INFORMATION

Fair value hedging Statkraft AS treats a loan arrangement as a fair value hedge. Issued bond has been designated as hedging object in the hedging relationship, and the associated interest rate swap has been designated as a hedging instrument.

The hedging object is an issued fixed-interest bond with a total nominal value of NOK 1500 million. The hedging instrument is an interest rate swap with a nominal value of NOK 1500 million, entered into with a major bank as the counterparty. The agreement swaps interest rate from fixed to floating 3-month NIBOR. The critical terms of the hedging object and hedging instrument are deemed to be approximately the same. The inefficiency is recognised in the income statement. The hedge expires in 2022.

SIGNIFICANT ACCOUNTING POLICIES

Hedging The accounting treatment of financial derivatives designated as hedging instruments is recorded in line with the principles for fair value hedging. In the event of hedging of assets or liabilities in the balance sheet, the derivative is recognised at fair value. The carrying value of the hedged asset or liability is adjusted for the value of the financial derivative’s change in value which is related to hedged risk.

Fair value of hedging instruments

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hedging instruments used in fair value hedging</td>
<td>86</td>
<td>185</td>
</tr>
</tbody>
</table>

Other information on fair value hedging

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gain (+)/loss (-) in income statement on hedging instruments</td>
<td>-122</td>
<td>-260</td>
</tr>
<tr>
<td>Net gain (+)/loss (-) in income statement on hedging objects, in relation to the hedged risk</td>
<td>122</td>
<td>261</td>
</tr>
<tr>
<td>Hedge inefficiency</td>
<td>-</td>
<td>1</td>
</tr>
</tbody>
</table>

Note 5  Payroll costs and number of full-time equivalents

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>545</td>
<td>495</td>
</tr>
<tr>
<td>Employers’ national insurance contribution</td>
<td>101</td>
<td>100</td>
</tr>
<tr>
<td>Pension costs 1)</td>
<td>118</td>
<td>113</td>
</tr>
<tr>
<td>Other benefits</td>
<td>66</td>
<td>89</td>
</tr>
<tr>
<td>Total</td>
<td>829</td>
<td>797</td>
</tr>
</tbody>
</table>

1) Pension costs are described in further detail in note 6.

Remuneration to the Chairman and the Board of Directors is disclosed in note 37 in the Group accounts.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of full-time equivalents</td>
<td>480</td>
<td>455</td>
</tr>
<tr>
<td>Number of full-time equivalents as of 31.12</td>
<td>562</td>
<td>456</td>
</tr>
</tbody>
</table>
Note 6  Pensions

GENERAL INFORMATION

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

**Defined contribution schemes** A defined contribution scheme is a retirement benefit scheme where Statkraft AS pays fixed contributions to a fund manager without incurring further obligations for the company once the payment has been made. The payments are expensed as salaries and payroll costs.

Statkraft AS’ pension scheme for new employees from 1 January 2014 is a defined contribution scheme. The contributions are 6% of the pensionable salary up to 7.1 of the National Insurance Scheme’s basic amount (G), and 18% of the pensionable salary between 7.1G and 12G. In addition to retirement pensions, the contribution scheme also entails risk covers.

**Defined benefit schemes** A defined benefit scheme is a retirement benefit scheme that defines the retirement benefits that an employee will receive on retirement. The retirement benefit is normally set as a percentage of the employee’s salary. To be able to receive full retirement benefits, contributions will normally be required to be paid over a period of between 30 and 40 years. Employees who have not made full contributions will have their retirement benefits proportionately reduced.

**Funded defined benefit schemes** Statkraft AS has organised their defined benefit scheme in the National Pension Fund (SPK). The defined benefit schemes cover retirement, disability and survivor pensions. The retirement schemes provide pension benefits amounting to 66% of pensionable income, up to 12G, with maximum accrual. Statkraft AS also offers early retirement from the age of 62 under the Norwegian early retirement pension scheme.

Statkraft AS pays an annual premium and is responsible for the financing of the scheme in the National Pension Fund (SPK). Pension benefits from the SPK are guaranteed by the Norwegian state (Section 1 of the Pension Act). The SPK scheme is not asset based, but management of the pension fund assets is simulated as though the assets were invested in Norwegian government bonds. In simulations it is assumed that bonds are held to maturity.

The pension benefit scheme in SPK was closed for new employees 1 January 2014.

**Unfunded defined benefit schemes** In addition to the above, Statkraft AS has entered into an additional pension agreement that provides all employees whose pensionable incomes exceed 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G. The agreement was closed 30 April 2012.

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

SIGNIFICANT ACCOUNTING POLICIES

The liability recognised in the balance sheet which relates to the defined benefit scheme is the present value of the future retirement benefits that are reduced by the fair value of the plan assets.

Net pension fund assets for overfunded schemes are classified as non-current assets and recognised in the balance sheet at fair value. Net retirement benefit liabilities for underfunded schemes and non-funded schemes that are covered by operations are classified as long-term liabilities.

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

The net retirement benefit cost for the period is included under salaries and payroll costs, and comprises the total of the retirement benefits accrued during the period, the interest on the estimated liability and the projected yield on pension fund assets.

ESTIMATES AND ASSUMPTIONS

Present value of accrued pension entitlements for defined benefit schemes and present value of accrued pension entitlements for the year are calculated using the accrued benefits method. Net pension liabilities in the balance sheet are adjusted for expected future salary increases until retirement age. Calculations are based on staff numbers and salary data at the end of the year. The discount rate is based on high-quality corporate bonds (covered bonds – OMF).

The actuarial gain recognised directly in equity during the year is mainly due to changes in assumptions for discount rate and salary adjustments.

**Changes in the public sector pension scheme** Statkraft AS has recognised a reduced pension cost of NOK 7 million in 2019 related to estimated effects of changes in the public sector pension scheme in Norway. The changes mainly entail new regulations for how the public benefit schemes shall be coordinated with the benefits provided by the Norwegian National Insurance Scheme, and a new pension scheme for employees born in 1963 or later.
Note 6 continued

The following assumptions are used

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate and expected return on pension assets</td>
<td>2.30%</td>
</tr>
<tr>
<td>Salary adjustment</td>
<td>2.25%</td>
</tr>
<tr>
<td>Adjustment of current pensions</td>
<td>1.25%</td>
</tr>
<tr>
<td>Adjustment of the National Insurance Scheme’s basic amount (G)</td>
<td>2.00%</td>
</tr>
<tr>
<td>Demographic factors for mortality and disability</td>
<td>K2013/IR73</td>
</tr>
</tbody>
</table>

Members of defined benefit schemes

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>270</td>
<td>285</td>
</tr>
<tr>
<td>Pensioners and people with deferred entitlements</td>
<td>466</td>
<td>459</td>
</tr>
</tbody>
</table>

Pension cost recognised in the income statement

Defined benefit schemes

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of accrued pension entitlements for the year</td>
<td>70</td>
<td>69</td>
</tr>
<tr>
<td>Interest costs</td>
<td>43</td>
<td>36</td>
</tr>
<tr>
<td>Expected return on pension assets</td>
<td>-21</td>
<td>-18</td>
</tr>
<tr>
<td>Scheme changes</td>
<td>-7</td>
<td>-</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>-5</td>
<td>-5</td>
</tr>
<tr>
<td>Employer’s national insurance contribution</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Net pension cost defined benefit schemes</td>
<td>91</td>
<td>94</td>
</tr>
</tbody>
</table>

Defined contribution schemes

Employer’s payments | 27   | 19   |
Total pension costs | 118  | 113  |

Breakdown of net defined benefit pension liability

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of accrued pension entitlements for funded defined benefit schemes</td>
<td>1 309</td>
<td>1 270</td>
</tr>
<tr>
<td>Fair value of pension assets</td>
<td>910</td>
<td>827</td>
</tr>
<tr>
<td>Net pension liability for funded defined benefit schemes</td>
<td>399</td>
<td>443</td>
</tr>
<tr>
<td>Present value of accrued pension entitlements for unfunded defined benefit schemes</td>
<td>417</td>
<td>412</td>
</tr>
<tr>
<td>Employers’ national insurance contribution</td>
<td>115</td>
<td>121</td>
</tr>
<tr>
<td>Net pension liabilities</td>
<td>930</td>
<td>976</td>
</tr>
</tbody>
</table>

Actuarial gains and losses recognised directly in equity

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated actuarial gains and losses recognised directly in equity before tax 31.12</td>
<td>294</td>
<td>352</td>
</tr>
</tbody>
</table>

Note 7 Other operating expenses

SIGNIFICANT ACCOUNTING POLICIES

Principles for expensing of costs Expensing of costs takes place in accordance with the accrual principle, whilst own research and development expenses are expensed as incurred

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of third-party services ¹</td>
<td>467</td>
<td>379</td>
</tr>
<tr>
<td>Materials</td>
<td>27</td>
<td>17</td>
</tr>
<tr>
<td>Rent</td>
<td>105</td>
<td>103</td>
</tr>
<tr>
<td>IT expenses</td>
<td>198</td>
<td>150</td>
</tr>
<tr>
<td>Marketing</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>26</td>
<td>31</td>
</tr>
<tr>
<td>Insurance</td>
<td>23</td>
<td>10</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>118</td>
<td>103</td>
</tr>
<tr>
<td>Total</td>
<td>979</td>
<td>805</td>
</tr>
</tbody>
</table>

¹Purchase of third-party services mainly includes consultants and other services.
### Note 8  Financial items

#### Income from investments in subsidiaries and associates

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend from group companies</td>
<td>6,430</td>
<td>15,874</td>
</tr>
<tr>
<td>Group contribution</td>
<td>600</td>
<td>1,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,030</td>
<td>17,674</td>
</tr>
</tbody>
</table>

#### Financial income

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income from group companies</td>
<td>446</td>
<td>607</td>
</tr>
<tr>
<td>Interest income</td>
<td>227</td>
<td>170</td>
</tr>
<tr>
<td>Other financial income</td>
<td>105</td>
<td>73</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>778</td>
<td>850</td>
</tr>
</tbody>
</table>

#### Financial costs

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expenses to group companies</td>
<td>-179</td>
<td>-158</td>
</tr>
<tr>
<td>Interest expenses external debt</td>
<td>-470</td>
<td>-792</td>
</tr>
<tr>
<td>Other financial costs</td>
<td>-21</td>
<td>-19</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-670</td>
<td>-969</td>
</tr>
</tbody>
</table>

#### Net realised and unrealised securities

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Write-downs/reversal of write-downs from previous years</td>
<td>2,226</td>
<td>708</td>
</tr>
<tr>
<td>Gains and losses on securities, realised and unrealised</td>
<td>-33</td>
<td>-4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,193</td>
<td>704</td>
</tr>
</tbody>
</table>

Note: Write-downs/reversal of write-downs from previous years are related to the shares in Statkraft Germany GmbH, Statkraft Enerji A.S., Statkraft Western Balkans d.o.o. and Statkraft Vind Utvikling DA (previously SAE Vind DA). Based on an assessment of impairment considerations of German gas-fired power plants, valuation of trading activities and currency effects, previous years write-downs of NOK 2360 million have been reversed in 2019. In 2018, NOK 270 million of previous years write-downs were reversed. Shares in Statkraft Enerji A.S. have been written down with NOK 121 million due to an updated valuation of underlying assets and currency effects. In 2018, previous years write-downs of NOK 522 million were reversed. In 2019 the subsidiary Statkraft Western Balkans d.o.o. was liquidated, giving a loss in share value of MNOK 13. The shares in Statkraft Vind Utvikling DA were in 2018 impaired with NOK 85 million, based on a valuation of the assets in the company.

#### Net realised and unrealised currency and derivatives

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency gains and losses, realised</td>
<td>-408</td>
<td>-1,073</td>
</tr>
<tr>
<td>Currency gains and losses, unrealised</td>
<td>965</td>
<td>439</td>
</tr>
<tr>
<td>Gains and losses derivatives, realised (^1)</td>
<td>-206</td>
<td>-54</td>
</tr>
<tr>
<td>Gains and losses derivatives, unrealised</td>
<td>251</td>
<td>223</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>603</td>
<td>-465</td>
</tr>
</tbody>
</table>

Note: In 2019 termination of interest rate swaps, resulted in NOK 220 million loss. In 2018 prepayment of EUR 219 million debt (bonds), resulted in NOK 148 million loss. Novation of loans to equity accounted investments and novation of interest rate swaps, resulted in NOK 90 million gain in 2018.

#### Net financial items

<table>
<thead>
<tr>
<th></th>
<th>9,934</th>
<th>17,794</th>
</tr>
</thead>
</table>
Note 9  Income taxes

SIGNIFICANT ACCOUNTING POLICIES

Statkraft AS is subject to tax on profits that is calculated in accordance with ordinary tax rules. The tax charge in the income statement comprises taxes payable and changes in deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward. Deferred tax assets are only recognised in the balance sheet to the extent it is probable that the assets will be realised in the future. Tax related to equity transactions is recognised in equity.

The tax expense in the income statement

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax payable</td>
<td>27</td>
<td>9</td>
</tr>
<tr>
<td>Withholding tax</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Previous years payable tax expense</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Change in deferred tax</td>
<td>170</td>
<td>134</td>
</tr>
<tr>
<td>Tax expense in the income statement</td>
<td>205</td>
<td>161</td>
</tr>
</tbody>
</table>

Taxes payable in the balance sheet

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax payable</td>
<td>27</td>
<td>9</td>
</tr>
<tr>
<td>Previous years taxes payable</td>
<td>-</td>
<td>11</td>
</tr>
<tr>
<td>Taxes payable in the balance sheet</td>
<td>27</td>
<td>20</td>
</tr>
</tbody>
</table>

Reconciliation of nominal tax rate and effective tax rate

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>9 310</td>
<td>17 153</td>
</tr>
<tr>
<td>Expected tax expense at a nominal rate of 22% (23%)</td>
<td>2 048</td>
<td>3 945</td>
</tr>
</tbody>
</table>

Effect on taxes of

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax-free income</td>
<td>-1 411</td>
<td>-3 651</td>
</tr>
<tr>
<td>Changes relating to previous years</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Withholding tax</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Impairment/reversal of impairment previous years</td>
<td>-493</td>
<td>-182</td>
</tr>
<tr>
<td>Change in tax rates</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>Other permanent differences, net</td>
<td>52</td>
<td>26</td>
</tr>
<tr>
<td>Tax expense</td>
<td>205</td>
<td>161</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Breakdown of deferred tax

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets/current liabilities</td>
<td>-162</td>
<td>-406</td>
</tr>
<tr>
<td>Derivatives</td>
<td>77</td>
<td>-463</td>
</tr>
<tr>
<td>Other long-term items</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>-98</td>
<td>-98</td>
</tr>
<tr>
<td>Pension liabilities</td>
<td>-930</td>
<td>-976</td>
</tr>
<tr>
<td>Total temporary differences and tax loss carry forward</td>
<td>-1 095</td>
<td>-1 928</td>
</tr>
<tr>
<td>Total deferred tax (+)/deferred tax asset (-)</td>
<td>-241</td>
<td>-424</td>
</tr>
<tr>
<td>Applied tax rate</td>
<td>22%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Deferred tax (+)/deferred tax asset (-) as of 01.01

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax (+)/deferred tax asset (-) as of 01.01</td>
<td>-424</td>
<td>-540</td>
</tr>
<tr>
<td>Recognised in income</td>
<td>170</td>
<td>134</td>
</tr>
<tr>
<td>Recognised directly in equity</td>
<td>13</td>
<td>-18</td>
</tr>
<tr>
<td>Deferred tax (+)/deferred tax asset (-) as of 31.12</td>
<td>-241</td>
<td>-424</td>
</tr>
</tbody>
</table>
Note 10 Property, plant and equipment

SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment are recognised in the balance sheet and depreciated on a straight-line basis from the time the property, plant or equipment starts regular operations. The acquisition cost consists solely of directly attributable costs. Indirect administration costs are excluded when recognising own hours in the balance sheet.

<table>
<thead>
<tr>
<th>NOK million</th>
<th>Buildings, office equipment and other</th>
<th>Assets under construction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 01.01</td>
<td>212</td>
<td>10</td>
<td>222</td>
</tr>
<tr>
<td>Additions</td>
<td>7</td>
<td>8</td>
<td>15</td>
</tr>
<tr>
<td>Transferred from assets under construction</td>
<td>9</td>
<td>-9</td>
<td>-</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciations and impairments</td>
<td>-37</td>
<td>-</td>
<td>-37</td>
</tr>
<tr>
<td>Balance at 31.12</td>
<td>191</td>
<td>9</td>
<td>200</td>
</tr>
</tbody>
</table>

| Cost 31.12 | 585 | 9 | 594 |
| Accumulated depreciations and impairments as of 31.12 | -394 | - | -394 |
| Balance at 31.12 | 191 | 9 | 200 |

Period of depreciation 3–75 years
### Note 11 Shares in subsidiaries and associates

**SIGNIFICANT ACCOUNTING POLICIES**

**Investment in subsidiaries and associated companies**  Subsidiaries are companies where Statkraft AS has controlling influence over financial and operational principles. Controlling influence is normally achieved when the company owns more than 50% of the voting shares. Associated companies are companies where Statkraft AS has significant influence. Significant influence is normally deemed to exist where the company owns or controls from 20 to 50% of the voting shares.

The investment is valued at cost for the shares unless impairment has been necessary. Impairment is done when the reduction in value is due to reasons that cannot be considered transitory. Impairment is reversed when the basis for the impairment no longer exists.

Dividends and group contributions received are recognised as income in the same year as allocated by the subsidiary, while dividends from other companies are recognised in accordance with the cash principle. If the dividend exceeds the share of retained profits after the purchase, the excess part represents repayment of invested capital and the disbursements received are deducted from the value of the investment in the balance sheet.

<table>
<thead>
<tr>
<th>Shares in subsidiaries</th>
<th>Registered office</th>
<th>Shareholding and voting share</th>
<th>Equity 31.12.2019</th>
<th>Net profit 2019</th>
<th>Carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grønn Kontakt AS(^1)</td>
<td>Kristiansand</td>
<td>95.72%</td>
<td>55</td>
<td>-41</td>
<td>241</td>
</tr>
<tr>
<td>Hitra Vind AS</td>
<td>Oslo</td>
<td>100.00%</td>
<td>115</td>
<td>23</td>
<td>95</td>
</tr>
<tr>
<td>Kjellefjord Vind AS</td>
<td>Oslo</td>
<td>100.00%</td>
<td>111</td>
<td>11</td>
<td>122</td>
</tr>
<tr>
<td>Renewable Energies and Photovoltaics Spain S.L.</td>
<td>Malaga</td>
<td>70.00%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Smøla Vind 2 AS</td>
<td>Oslo</td>
<td>100.00%</td>
<td>232</td>
<td>39</td>
<td>150</td>
</tr>
<tr>
<td>Statkraft Asset Holding AS</td>
<td>Oslo</td>
<td>100.00%</td>
<td>29 947</td>
<td>996</td>
<td>24 248</td>
</tr>
<tr>
<td>Statkraft Brussels SPRL</td>
<td>Brussels</td>
<td>99.90%</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Statkraft Carbon Invest AS</td>
<td>Oslo</td>
<td>100.00%</td>
<td>21</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Statkraft Elektrik Enerji Toptan Satis, Ltd. Sirkeçi</td>
<td>Istanbul</td>
<td>100.00%</td>
<td>20</td>
<td>1</td>
<td>53</td>
</tr>
<tr>
<td>Statkraft Energi AS</td>
<td>Oslo</td>
<td>100.00%</td>
<td>15 840</td>
<td>5 510</td>
<td>14 295</td>
</tr>
<tr>
<td>Statkraft Enerji A.S.</td>
<td>Istanbul</td>
<td>100.00%</td>
<td>1 781</td>
<td>27</td>
<td>2 260</td>
</tr>
<tr>
<td>Statkraft European Wind and Solar Holding AS</td>
<td>Oslo</td>
<td>100.00%</td>
<td>38</td>
<td>-34</td>
<td>72</td>
</tr>
<tr>
<td>Statkraft Financial Energy AB</td>
<td>Stockholm</td>
<td>100.00%</td>
<td>27</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Statkraft Forsikring AS</td>
<td>Oslo</td>
<td>100.00%</td>
<td>444</td>
<td>40</td>
<td>80</td>
</tr>
<tr>
<td>Statkraft Germany GmbH</td>
<td>Düsseldorf</td>
<td>100.00%</td>
<td>7 469</td>
<td>-507</td>
<td>10 211</td>
</tr>
<tr>
<td>Statkraft IH Invest AS</td>
<td>Oslo</td>
<td>100.00%</td>
<td>16 183</td>
<td>3</td>
<td>17 781</td>
</tr>
<tr>
<td>Statkraft Industrial Holding AS</td>
<td>Oslo</td>
<td>100.00%</td>
<td>13 301</td>
<td>1 308</td>
<td>17 613</td>
</tr>
<tr>
<td>Statkraft Treasury Centre SA</td>
<td>Brussels</td>
<td>100.00%</td>
<td>21</td>
<td>-1</td>
<td>1</td>
</tr>
<tr>
<td>Statkraft UK Ltd.</td>
<td>London</td>
<td>100.00%</td>
<td>3 264</td>
<td>25</td>
<td>1 546</td>
</tr>
<tr>
<td>Statkraft Vind Holding AS</td>
<td>Oslo</td>
<td>100.00%</td>
<td>4 782</td>
<td>76</td>
<td>4 450</td>
</tr>
<tr>
<td>Statkraft Vind Utvikling DA(^3)</td>
<td>Oslo</td>
<td>62.00%</td>
<td>4</td>
<td>-10</td>
<td>9</td>
</tr>
</tbody>
</table>

| Total subsidiaries     | 93 212           |

\(^1\) Based on preliminary unaudited financial statements 2019.  
\(^2\) Statkraft AS bought 47.5% of the shares in Grønn Kontakt AS in 2019. Grønn Kontakt AS is now a subsidiary.  
\(^3\) Statkraft Asset Holding AS owns the remaining 38% of Statkraft Vind Utvikling DA.
Note 12 Other non-current financial assets

SIGNIFICANT ACCOUNTING POLICIES

Long-term share investments and shareholdings All long-term investments are treated in accordance with the lowest value principle.

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans to group companies</td>
<td>9 973</td>
<td>15 632</td>
</tr>
<tr>
<td>Other shares and securities</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>9 995</td>
<td>15 654</td>
</tr>
</tbody>
</table>

Note 13 Receivables

SIGNIFICANT ACCOUNTING POLICIES

Accounts receivable and other receivables are recognised at nominal value after the deduction of expected loss. Loss allocations are made on the basis of individual evaluations of each receivable.

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>Receivables related to cash collateral</td>
<td>218</td>
<td>518</td>
</tr>
<tr>
<td>Group cash pooling receivable</td>
<td>77</td>
<td>15</td>
</tr>
<tr>
<td>Short-term receivables from group companies 1)</td>
<td>13 531</td>
<td>9 775</td>
</tr>
<tr>
<td>Other receivables</td>
<td>125</td>
<td>132</td>
</tr>
<tr>
<td>Total</td>
<td>13 965</td>
<td>10 451</td>
</tr>
</tbody>
</table>

1) Comprise short-term loans, dividends and group contribution from subsidiaries.

As of 31 December 2019 no provision for bad debt has been identified.

Note 14 Cash and cash equivalents

SIGNIFICANT ACCOUNTING POLICIES

The line item cash and cash equivalents also includes commercial papers and bonds with short residual terms at the time of acquisition. Cash pool deposits and loans to subsidiaries are reported as net values, and the corresponding items are classified gross either as cash pool receivable or cash pool debt (note 13 and 17).

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash deposits</td>
<td>8 072</td>
<td>12 074</td>
</tr>
<tr>
<td>Commercial papers and other interest-bearing securities</td>
<td>3 707</td>
<td>7 880</td>
</tr>
<tr>
<td>Total</td>
<td>11 779</td>
<td>19 954</td>
</tr>
</tbody>
</table>

Statkraft AS has unused committed credit lines of NOK 9167 million and unused overdraft facilities of NOK 1000 million.
Note 15  Equity

<table>
<thead>
<tr>
<th>Paid-in capital</th>
<th>Share capital</th>
<th>Share premium account</th>
<th>Retained earnings</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity as of 01.01.18</td>
<td>33 600</td>
<td>22 802</td>
<td>13 375</td>
<td>69 777</td>
</tr>
<tr>
<td>Profit for 2018</td>
<td>-</td>
<td>-</td>
<td>16 992</td>
<td>16 992</td>
</tr>
<tr>
<td>Actuarial gains/losses pensions</td>
<td>-</td>
<td>-</td>
<td>-74</td>
<td>-74</td>
</tr>
<tr>
<td>Dividends 2018</td>
<td>-</td>
<td>-</td>
<td>-8 500</td>
<td>-8 500</td>
</tr>
<tr>
<td>Equity as of 31.12.18</td>
<td>33 600</td>
<td>22 802</td>
<td>21 794</td>
<td>78 196</td>
</tr>
<tr>
<td>Profit for 2019</td>
<td>-</td>
<td>-</td>
<td>9 105</td>
<td>9 105</td>
</tr>
<tr>
<td>Actuarial gains/losses pensions</td>
<td>-</td>
<td>-</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Dividends 2019</td>
<td>-</td>
<td>-</td>
<td>-6 362</td>
<td>-6 362</td>
</tr>
<tr>
<td>Equity as of 31.12.19</td>
<td>33 600</td>
<td>22 802</td>
<td>24 582</td>
<td>80 984</td>
</tr>
</tbody>
</table>

The parent company has a share capital of NOK 33.6 billion, divided into 200 million shares, each with a par value of NOK 168. All shares have the same voting rights and are owned by Statkraft SF, which is a Norwegian state-owned company, established and domiciled in Norway. Statkraft SF is wholly owned by the Norwegian state, through the Ministry of Trade, Industry and Fisheries.

Note 16  Provisions

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension liabilities 1)</td>
<td>930</td>
<td>975</td>
</tr>
<tr>
<td>Other provisions</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>940</td>
<td>995</td>
</tr>
</tbody>
</table>

1) Pension liabilities are described in further detail in note 6.
### Note 17 Interest-bearing liabilities

#### SIGNIFICANT ACCOUNTING POLICIES

**Long-term liabilities** Funding costs and premiums or discount are recognised in accordance with the effective interest rate method (amortised cost) for fixed interest debt. The first year’s repayments relating to long-term debt are presented as short-term liabilities.

**Short-term liabilities** Market settlements for derivatives connected with financial activities (cash collateral) are recognised in the balance sheet as receivable or short-term liabilities. Cash collateral is a transfer to/from counterparties as security for the net unrealised gains and losses that Statkraft AS has on interest rate swaps, combined interest rate and currency swaps and forward exchange contracts (see also note 13).

**Repurchase of debt** Repurchase of issued bonds are recognised as repayment of debt and any gain or loss is recognised up front in the net financial items.

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-term interest-bearing liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First year’s instalment of long-term debt</td>
<td>2,445</td>
<td>4,195</td>
</tr>
<tr>
<td>Group cash pooling debt</td>
<td>11,900</td>
<td>16,528</td>
</tr>
<tr>
<td>Debt related to cash collateral</td>
<td>1,348</td>
<td>1,412</td>
</tr>
<tr>
<td>Short-term debt to Statkraft SF</td>
<td>179</td>
<td>218</td>
</tr>
<tr>
<td>Other short term debt</td>
<td>86</td>
<td>141</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15,958</td>
<td>22,494</td>
</tr>
</tbody>
</table>

| **Long-term interest-bearing liabilities** |           |          |
| Bonds issued in the Norwegian market     | 3,050     | 6,050    |
| Debt issued in non-Norwegian markets     | 21,603    | 21,770   |
| Other debt                               | 1         | 2        |
| **Total**                                | 24,654    | 27,822   |

**Total interest-bearing liabilities**

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>40,612</td>
<td>50,316</td>
</tr>
</tbody>
</table>

### Note 18 Other interest-free liabilities

<table>
<thead>
<tr>
<th>NOK million</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>48</td>
<td>76</td>
</tr>
<tr>
<td>Indirect taxes payable</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Dividends payable</td>
<td>6,362</td>
<td>8,500</td>
</tr>
<tr>
<td>Debt to group companies</td>
<td>25</td>
<td>26</td>
</tr>
<tr>
<td>Other interest-free liabilities</td>
<td>299</td>
<td>501</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,778</td>
<td>9,147</td>
</tr>
</tbody>
</table>
Note 19 Derivatives

GENERAL INFORMATION

Statkraft trades in financial derivatives for different purposes, and the accounting treatment will depend on the purpose as described below.

SIGNIFICANT ACCOUNTING POLICIES

Interest rate derivatives  Statkraft AS uses interest rate derivatives to balance interest rate exposure to the Group’s debt portfolio. Recognition of gains and losses depends on whether the interest rate derivative has been classified as a hedging instrument. Interest rate derivatives that are not hedging instruments are recorded in accordance with the lowest value principle, while interest rate derivatives that are defined as hedging instruments are recognised at fair value. Interest rate derivatives are classified as non-current assets or long-term liabilities if the remaining duration is longer than one year, and as long-term interest-bearing liabilities if classified as hedging instrument irrespective of remaining duration.

Currency derivatives  In order to hedge against fluctuations in the foreign currency rates, Statkraft uses currency derivatives in line with approved treasury strategy. Forward exchange rate contracts are valued at fair value. Changes in value are recorded in the income statement as net realised and unrealised currency and derivatives. Combined interest rate and currency swaps are recorded in accordance with the lowest value principle.

ESTIMATES AND ASSUMPTIONS

The fair value of interest rate swaps, as well as combined interest rate and currency swaps, is determined by discounting expected future cash flows to present value through use of observed market interest rates and quoted exchange rates from ECB. The valuation of forward currency exchange contracts is based on quoted exchange rates, from which the forward exchange rate is extrapolated. Estimated present value is subject to a test of reasonableness against calculations made by the counterparties to the contracts.

The interest rate swaps, including the interest portion of combined interest rate and currency swaps, are part of risk management and are accounted for as hedging or at the lowest value principle, depending on whether the requirements for hedge accounting are achieved.

### Currency and interest rate agreements

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying Value</td>
<td>Fair value</td>
</tr>
<tr>
<td><strong>Currency and interest rate derivatives</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>-</td>
<td>854</td>
</tr>
<tr>
<td>Forward exchange rate contracts</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Combined interest rate and currency swaps</td>
<td>-</td>
<td>499</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>99</td>
<td>1 451</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Derivatives – current assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Currency and interest rate derivatives</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Forward exchange rate contracts</td>
<td>247</td>
<td>247</td>
</tr>
<tr>
<td>Combined interest rate and currency swaps</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>247</td>
<td>251</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Derivatives – non-current liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Currency and interest rate derivatives</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>102</td>
<td>102</td>
</tr>
<tr>
<td>Forward exchange rate contracts</td>
<td>61</td>
<td>61</td>
</tr>
<tr>
<td>Combined interest rate and currency swaps</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>208</td>
<td>208</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Derivatives – current liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Currency and interest rate derivatives</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Forward exchange rate contracts</td>
<td>180</td>
<td>180</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>189</td>
<td>189</td>
</tr>
</tbody>
</table>

1) Fair value does not include accrued interests.
Note 20  Fees paid to external auditors

Deloitte AS is the Statkraft Group’s auditor. The total fees paid for auditing and other services for Statkraft AS (excluding VAT) were as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory auditing</td>
<td>2,089</td>
<td>2,109</td>
</tr>
<tr>
<td>Other attestation services</td>
<td>284</td>
<td>196</td>
</tr>
<tr>
<td>Tax consultancy services</td>
<td>352</td>
<td>758</td>
</tr>
<tr>
<td>Other services 1)</td>
<td>351</td>
<td>6,143</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,076</td>
<td>9,206</td>
</tr>
</tbody>
</table>

1) The main items in the fees for other services in 2019 relate to the attestation of the sustainability report. The corresponding figure for 2018 relates to assistance in a due diligence process and the attestation of the sustainability report.

Note 21  Obligations and guarantees

Statkraft AS has guarantees and off-balance-sheet obligations totaling NOK 19,099 million. Of this, NOK 18,298 million concerns parent company guarantees.

Statkraft AS leases office buildings in Lilleakerveien 4 and 6 in Oslo and Sluppenveien 17B in Trondheim. The lessors are Mustad Eiendom AS and Sluppenvegen 15 AS respectively. The lease agreements in Oslo expire in 2028 with an option to prolong for ten plus ten years. The annual lease totals NOK 102 million for the Oslo premises. The lease agreement in Trondheim expires in 2030 with an option to prolong for 5 years. The annual lease totals NOK 8 million for the Trondheim premises.

Note 22  Disputes

Statkraft AS received in 2017 a draft decision of a tax reassessment from the Norwegian tax authorities. On 11 September 2019, Statkraft AS received a revised draft. The revised draft decision regards the income tax returns for the fiscal years 2010-2014 related to the investment in the Statkraft Treasury Centre SA (STC) in Belgium. See note 34 in the Group consolidated Group financial statement for further information.

Note 23  Related parties

The Company’s related parties are considered to be:

- Directly owned subsidiaries, see specification in note 11
- Other group companies, see specification in note 26 and 39 to the Consolidated Financial Statements
- The parent company of the Group, Statkraft SF
- Associated companies and joint arrangements, see specification in note 11
- Group management and the board of directors, see specification in note 37 to the Consolidated Financial Statements

Transactions with subsidiaries, associated companies and joint arrangements mainly relate to the following:

- Statkraft AS sells intra-group services from centralised service centres
- Dividends and group contributions are accrued through Statkraft AS’ own shareholdings
- Statkraft AS is also the borrower for the majority of the Group’s external debts and is the owner of the cash pooling facilities. The central treasury function in Statkraft AS coordinates and manages the financial risks relating to currency, interest rates and liquidity of the Group.
- Statkraft AS finances subsidiaries, associates and joint arrangements through loans.

All intra-group transactions are conducted at market terms.

Guarantees related to group companies are listed in note 21.

The share capital of Statkraft Enerji A. S. was in 2019 reduced by TRY 170 million and thereby reducing the cost price of the shares in the company. In 2018 the share capital was reduced by TRY 50 million.
### Note 23 continued

Transactions and balances within the Group are presented below:

#### Income statement - NOK million

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statkraft Energi AS</td>
<td>584</td>
<td>467</td>
</tr>
<tr>
<td>Fosen Vind DA</td>
<td>103</td>
<td>90</td>
</tr>
<tr>
<td>Statkraft Markets GmbH</td>
<td>87</td>
<td>67</td>
</tr>
<tr>
<td>Statkraft Sverige AB</td>
<td>37</td>
<td>36</td>
</tr>
<tr>
<td>Statkraft Varme AS</td>
<td>31</td>
<td>32</td>
</tr>
<tr>
<td>Statkraft Peru S.A.</td>
<td>28</td>
<td>45</td>
</tr>
<tr>
<td>Other</td>
<td>240</td>
<td>218</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 110</td>
<td>955</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Other operating expenses</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Statkraft Energi AS</td>
<td>51</td>
<td>48</td>
</tr>
<tr>
<td>Statkraft Markets GmbH</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>Other</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>89</td>
<td>77</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Dividend and group contribution from group companies (recognised as financial income)</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Statkraft Energi AS</td>
<td>4 627</td>
<td>5 783</td>
</tr>
<tr>
<td>Statkraft Industrial Holding AS</td>
<td>1 305</td>
<td>1 090</td>
</tr>
<tr>
<td>Statkraft Asset Holding AS</td>
<td>1 000</td>
<td>1 220</td>
</tr>
<tr>
<td>Statkraft UK Ltd.</td>
<td>16</td>
<td>9 233</td>
</tr>
<tr>
<td>Other</td>
<td>82</td>
<td>348</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7 030</td>
<td>17 674</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Financial income from group companies</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Statkraft Energi AS</td>
<td>287</td>
<td>232</td>
</tr>
<tr>
<td>Skagerak Energi AS</td>
<td>120</td>
<td>140</td>
</tr>
<tr>
<td>Statkraft Markets GmbH</td>
<td>67</td>
<td>54</td>
</tr>
<tr>
<td>Statkraft Asset Holding AS</td>
<td>1</td>
<td>169</td>
</tr>
<tr>
<td>Other</td>
<td>75</td>
<td>82</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>550</td>
<td>677</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Financial costs to group companies</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Statkraft Energi AS</td>
<td>70</td>
<td>30</td>
</tr>
<tr>
<td>Statkraft SF</td>
<td>30</td>
<td>33</td>
</tr>
<tr>
<td>Statkraft Asset Holding AS</td>
<td>6</td>
<td>28</td>
</tr>
<tr>
<td>Statkraft UK Ltd.</td>
<td>11</td>
<td>21</td>
</tr>
<tr>
<td>Statkraft Industrial Holding AS</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>121</td>
<td>45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>251</td>
<td>160</td>
</tr>
</tbody>
</table>

#### Balance sheet - NOK million

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan to Statkraft Energi AS</td>
<td>6 800</td>
<td>10 800</td>
</tr>
<tr>
<td>Loan to Skagerak Energi AS</td>
<td>2 786</td>
<td>3 350</td>
</tr>
<tr>
<td>Loan to Baltic Cable AB</td>
<td>387</td>
<td>396</td>
</tr>
<tr>
<td>Loan to Statkraft Varme AS</td>
<td>-</td>
<td>1 016</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other non-current financial assets</strong></td>
<td>9 973</td>
<td>15 564</td>
</tr>
</tbody>
</table>

| Statkraft Energi AS                    | 17     | 5      |
| Statkraft Markets GmbH                 | 175    | 106    |
| Derivatives                             | 182    | 111    |
Note 23 continued

Current assets

<table>
<thead>
<tr>
<th>Company</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baltic Cable AB</td>
<td>75</td>
<td>4</td>
</tr>
<tr>
<td>Statkraft Varme AS</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>Group cash pooling receivable</td>
<td>77</td>
<td>15</td>
</tr>
<tr>
<td>Statkraft Energi AS</td>
<td>8 721</td>
<td>5 874</td>
</tr>
<tr>
<td>Statkraft Industrial Holding AS</td>
<td>1 631</td>
<td>1 701</td>
</tr>
<tr>
<td>Statkraft Varme AS</td>
<td>1 023</td>
<td>106</td>
</tr>
<tr>
<td>Statkraft Asset Holding AS</td>
<td>1 000</td>
<td>1 357</td>
</tr>
<tr>
<td>Skagerak Energi AS</td>
<td>624</td>
<td>557</td>
</tr>
<tr>
<td>Other</td>
<td>532</td>
<td>181</td>
</tr>
<tr>
<td>Short-term receivables group companies</td>
<td>13 531</td>
<td>9 776</td>
</tr>
<tr>
<td>Statkraft Markets GmbH</td>
<td>93</td>
<td>238</td>
</tr>
<tr>
<td>Statkraft Energi AS</td>
<td>56</td>
<td>31</td>
</tr>
<tr>
<td>Derivatives</td>
<td>149</td>
<td>269</td>
</tr>
</tbody>
</table>

Long-term liabilities

<table>
<thead>
<tr>
<th>Company</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statkraft Markets GmbH</td>
<td>20</td>
<td>11</td>
</tr>
<tr>
<td>Statkraft Energi AS</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Derivatives</td>
<td>21</td>
<td>13</td>
</tr>
</tbody>
</table>

Current liabilities

<table>
<thead>
<tr>
<th>Company</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statkraft Energi AS</td>
<td>2 460</td>
<td>3 441</td>
</tr>
<tr>
<td>Statkraft Markets GmbH</td>
<td>2 426</td>
<td>2 088</td>
</tr>
<tr>
<td>Statkraft Industrial Holding AS</td>
<td>1 067</td>
<td>1 013</td>
</tr>
<tr>
<td>Statkraft Sverige AB</td>
<td>426</td>
<td>540</td>
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<tr>
<td>Statkraft UK Ltd</td>
<td>214</td>
<td>4 482</td>
</tr>
<tr>
<td>Statkraft Asset Holding AS</td>
<td>11</td>
<td>1 064</td>
</tr>
<tr>
<td>Other</td>
<td>5 296</td>
<td>3 900</td>
</tr>
<tr>
<td>Group cash pooling debt</td>
<td>11 900</td>
<td>16 528</td>
</tr>
<tr>
<td>Debt to Statkraft SF</td>
<td>179</td>
<td>616</td>
</tr>
<tr>
<td>Current interest-bearing liabilities to group companies</td>
<td>179</td>
<td>616</td>
</tr>
<tr>
<td>Statkraft Markets GmbH</td>
<td>33</td>
<td>236</td>
</tr>
<tr>
<td>Statkraft Energi AS</td>
<td>33</td>
<td>43</td>
</tr>
<tr>
<td>Derivatives</td>
<td>68</td>
<td>279</td>
</tr>
<tr>
<td>Statkraft SF</td>
<td>6 362</td>
<td>8 502</td>
</tr>
<tr>
<td>Other</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Current interest-free liabilities to group companies</td>
<td>6 386</td>
<td>8 526</td>
</tr>
</tbody>
</table>

Note 24 Transactions

2019: Statkraft Western Balkans d.o.o. 100% owned by Statkraft AS has been liquidated in 2019. The remaining cash of NOK 15 million has been distributed to Statkraft AS. The remaining share value of NOK 13 million was impaired and booked as loss on shares.

Statkraft AS bought for 47.5% of the shares in Grønn Kontakt AS and now owns 95.72% of the shares.

2018: Naturkraft AS that was 50% owned by Statkraft AS has been liquidated in 2018. The remaining cash of NOK 354 million has been distributed to Statkraft AS with a gain of NOK 279 million booked as dividend.

Note 25 Subsequent events

There have been no significant subsequent events.
Auditor’s Report

To the General Meeting of Statkraft AS

INDEPENDENT AUDITOR’S REPORT

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Statkraft AS, which comprise:

- The financial statements of the parent company Statkraft AS (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Statkraft AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion
We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
### Impairments and reversal of prior years’ impairments

<table>
<thead>
<tr>
<th>Key audit matter</th>
<th>How the matter was addressed in the audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refer to note 15 to the group financial statements for description of Statkraft’s impairment process and key assessments. Refer also to note 2 for a description of Statkraft’s process to determine its long-term forecasts for energy prices in the markets in which they operate and the judgements and estimates that are involved in this process. The total carrying value of intangible assets, property, plant and equipment and investments in associates and joint ventures amounted to NOK 127.4 billion at 31 December 2019. The recoverability of these non-current assets are assessed for impairment or reversal of impairment at the end of each reporting period if indicators are identified. Impairment recognized in the year amounts to NOK 1.015 billion and reversal of prior years’ impairment amounts to NOK 1.035 billion.</td>
<td>We assessed Statkraft’s impairment process and tested the design and implementation of internal controls established. We challenged management’s assessment as to whether indicators of impairment or impairment reversal exist for these assets. For assets were indicators were identified we obtained the valuation models used to determine the recoverable amount. We evaluated and challenged management’s judgements applied to the inputs in the models, in particular: • the models used by management to establish its forecasts for energy prices, • the significant assumptions on which the price forecasts are built, and • the discount rate applied. To assess estimated future energy prices, we compared inputs to relevant information from third party documentation where available, made use of Deloitte valuation specialists and considered sensitivity analyses in order to challenge management’s estimates. To assess discount rates, we utilized Deloitte valuation specialists, obtained and assessed underlying calculations and compared inputs to relevant information from third party documentation where available. We performed audit procedures on the mathematical integrity of the models used to determine the value in use. We assessed the adequacy of the related disclosures in the financial statements.</td>
</tr>
</tbody>
</table>

Due to the level of complexity in assessing the appropriate accounting for impairment and the level of management judgement involved, this has been identified as a key audit matter. |

### Valuation of energy contracts

<table>
<thead>
<tr>
<th>Key audit matter</th>
<th>How the matter was addressed in the audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refer to note 10 to the group financial statements for description of Statkraft’s portfolio of energy contracts, the process and judgments to estimate fair values, presentation in the financial statements and how judgments related to the use of Statkraft’s business models affect the accounting treatment.</td>
<td>We assessed Statkraft’s processes for identification, classification and valuation of energy contracts and tested the design and implementation of internal controls. We utilised Deloitte energy valuation specialists to assess the appropriateness of management’s</td>
</tr>
</tbody>
</table>
### Valuation of energy contracts

<table>
<thead>
<tr>
<th>Key audit matter</th>
<th>How the matter was addressed in the audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>The carrying value of energy derivative assets measured at fair value amounted to NOK 10.1 billion at 31 December 2019, and the carrying value of energy derivative liabilities measured at fair value amounted to NOK -10.1 billion at 31 December 2019. Refer to note 10 to the group financial statements for a breakdown of the derivative position as of 31 December 2019.</td>
<td>valuation models, and tested the mathematical integrity of the models used.</td>
</tr>
<tr>
<td>The nature and risk of the energy contracts vary. The main area of audit focus is on long-term industry contracts, long-term energy purchase contracts and origination contracts, with high degree of estimation uncertainty and judgments, involving management assessments.</td>
<td>We tested a sample of contracts regarding whether classification as own use comply with relevant accounting standard.</td>
</tr>
<tr>
<td>Key risks relate to; valuation of embedded derivatives, judgments applied to assess whether the physical long term contracts are for own use, and valuation of long term power contracts.</td>
<td>We tested a sample of contracts and embedded derivatives measured at fair value, where we specifically tested and challenged the evidence supporting unobservable inputs utilised in Level 2 and 3 measurements in the fair value hierarchy as outlined in note 10 to the financial statements.</td>
</tr>
<tr>
<td>Due to the level of complexity in assessing the appropriate accounting for energy contracts and the level of management judgement involved, this has been identified as a key audit matter.</td>
<td>We also assessed the adequacy of the related disclosures in the financial statements.</td>
</tr>
</tbody>
</table>

#### Other information
Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and the President and CEO for the Financial Statements**
The Board of Directors and the President and CEO (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the
preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

**Opinion on the Board of Directors’ report**

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

**Opinion on Registration and Documentation**

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 12 February 2020
Deloitte AS

Aase Aa. Lundgaard
State Authorised Public Accountant (Norway)
Sustainability statement

Social disclosures

Health and safety

### Fatalities

<table>
<thead>
<tr>
<th>Consolidated operations</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>Number</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Third party</td>
<td>Number</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Associates</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>Number</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Contractors</td>
<td>Number</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Third party</td>
<td>Number</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

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

### Serious incidents

<table>
<thead>
<tr>
<th>Serious injuries</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
</table>

1) Includes activities where Statkraft has ≥ 20% ownership.
2) Incidents include accidents and near misses.

### Injuries

<table>
<thead>
<tr>
<th>Employees</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost-time injuries (LTI)</td>
<td>Number</td>
<td>23</td>
<td>30</td>
<td>40</td>
</tr>
<tr>
<td>Lost-time injuries per million hours worked</td>
<td>LTI rate</td>
<td>2.1</td>
<td>2.9</td>
<td>3.4</td>
</tr>
<tr>
<td>Total recordable injuries (TRI)</td>
<td>Number</td>
<td>42</td>
<td>57</td>
<td>78</td>
</tr>
<tr>
<td>Total recordable injuries per million hours worked</td>
<td>TRI rate</td>
<td>3.8</td>
<td>5.4</td>
<td>6.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contractors</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost-time injuries (LTI)</td>
<td>Number</td>
<td>31</td>
<td>29</td>
<td>27</td>
</tr>
<tr>
<td>Lost-time injuries per million hours worked</td>
<td>LTI rate</td>
<td>3.1</td>
<td>3.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Total recordable injuries (TRI)</td>
<td>Number</td>
<td>59</td>
<td>50</td>
<td>46</td>
</tr>
<tr>
<td>Total recordable injuries per million hours worked</td>
<td>TRI rate</td>
<td>5.9</td>
<td>5.2</td>
<td>3.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Third parties</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Injuries</td>
<td>Number</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Statkraft, total</td>
<td>Lost-time injuries per million hours worked</td>
<td>LTI rate</td>
<td>2.6</td>
<td>2.9</td>
</tr>
<tr>
<td>Total recordable injuries per million hours worked</td>
<td>TRI rate</td>
<td>4.8</td>
<td>5.3</td>
<td>5.2</td>
</tr>
</tbody>
</table>

1) Includes activities where Statkraft has ≥ 20% ownership.
2) Work-related injuries which have resulted in absence extending beyond the day of the injury.
3) Incidents include accidents and near misses.
4) Recorded injuries requiring treatment by a doctor.

### Sick leave

<table>
<thead>
<tr>
<th>Sick leave</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sick leave, total</td>
<td>%</td>
<td>2.7</td>
<td>3.3</td>
<td>3.5</td>
</tr>
<tr>
<td>Of which short-term absence (16 days or less)</td>
<td>%</td>
<td>1.2</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Of which long-term absence (more than 16 days)</td>
<td>%</td>
<td>1.5</td>
<td>1.8</td>
<td>2.0</td>
</tr>
</tbody>
</table>

1) Sick leave due to illness or injuries, as percentage of normal working hours.

### Judicial sanctions and fines, health and safety

| Cases where judicial or administrative sanctions have been applied due to material non-compliance with health and safety legislation | Number | 0 | 1 | 1 |
| Judicial fines applied due to material non-compliance with health and safety legislation | NOK million | 0 | 0 | 0 |
| Administrative fines applied due to material non-compliance with health and safety legislation | NOK million | 0 | 0.02 | 0.05 |

1) Fine to Devoll Hydropower Mogilcë related to fatal accident in 2018.
2) Fine to District Heating related to safety incident.
## Labour practices

### Employees

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees 31.12</td>
<td>Number</td>
<td>3,973</td>
<td>3,557</td>
<td>3,593</td>
</tr>
<tr>
<td></td>
<td>Of which in Norway</td>
<td>2,173</td>
<td>2,040</td>
<td>2,241</td>
</tr>
<tr>
<td></td>
<td>Of which in other Nordic countries</td>
<td>210</td>
<td>212</td>
<td>213</td>
</tr>
<tr>
<td></td>
<td>Of which in other European countries</td>
<td>889</td>
<td>713</td>
<td>661</td>
</tr>
<tr>
<td></td>
<td>Of which in the rest of the world</td>
<td>701</td>
<td>592</td>
<td>478</td>
</tr>
<tr>
<td>Full-time employees 31.12</td>
<td>%</td>
<td>95</td>
<td>95</td>
<td>96</td>
</tr>
<tr>
<td>Staff turnover rate 1)</td>
<td>%</td>
<td>4.3</td>
<td>4.2</td>
<td>5.7</td>
</tr>
<tr>
<td>Service time</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average service time</td>
<td>Years</td>
<td>10.5</td>
<td>11.6</td>
<td>12.0</td>
</tr>
<tr>
<td>Average service time for employees resigned or dismissed 1)</td>
<td>Years</td>
<td>10.2</td>
<td>12.4</td>
<td>8.3</td>
</tr>
<tr>
<td>Apprentices employed 31.12</td>
<td>Number</td>
<td>89</td>
<td>77</td>
<td>77</td>
</tr>
<tr>
<td>Trainees employed 31.12</td>
<td>Number</td>
<td>13</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Nationalities represented among Statkraft’s employees</td>
<td>Number</td>
<td>61</td>
<td>57</td>
<td>51</td>
</tr>
</tbody>
</table>

1) Excluding retirements.

### Gender equality

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of women</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>%</td>
<td>26</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>In Norway</td>
<td>%</td>
<td>26</td>
<td>25</td>
<td>27</td>
</tr>
<tr>
<td>In other Nordic countries</td>
<td>%</td>
<td>18</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>In other European countries</td>
<td>%</td>
<td>27</td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td>In the rest of the world</td>
<td>%</td>
<td>29</td>
<td>25</td>
<td>22</td>
</tr>
<tr>
<td>In management positions</td>
<td>%</td>
<td>23</td>
<td>21</td>
<td>22</td>
</tr>
<tr>
<td>In Norway</td>
<td>%</td>
<td>27</td>
<td>25</td>
<td>26</td>
</tr>
<tr>
<td>In other Nordic countries</td>
<td>%</td>
<td>9</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>In other European countries</td>
<td>%</td>
<td>19</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>In the rest of the world</td>
<td>%</td>
<td>24</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>In Corporate Management</td>
<td>%</td>
<td>29</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>In Statkraft’s Board of Directors</td>
<td>%</td>
<td>44</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Among employees recruited in the reporting year</td>
<td>%</td>
<td>38</td>
<td>31</td>
<td>22</td>
</tr>
<tr>
<td>Among managers recruited in the reporting year</td>
<td>%</td>
<td>32</td>
<td>24</td>
<td>20</td>
</tr>
<tr>
<td>Among full-time employees</td>
<td>%</td>
<td>25</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Among part-time employees</td>
<td>%</td>
<td>50</td>
<td>53</td>
<td>57</td>
</tr>
</tbody>
</table>

### Equal salary

<table>
<thead>
<tr>
<th>Salary ratio among employees 1)</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Norway</td>
<td>Ratio</td>
<td>0.93</td>
<td>0.94</td>
<td>0.93</td>
</tr>
<tr>
<td>In other Nordic countries</td>
<td>Ratio</td>
<td>0.99</td>
<td>0.97</td>
<td>0.97</td>
</tr>
<tr>
<td>In other European countries</td>
<td>Ratio</td>
<td>1.04</td>
<td>1.03</td>
<td>1.00</td>
</tr>
<tr>
<td>In the rest of the world</td>
<td>Ratio</td>
<td>0.78</td>
<td>0.85</td>
<td>0.81</td>
</tr>
<tr>
<td>Salary ratio among managers 1)</td>
<td>Ratio</td>
<td>0.88</td>
<td>0.88</td>
<td>0.92</td>
</tr>
<tr>
<td>In Norway</td>
<td>Ratio</td>
<td>0.92</td>
<td>0.87</td>
<td>0.92</td>
</tr>
<tr>
<td>In other Nordic countries</td>
<td>Ratio</td>
<td>0.99</td>
<td>0.95</td>
<td>0.99</td>
</tr>
<tr>
<td>In other European countries</td>
<td>Ratio</td>
<td>0.90</td>
<td>0.83</td>
<td>0.90</td>
</tr>
<tr>
<td>In the rest of the world</td>
<td>Ratio</td>
<td>0.72</td>
<td>0.78</td>
<td>0.74</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.02</td>
<td>0.83</td>
<td>1.04</td>
</tr>
</tbody>
</table>

1) Average salary for women in relation to average salary for men.

### Statkraft as employer

<table>
<thead>
<tr>
<th>Organisation and leadership evaluation 1)</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee engagement</td>
<td>Scale 0-100</td>
<td>84</td>
<td>78</td>
<td>72</td>
</tr>
<tr>
<td>Response rate</td>
<td>%</td>
<td>92</td>
<td>91</td>
<td>92</td>
</tr>
<tr>
<td>Employees who have completed the performance and career development review</td>
<td>%</td>
<td>88</td>
<td>87</td>
<td>97</td>
</tr>
<tr>
<td>Ranking as preferred employer 2) among</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business students</td>
<td>Ranking</td>
<td>57</td>
<td>65</td>
<td>58</td>
</tr>
<tr>
<td>Engineering students</td>
<td>Ranking</td>
<td>14</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Business professionals</td>
<td>Ranking</td>
<td>38</td>
<td>45</td>
<td>22</td>
</tr>
<tr>
<td>Engineering professionals</td>
<td>Ranking</td>
<td>20</td>
<td>10</td>
<td>13</td>
</tr>
</tbody>
</table>

1) From Statkraft’s internal annual organisation and leadership evaluation survey. Statkraft’s score can be compared with the Merces Sirota Global Benchmark which was 77 in 2019.

2) Ranking among final-year students and professionals, as defined and measured in the annual Universum Graduate Survey for Norway and the Universum Professional Survey for Norway.
Environmental disclosures

Climate

Greenhouse gas emissions

<table>
<thead>
<tr>
<th>Greenhouse gas emissions</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions of CO₂ equivalents, consolidated activities 1)</td>
<td>Tonnes</td>
<td>1 493 100</td>
<td>485 400</td>
<td>818 000</td>
</tr>
<tr>
<td>Of which from gas power plants (scope 1)</td>
<td>Tonnes</td>
<td>1 443 100</td>
<td>439 000</td>
<td>763 900</td>
</tr>
<tr>
<td>Of which from district heating plants 2) (scope 1)</td>
<td>Tonnes</td>
<td>28 900</td>
<td>28 500</td>
<td>23 500</td>
</tr>
<tr>
<td>Of which from SF₆ emissions (scope 1)</td>
<td>Tonnes</td>
<td>2 500</td>
<td>200</td>
<td>900</td>
</tr>
<tr>
<td>Of which halon emissions (scope 1)</td>
<td>Tonnes</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Of which from fuel consumption 3) (scope 1)</td>
<td>Tonnes</td>
<td>14 900</td>
<td>14 900</td>
<td>26 900</td>
</tr>
<tr>
<td>Of which from electricity consumption 4) (scope 2)</td>
<td>Tonnes</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Of which from business travel 5) (scope 3)</td>
<td>Tonnes</td>
<td>3 700</td>
<td>2 800</td>
<td>2 800</td>
</tr>
<tr>
<td>Emissions of CO₂ equivalents from affiliated gas power plants 6) (scope 1)</td>
<td>Tonnes</td>
<td>96 900</td>
<td>105 000</td>
<td>94 500</td>
</tr>
<tr>
<td>Emissions of CO₂ equivalents from Heimdal incineration plant 2)</td>
<td>Tonnes</td>
<td>74 200</td>
<td>74 400</td>
<td>79 800</td>
</tr>
<tr>
<td>Emissions of biogenic CO₂ from district heating plants</td>
<td>Tonnes</td>
<td>224 800</td>
<td>306 500</td>
<td>317 300</td>
</tr>
<tr>
<td>SF₆ emissions</td>
<td>kg</td>
<td>112</td>
<td>28</td>
<td>40</td>
</tr>
<tr>
<td>Halon emissions</td>
<td>kg</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

1) Statkraf's ownership is >50%.
2) Emissions of CO₂ from Heimdal incineration plant is not included in Statkraft's total CO₂ statement, according to established reporting practice for the district heating industry.
3) CO₂ from fuel consumption from the Group's machinery and vehicles.
4) 100% of Statkraft's electricity consumption is certified renewable.
5) Comprises travel by air and car in the Norwegian operations.
6) Statkraft's share.

Greenhouse gas emissions per scope

<table>
<thead>
<tr>
<th>Greenhouse gas emissions per scope</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1: Direct emissions 1)</td>
<td>Tonnes</td>
<td>1 586 300</td>
<td>587 600</td>
<td>909 700</td>
</tr>
<tr>
<td>Scope 2: Indirect emissions, related to electricity consumption</td>
<td>Tonnes</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Scope 3: Other indirect emissions</td>
<td>Tonnes</td>
<td>3 700</td>
<td>2 800</td>
<td>2 800</td>
</tr>
</tbody>
</table>

1) Includes Statkraft's share of emissions of CO₂ in the jointly controlled power plant Herdecke (Germany).

Relative greenhouse gas emissions

<table>
<thead>
<tr>
<th>Relative greenhouse gas emissions</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂-equivalent emissions per MWh power generation, total 1)</td>
<td>kg/MWh</td>
<td>28</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>CO₂-equivalent emissions per MWh power generation, gas power 1)</td>
<td>kg/MWh</td>
<td>342</td>
<td>363</td>
<td>390</td>
</tr>
<tr>
<td>CO₂-equivalent emissions per MWh district heating production 2)</td>
<td>kg/MWh</td>
<td>26</td>
<td>26</td>
<td>19</td>
</tr>
</tbody>
</table>

1) Includes Statkraft's share of production and emissions of CO₂ in the jointly controlled power plant Herdecke (Germany).
2) Emissions of CO₂ from Heimdal incineration plant is not included in Statkraft's total CO₂ statement, according to established reporting practice for the district heating industry.
### Biodiversity and impact on nature

#### Impact on watercourses 1), 2)

<table>
<thead>
<tr>
<th>Impact on watercourses</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impacted river courses with:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anadromous fish</td>
<td>Number</td>
<td>47</td>
<td>47</td>
<td>46</td>
</tr>
<tr>
<td>Catadromous fish</td>
<td>Number</td>
<td>8</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Impacted national salmon rivers</td>
<td>Number</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Impacted protected rivers</td>
<td>Number</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

1) Impact entails change of waterflow, water levels or other living conditions for fish.  
2) More detailed information related to impact on watercourses is presented in the table "Impact on watercourses".

#### Fish cultivation

<table>
<thead>
<tr>
<th>Fish cultivation</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restocking of fish and smolt 1)</td>
<td>Number</td>
<td>624 800</td>
<td>658 900</td>
<td>2 188 400</td>
</tr>
<tr>
<td>Of which in Norway</td>
<td>Number</td>
<td>315 000</td>
<td>325 200</td>
<td>1 614 700</td>
</tr>
<tr>
<td>Of which in other Nordic countries</td>
<td>Number</td>
<td>309 800</td>
<td>323 000</td>
<td>543 700</td>
</tr>
<tr>
<td>Of which in other European countries</td>
<td>Number</td>
<td>20 000</td>
<td>10 700</td>
<td>30 000</td>
</tr>
<tr>
<td>Restocking of juveniles 2), 3)</td>
<td>Number</td>
<td>909 300</td>
<td>1 168 800</td>
<td>-</td>
</tr>
<tr>
<td>Of which in Norway</td>
<td>Number</td>
<td>598 900</td>
<td>923 900</td>
<td>-</td>
</tr>
<tr>
<td>Of which in other Nordic countries</td>
<td>Number</td>
<td>310 400</td>
<td>244 900</td>
<td>-</td>
</tr>
<tr>
<td>Stocking of fish roe 4)</td>
<td>Number</td>
<td>1 101 800</td>
<td>1 332 800</td>
<td>568 200</td>
</tr>
</tbody>
</table>

1) Includes salmon, inland trout, sea trout, grayling and eel.  
2) Includes salmon, inland trout, sea trout, grayling and eel. Juveniles is defined as startfed fry, one-year old fry and two-summer old fry.  
3) Reporting on restocking of juveniles was introduced in 2018.  
4) Includes salmon in Norway and eel in Sweden.

#### Red list species (fauna) 1), 2)

<table>
<thead>
<tr>
<th>Red list species with habitat in areas impacted by Statkraft's operations in:</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>Number</td>
<td>33</td>
<td>33</td>
<td>32</td>
</tr>
<tr>
<td>Other Nordic countries</td>
<td>Number</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Other European countries</td>
<td>Number</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>Number</td>
<td>83</td>
<td>83</td>
<td>83</td>
</tr>
</tbody>
</table>

1) More detailed information on red list species is presented in the table "Red list species (fauna)".  
2) Includes species defined as red list species by either International Union for Conservation of Nature (IUCN) or national authorities.

#### Operational sites in, or adjacent to, protected areas 1)

<table>
<thead>
<tr>
<th>Operational sites in, or adjacent to, protected areas</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational sites in, or adjacent to, protected areas</td>
<td>Number</td>
<td>34</td>
<td>29</td>
<td>27</td>
</tr>
<tr>
<td>Of which in Norway</td>
<td>Number</td>
<td>19</td>
<td>18</td>
<td>16</td>
</tr>
<tr>
<td>Of which in other Nordic countries</td>
<td>Number</td>
<td>9</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Of which in other European countries</td>
<td>Number</td>
<td>6</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

1) Limited to natural parks and nature or wildlife reserves.
## Consumption

### Electricity consumption

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity consumption</td>
<td>GWh</td>
<td>1 041</td>
<td>1 067</td>
<td>944</td>
</tr>
<tr>
<td>Of which pumped-storage power</td>
<td>GWh</td>
<td>665</td>
<td>709</td>
<td>633</td>
</tr>
<tr>
<td>Of which electric boilers for district heating</td>
<td>GWh</td>
<td>72</td>
<td>89</td>
<td>65</td>
</tr>
<tr>
<td>Of which other operations</td>
<td>GWh</td>
<td>304</td>
<td>269</td>
<td>246</td>
</tr>
</tbody>
</table>

### Fuel consumption

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural gas, gas power plants</td>
<td>Mill. Nm 1)</td>
<td>699</td>
<td>258</td>
<td>354</td>
</tr>
<tr>
<td>Fuel gas, district heating plants</td>
<td>Tonnes</td>
<td>8 670</td>
<td>7 918</td>
<td>5 750</td>
</tr>
<tr>
<td>Fuel oil, district heating plants</td>
<td>Tonnes</td>
<td>1 117</td>
<td>1 674</td>
<td>1 813</td>
</tr>
<tr>
<td>Engine fuel 1)</td>
<td>Tonnes</td>
<td>7 993</td>
<td>4 707</td>
<td>8 493</td>
</tr>
</tbody>
</table>

### Use of water

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooling water, gas power plants</td>
<td>m$^3$</td>
<td>1 030 900</td>
<td>1 731 000</td>
<td>1 900 000</td>
</tr>
<tr>
<td>Process water 1)</td>
<td>m$^3$</td>
<td>387 300</td>
<td>177 800</td>
<td>251 000</td>
</tr>
<tr>
<td>Of which used in gas power plants</td>
<td>m$^3$</td>
<td>225 000</td>
<td>32 000</td>
<td>185 000</td>
</tr>
<tr>
<td>Of which used in bio power plants</td>
<td>m$^3$</td>
<td>96 600</td>
<td>83 300</td>
<td>-</td>
</tr>
<tr>
<td>Of which used in district heating plants</td>
<td>m$^3$</td>
<td>65 700</td>
<td>62 500</td>
<td>66 000</td>
</tr>
<tr>
<td>District heating pipe leakages</td>
<td>m$^3$</td>
<td>40 100</td>
<td>30 200</td>
<td>24 600</td>
</tr>
</tbody>
</table>

1) Used for treatment of gas emissions.

## Waste

### Waste

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazardous waste</td>
<td>Tonnes</td>
<td>22 600</td>
<td>21 200</td>
<td>15 400</td>
</tr>
<tr>
<td>Of which from waste incineration plants 1)</td>
<td>Tonnes</td>
<td>5 400</td>
<td>4 500</td>
<td>6 900</td>
</tr>
<tr>
<td>Of which from bio power plants</td>
<td>Tonnes</td>
<td>14 000</td>
<td>15 800</td>
<td>7 900</td>
</tr>
<tr>
<td>Of which other hazardous waste</td>
<td>Tonnes</td>
<td>3 200</td>
<td>900</td>
<td>600</td>
</tr>
<tr>
<td>Non-hazardous waste</td>
<td>Tonnes</td>
<td>40 600</td>
<td>46 400</td>
<td>51 400</td>
</tr>
<tr>
<td>Of which non-hazardous waste separated at source</td>
<td>Tonnes</td>
<td>36 600</td>
<td>45 100</td>
<td>49 800</td>
</tr>
<tr>
<td>Of which non-hazardous waste from biopower plants</td>
<td>Tonnes</td>
<td>300</td>
<td>800</td>
<td>-</td>
</tr>
<tr>
<td>Of which non-hazardous waste from waste incineration plants</td>
<td>Tonnes</td>
<td>36 400</td>
<td>36 500</td>
<td>-</td>
</tr>
<tr>
<td>Of which residual non-hazardous waste</td>
<td>Tonnes</td>
<td>4 000</td>
<td>1 300</td>
<td>1 600</td>
</tr>
</tbody>
</table>

1) Consists of filter dust and filter cake.

## Environmental incidents

### Environmental incidents

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serious environmental incidents 1)</td>
<td>Number</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Less serious environmental incidents 2)</td>
<td>Number</td>
<td>288</td>
<td>283</td>
<td>187</td>
</tr>
</tbody>
</table>

1) An incident that causes serious or irreversible environmental impact on critical or protected resources.
2) An incident that causes minor or moderate negative environmental impact.

Most of the less serious environmental incidents in 2019 were related to minor discharges to ground and water and emissions to air. Some incidents were also related to short-term breaches of the concession terms for water flow and water levels.

### Judicial sanctions and fines, environment

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases where judicial or administrative sanctions have been applied due to material non-compliance with environmental legislation</td>
<td>Number</td>
<td>6</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Judicial fines applied due to material non-compliance with environmental legislation</td>
<td>NOK million</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Administrative fines applied due to material non-compliance with environmental legislation</td>
<td>NOK million</td>
<td>0</td>
<td>0.2 1)</td>
<td>0.2 2)</td>
</tr>
</tbody>
</table>

1) Breach of concession terms at four hydropower plants in Sweden (occurred in the period 2015-2017).
2) Breach of the concessional terms at Alta hydropower plant.
## Economic disclosures

### Power generation and district heating production

#### Installed capacity per technology and geography

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Installed capacity power generation</td>
<td>MW</td>
<td>18 445</td>
<td>17 831</td>
<td>17 478</td>
</tr>
<tr>
<td>Of which hydropower</td>
<td>MW</td>
<td>14 399</td>
<td>14 190</td>
<td>14 099</td>
</tr>
<tr>
<td>Of which wind power</td>
<td>MW</td>
<td>1 607</td>
<td>1 203</td>
<td>947</td>
</tr>
<tr>
<td>Of which gas power ¹)</td>
<td>MW</td>
<td>2 390</td>
<td>2 390</td>
<td>2 390</td>
</tr>
<tr>
<td>Of which other ²)</td>
<td>MW</td>
<td>49</td>
<td>49</td>
<td>43</td>
</tr>
<tr>
<td>Installed capacity, district heating</td>
<td>MW</td>
<td>828</td>
<td>836</td>
<td>835</td>
</tr>
</tbody>
</table>

#### Installed capacity per geography, power generation

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>MW</td>
<td>12 513</td>
<td>12 127</td>
<td>11 857</td>
</tr>
<tr>
<td>Other Nordic countries</td>
<td>MW</td>
<td>1 813</td>
<td>1 813</td>
<td>1 813</td>
</tr>
<tr>
<td>Other European countries</td>
<td>MW</td>
<td>3 181</td>
<td>2 974</td>
<td>2 974</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>MW</td>
<td>937</td>
<td>917</td>
<td>834</td>
</tr>
</tbody>
</table>

#### Installed capacity per technology and geography

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydroelectric</td>
<td>%</td>
<td>78.1</td>
<td>79.6</td>
<td>80.7</td>
</tr>
<tr>
<td>Wind energy</td>
<td>%</td>
<td>8.7</td>
<td>6.7</td>
<td>5.4</td>
</tr>
<tr>
<td>Gas energy ¹)</td>
<td>%</td>
<td>13.0</td>
<td>13.4</td>
<td>13.7</td>
</tr>
<tr>
<td>Other ²)</td>
<td>%</td>
<td>0.3</td>
<td>0.3</td>
<td>0.2</td>
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</tbody>
</table>

#### Capacity under development per technology and geography

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity under development, power generation</td>
<td>MW</td>
<td>750</td>
<td>865</td>
<td>718</td>
</tr>
<tr>
<td>Of which hydropower</td>
<td>MW</td>
<td>386</td>
<td>292</td>
<td>184</td>
</tr>
<tr>
<td>Of which wind power ³)</td>
<td>MW</td>
<td>364</td>
<td>574</td>
<td>520</td>
</tr>
<tr>
<td>Of which solar power</td>
<td>MW</td>
<td>0</td>
<td>0</td>
<td>14</td>
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<tr>
<td>Capacity under development, district heating</td>
<td>MW</td>
<td>0</td>
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<td>0</td>
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</table>

#### Capacity under development per geography, power generation

<table>
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<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
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</thead>
<tbody>
<tr>
<td>Norway ³)</td>
<td>MW</td>
<td>364</td>
<td>559</td>
<td>520</td>
</tr>
<tr>
<td>Other Nordic countries</td>
<td>MW</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other European countries</td>
<td>MW</td>
<td>184</td>
<td>23</td>
<td>198</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>MW</td>
<td>202</td>
<td>282</td>
<td>0</td>
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<tr>
<td>Capacity under development, district heating</td>
<td>MW</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tbody>
</table>
Power generation and district heating production per technology and geography

<table>
<thead>
<tr>
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<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power generation, total</td>
<td>TWh</td>
<td>61.1</td>
<td>61.7</td>
<td>62.6</td>
</tr>
<tr>
<td>Of which hydropower</td>
<td>TWh</td>
<td>53.4</td>
<td>57.2</td>
<td>57.4</td>
</tr>
<tr>
<td>Of which wind power</td>
<td>TWh</td>
<td>3.0</td>
<td>2.7</td>
<td>2.7</td>
</tr>
<tr>
<td>Of which gas power ¹</td>
<td>TWh</td>
<td>4.5</td>
<td>1.5</td>
<td>2.2</td>
</tr>
<tr>
<td>Of which other ²</td>
<td>TWh</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>District heating</td>
<td>TWh</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Renewable power generation ³</td>
<td>%</td>
<td>92.6</td>
<td>97.6</td>
<td>96.5</td>
</tr>
<tr>
<td>Renewable district heating ³</td>
<td>%</td>
<td>89.5</td>
<td>89.2</td>
<td>91.6</td>
</tr>
<tr>
<td>Power generation per geography</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>TWh</td>
<td>44.9</td>
<td>48.6</td>
<td>48.6</td>
</tr>
<tr>
<td>Other Nordic countries</td>
<td>TWh</td>
<td>6.2</td>
<td>6.0</td>
<td>6.6</td>
</tr>
<tr>
<td>Other European countries</td>
<td>TWh</td>
<td>5.6</td>
<td>2.8</td>
<td>3.2</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>TWh</td>
<td>4.4</td>
<td>4.3</td>
<td>4.2</td>
</tr>
<tr>
<td>District heating per geography</td>
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<tr>
<td>Norway</td>
<td>TWh</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Other Nordic countries</td>
<td>TWh</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
</tbody>
</table>

¹) Includes Statkraft’s share of the jointly controlled Herdecke (Germany) power plant.
²) Includes bio power and solar power.
³) Includes projects with an investment decision.
⁴) Includes Statkraft’s share of the Fosen project.
⁵) Non-renewable production consists of gas power and share of district heating based on fossil fuel. Production at Heimdal, the incineration plant in Trondheim, is counted as 100% renewable district heating production (aligned with SSB, Statistics Norway, reporting practice).

Contribution to society

<table>
<thead>
<tr>
<th>Value creation</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross operating revenues</td>
<td>NOK million</td>
<td>48 679</td>
<td>56 623</td>
<td>52 883</td>
</tr>
<tr>
<td>Unrealised changes in the value of energy contracts</td>
<td>NOK million</td>
<td>-801</td>
<td>-789</td>
<td>1 289</td>
</tr>
<tr>
<td>Paid to suppliers for goods and services ¹</td>
<td>NOK million</td>
<td>22 157</td>
<td>33 137</td>
<td>33 349</td>
</tr>
<tr>
<td>Gross value added</td>
<td>NOK million</td>
<td>25 722</td>
<td>22 698</td>
<td>20 823</td>
</tr>
<tr>
<td>Depreciations, amortisations and impairments</td>
<td>NOK million</td>
<td>3 689</td>
<td>3 734</td>
<td>4 162</td>
</tr>
<tr>
<td>Net value added</td>
<td>NOK million</td>
<td>22 033</td>
<td>18 964</td>
<td>16 661</td>
</tr>
<tr>
<td>Financial income</td>
<td>NOK million</td>
<td>1 401</td>
<td>5 781</td>
<td>7 122</td>
</tr>
<tr>
<td>Gain or loss from divestments</td>
<td>NOK million</td>
<td>55</td>
<td>1 449</td>
<td>315</td>
</tr>
<tr>
<td>Share of profit from associates</td>
<td>NOK million</td>
<td>1 249</td>
<td>790</td>
<td>-79</td>
</tr>
<tr>
<td>Minority interests</td>
<td>NOK million</td>
<td>416</td>
<td>680</td>
<td>-94</td>
</tr>
<tr>
<td>Values for distribution</td>
<td>NOK million</td>
<td>24 323</td>
<td>26 303</td>
<td>24 113</td>
</tr>
</tbody>
</table>

¹) Includes energy purchases, transmission costs and operating expenses.

Distribution of value created

<table>
<thead>
<tr>
<th>Distribution of value created</th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross salaries and benefits</td>
<td>NOK million</td>
<td>3 503</td>
<td>3 198</td>
<td>3 262</td>
</tr>
<tr>
<td>Lenders/owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>NOK million</td>
<td>669</td>
<td>1 369</td>
<td>3 303</td>
</tr>
<tr>
<td>Dividend ¹</td>
<td>NOK million</td>
<td>6 500</td>
<td>8 500</td>
<td>6 100</td>
</tr>
<tr>
<td>Taxes ²</td>
<td>NOK million</td>
<td>9 241</td>
<td>9 027</td>
<td>5 743</td>
</tr>
<tr>
<td>The company</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in equity</td>
<td>NOK million</td>
<td>4 411</td>
<td>4 210</td>
<td>5 705</td>
</tr>
<tr>
<td>Total wealth distributed</td>
<td>NOK million</td>
<td>24 323</td>
<td>26 303</td>
<td>24 113</td>
</tr>
</tbody>
</table>

¹) Includes dividend and Group contribution from Statkraft AS to Statkraft SF.
²) Includes taxes, property tax, licence fees and employers’ contribution.
Taxes 1)  

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>NOK million</td>
<td>7 109</td>
<td>7 391</td>
<td>4 010</td>
</tr>
<tr>
<td>Of which in Norway</td>
<td>NOK million</td>
<td>6 029</td>
<td>6 857</td>
<td>3 803</td>
</tr>
<tr>
<td>Of which in other Nordic countries</td>
<td>NOK million</td>
<td>246</td>
<td>113</td>
<td>50</td>
</tr>
<tr>
<td>Of which in other European countries</td>
<td>NOK million</td>
<td>820</td>
<td>364</td>
<td>333</td>
</tr>
<tr>
<td>Of which in the rest of the world</td>
<td>NOK million</td>
<td>14</td>
<td>57</td>
<td>23</td>
</tr>
</tbody>
</table>

1) Taxes payable in the statement of financial position.

Business ethics and anti-corruption

Training on anti-corruption 1)  

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees that have received training on anti-corruption in the last three years</td>
<td>Percentage</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Employees in senior management positions that have received training on anti-corruption in the last two years</td>
<td>Percentage</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Statkraft’s Board members have received training on anti-corruption in the last two years</td>
<td>Yes/No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

1) This indicator covers the Group, excluding Skagerak Energi.

Incidents of corruption 1)  

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confirmed breaches of Statkraft’s Code of Conduct related to corruption</td>
<td>Number</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Public legal cases regarding corruption 2)</td>
<td>Number</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

1) This indicator was introduced in 2018.  
2) Cases brought against the organisation or its employees.

Judicial sanctions and fines, business ethics 1)  

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases where judicial or administrative sanctions have been applied due to material non-compliance with business ethics legislation</td>
<td>Number</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Judicial fines applied due to material non-compliance with business ethics legislation</td>
<td>NOK million</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Administrative fines applied due to material non-compliance with business ethics legislation</td>
<td>NOK million</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

1) Material judicial sanctions for accounting fraud, corruption, anti-competitive behaviour, anti-trust and monopoly practices.

Reported concerns covering the scope of the Code of Conduct

Reported concerns (whistleblowing) 1)  

<table>
<thead>
<tr>
<th></th>
<th>Unit of measurement</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of reported concerns</td>
<td>Number</td>
<td>60</td>
<td>55</td>
<td>57</td>
</tr>
<tr>
<td>Of which related to business ethics and anti-corruption</td>
<td>Number</td>
<td>28</td>
<td>32</td>
<td>40</td>
</tr>
<tr>
<td>Of which related to discrimination 2)</td>
<td>Number</td>
<td>8</td>
<td>2</td>
<td>na</td>
</tr>
<tr>
<td>Investigations initiated by Corporate Audit in the reporting year</td>
<td>Number</td>
<td>3</td>
<td>3</td>
<td>5</td>
</tr>
</tbody>
</table>

1) The scope of the whistleblowing procedures relates to the full scope of Statkraft’s Code of Conduct, e.g. human rights, environment, health and safety, business ethics and anti-corruption.  
2) This indicator was introduced in 2018.

When a reported concern is received, a risk assessment is done in order to decide how to follow up the concern. Most of the reported concerns are handled by the respective business areas according to Statkraft’s procedures for handling of reported concerns. Concerns with potentially high consequences for the Statkraft Group are handled by Corporate Audit. In cases where a formal investigation is required, this is the responsibility of the Head of Corporate Audit.
## Impact on watercourses

### Protected rivers and rivers with migrating fish impacted by Statkraft’s activities

<table>
<thead>
<tr>
<th>NORWAY</th>
<th>River with anadromous fish</th>
<th>River with eel population (catadromous fish)</th>
<th>National salmon river</th>
<th>Protected river</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Region North Norway</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Altaelva</td>
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<td>X</td>
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<tr>
<td>Beiaelva</td>
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<td>Engabrevevassdraget</td>
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<tr>
<td>Kobbelvassdraget</td>
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<td>Malsetvassdraget</td>
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<td>Ranaelva</td>
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<td>Isa/Glutra</td>
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<td><strong>Region South Norway</strong></td>
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### Red list species (fauna) with habitat in areas affected by Statkraft’s activities

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### Red list species (fauna) with habitat in areas affected by Statkraft’s activities (continued)

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<td>Torrent Duck</td>
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<td>Andean condor</td>
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<tr>
<td>Guanaco</td>
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</tr>
<tr>
<td>Puma, Mountain Lion</td>
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Statkraft’s GRI index

The GRI Standards represent the global best practice for sustainability reporting. The standards comprise both general disclosures, as well as economic, environmental and social disclosures. Companies can report according to two reporting levels - Core or Comprehensive.

Statkraft’s sustainability reporting is based on the GRI Standards, at reporting level Core. Statkraft has engaged Deloitte AS to conduct a review to provide a limited level of assurance on the company’s sustainability information in Statkraft’s Annual Report 2019. The review is based on the assurance standard ISAE 3000, and the auditor’s conclusion is presented in the Auditor’s report.

Explanations for the GRI index
Reported = The disclosure is reported according to the GRI Standards.
Partly = The disclosure is partly reported according to the GRI Standards.
GRI alignment in process = A reporting process aligned with the GRI Standards is under development.
EU = Specific disclosure for the energy utilities sector.

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<td>102-3 Location of headquarters</td>
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<td>102-53 Contact point for questions regarding the report</td>
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<td>102-54 Claims of reporting in accordance with the GRI Standards</td>
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<td>G4-EU3</td>
<td>Number of different customer accounts</td>
<td>See customer related information under: <a href="http://www.statkraft.com">www.statkraft.com</a> <a href="http://www.skagerakenergi.no">www.skagerakenergi.no</a> <a href="http://www.statkraftvarme.no">www.statkraftvarme.no</a></td>
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<td>G4-EU25</td>
<td>Injuries and fatalities to the public involving company assets</td>
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<td>405-1 Diversity of governance bodies and employees</td>
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<td>408-1 Operations and suppliers at significant risk for incidents of child labour</td>
<td>Sustainability management</td>
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<td>409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour</td>
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<td>411-1 Incidents of violations involving rights of indigenous peoples</td>
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<td>412-1 Operations that have been subject to human rights reviews or impact assessments</td>
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<td>Social disclosures: Human rights</td>
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<tr>
<td>412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening</td>
<td>Sustainability management</td>
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<td>414-1 New suppliers that were screened using social criteria</td>
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### Statkraft’s Global Compact index

Global Compact comprises ten fundamental principles relating to human rights, labour rights, protection of the environment and combating corruption. Companies that endorse Global Compact commit to support and respect the principles and report their performance in the various areas annually.

#### HUMAN RIGHTS

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<td>1</td>
<td>Business should support and respect the protection of internationally proclaimed human rights, and make sure that they are not complicit in human rights abuses.</td>
<td>Report from the Board of Directors Sustainability management Social disclosures, Human rights</td>
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#### LABOUR

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<td>3</td>
<td>Business should uphold the freedom association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation.</td>
<td>Sustainability management Social disclosures, Labour practices</td>
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<td>4</td>
<td>Undertake initiatives to promote greater environmental responsibility, and encourage the development and diffusion of environmentally friendly technologies.</td>
<td>Environmental disclosures, Biodiversity Environmental disclosures, Climate change Economic disclosures, Water management</td>
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#### ENVIRONMENT

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<tr>
<td>7</td>
<td>Business should support a precautionary approach to environmental challenges, and undertake initiatives to promote greater environmental responsibility, and encourage the development and diffusion of environmentally friendly technologies.</td>
<td>Report from the Board of Directors Sustainability management Environmental disclosures, Biodiversity Environmental disclosures, Climate change Economic disclosures, Water management</td>
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#### ANTI-CORRUPTION

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<td>10</td>
<td>Business should work against corruption in all its forms, including extortion and bribery.</td>
<td>Report from the Board of Directors Sustainability management Economic disclosures, Business ethics</td>
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</table>
Auditor’s statement

To the Board of Directors of Statkraft AS

INDEPENDENT AUDITOR’S ASSURANCE REPORT ON STATKRAFT’S SUSTAINABILITY REPORTING FOR 2019

We have been engaged by the Board of Directors of Statkraft to provide limited assurance in respect of the sustainability information in Statkraft Annual Report 2019, the chapters Sustainability and Sustainability Statement ("the Report"). Our responsibility is to provide a limited level of assurance on the subject matters concluded on below.

Responsibilities of the Board of Directors

The Board of Directors are responsible for the preparation and presentation of the Report and that it has been prepared in accordance with GRI Standards, level Core, and other reporting criteria described in the Report. They are also responsible for establishing such internal controls that they determine are necessary to ensure that the information is free from material misstatement, whether due to fraud or error.

Auditor’s responsibilities

Our responsibility is to express a limited assurance conclusion on the information in the Report. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

Deloitte AS is subject to International Standard on Quality Control 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Considering the risk of material misstatement, our work included analytical procedures and interviews with management and individual resources responsible for sustainability management, as well as a review on a sample basis of evidence supporting the information in the Report.

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters.
Conclusions

Based on our work, nothing has come to our attention causing us not to believe that:

- Statkraft has established management processes and systems to manage material aspects related to corporate responsibility, as described in the Report.
- Statkraft has applied procedures to identify, collect, compile and validate information for 2019 to be included in the Report, as described in the Report. Information presented for 2019 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- Statkraft applies a reporting practice for its corporate responsibility reporting aligned with the Global Reporting Initiative (GRI) Standards reporting principles and the reporting fulfills in accordance level Core according to the GRI Standards. Statkraft’s GRI index presented in the Report appropriately reflects where information on each of the disclosures of the GRI Standards is to be found within the Statkraft Annual Report 2019.

Oslo, 12 February 2020
Deloitte AS

Aase Aa. Lundgaard
State Authorised Public Accountant

Frank Dahl
Deloitte Sustainability
Statkraft has been making clean energy possible for over a century, long before climate change was a crisis.
Declaration from the Board of Directors and the President and CEO

We confirm to the best of our knowledge that:

- the consolidated financial statements for 2019 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act,
- the financial statements for the parent company for 2019 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway,
- the information presented in the financial statements gives a true and fair view of the company’s and group’s assets, liabilities, financial position and result for the period viewed in their entirety,
- the board of directors report, the chapters on corporate governance and corporate responsibility including the corporate responsibility statement, gives a true and fair view of the development, performance and financial position of the company and group, and includes a description of the key risks and uncertainties the companies are faced with.

The Board of Directors of Statkraft AS
Oslo, 12 February 2020

[Signatures of directors]

Thorhild Widvey
Chair of the Board

Peter Mellbye
Deputy chair

Hilde Drønen
Director

Mikael Lundin
Director

Ingelise Aamtsen
Director

Bengt Ekenstierna
Director

Vilde Eriksen Bjerknes
Director

Thorbjørn Holes
Director

Asbjørn Sevlejordet
Director

Christian Rynning-Tønnesen
President and CEO
Renewable energy is sustainable and profitable. Statkraft employees prove that a fully clean energy world can happen today not just because it’s right, but because it’s better business.
### Key Figures

#### Financial Key Figures

<table>
<thead>
<tr>
<th>Unit</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
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<td>Gross operating revenues and other income underlying</td>
<td>NOK mill</td>
<td>48 679</td>
<td>56 623</td>
<td>52 883</td>
<td>48 351</td>
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<td>Net operating revenues and other income underlying</td>
<td>NOK mill</td>
<td>30 161</td>
<td>26 925</td>
<td>23 350</td>
<td>21 400</td>
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<td>EBITDA, underlying</td>
<td>NOK mill</td>
<td>21 412</td>
<td>18 520</td>
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<td>Operating profit (EBIT) underlying</td>
<td>NOK mill</td>
<td>17 587</td>
<td>14 953</td>
<td>10 824</td>
<td>8 673</td>
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<tr>
<td>Operating profit (EBIT) IFRS</td>
<td>NOK mill</td>
<td>16 978</td>
<td>15 446</td>
<td>11 928</td>
<td>2 612</td>
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<td>Share of profits in equity accounted investments</td>
<td>NOK mill</td>
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<td>790</td>
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<td>Net financial items</td>
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<td>4 412</td>
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<td>Profit before tax</td>
<td>NOK mill</td>
<td>18 959</td>
<td>20 649</td>
<td>15 668</td>
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<tr>
<td>Net profit</td>
<td>NOK mill</td>
<td>11 327</td>
<td>13 390</td>
<td>11 710</td>
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<td>Unrealised value changes from energy derivatives*</td>
<td>NOK mill</td>
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<td>-789</td>
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<td>Gains/losses from divestments of business activities*</td>
<td>NOK mill</td>
<td>55</td>
<td>1 449</td>
<td>315</td>
<td>16</td>
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<td>Impairments/reversal of impairments*</td>
<td>NOK mill</td>
<td>136</td>
<td>-167</td>
<td>-500</td>
<td>-4 806</td>
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<td>Property, plant &amp; equipment and intangible assets</td>
<td>NOK mill</td>
<td>114 485</td>
<td>109 653</td>
<td>106 506</td>
<td>107 161</td>
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<tr>
<td>Equity accounted investments</td>
<td>NOK mill</td>
<td>12 917</td>
<td>13 105</td>
<td>13 335</td>
<td>19 438</td>
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<td>Other assets</td>
<td>NOK mill</td>
<td>50 147</td>
<td>58 955</td>
<td>48 305</td>
<td>39 357</td>
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<tr>
<td>Total assets</td>
<td>NOK mill</td>
<td>177 548</td>
<td>182 388</td>
<td>169 108</td>
<td>166 630</td>
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<tr>
<td>Equity</td>
<td>NOK mill</td>
<td>100 764</td>
<td>98 004</td>
<td>91 627</td>
<td>83 519</td>
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<tr>
<td>Cash flow from operating activities</td>
<td>NOK mill</td>
<td>11 961</td>
<td>15 286</td>
<td>8 865</td>
<td>8 371</td>
</tr>
<tr>
<td>Dividend paid to owners (incl. non-controlling interests)</td>
<td>NOK mill</td>
<td>8 632</td>
<td>6 093</td>
<td>3 089</td>
<td>-226</td>
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<td>Cash and cash equivalents (incl. restricted cash)</td>
<td>NOK mill</td>
<td>15 203</td>
<td>23 175</td>
<td>14 217</td>
<td>7 308</td>
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<td>Maintenance investments ¹</td>
<td>NOK mill</td>
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<td>2 067</td>
<td>1 820</td>
<td>1 763</td>
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<td>Investments in increased capacity, fixed assets ²</td>
<td>NOK mill</td>
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<td>3 053</td>
<td>1 964</td>
<td>3 736</td>
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<td>Investments in shareholdings ³</td>
<td>NOK mill</td>
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<td>1 862</td>
<td>111</td>
<td>158</td>
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<tr>
<td>ROACE ⁴</td>
<td>%</td>
<td>16.3</td>
<td>14.7</td>
<td>10.5</td>
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<td>ROAE ⁵</td>
<td>%</td>
<td>9.5</td>
<td>5.9</td>
<td>-0.5</td>
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<tr>
<td>Net Interest-bearing debt ratio ⁶</td>
<td>%</td>
<td>13.7</td>
<td>11.6</td>
<td>21.3</td>
<td>28.0</td>
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<td>Equity ratio ⁷</td>
<td>%</td>
<td>56.8</td>
<td>53.7</td>
<td>54.2</td>
<td>50.1</td>
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<td>Long-term rating - Fitch Ratings</td>
<td>BBB+ / Stable</td>
<td>BBB+ / Stable</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
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</table>

Statkraft has amended the definitions of its underlying operating profit and capital employed with effect from 2017.

* See section regarding Alternative Performance Measures (APM).

1) Book value of maintenance investments to sustain current generating capacity.
2) Book value of investments to expand generating capacity.
3) Purchase of shares as well as equity increase in other companies.
4) Operating profit (EBIT) underlying (rolling 12 months) * 100
Average capital employed (rolling 12 months)
5) Share of profits in equity accounted investments (rolling 12 months) * 100
Average equity accounted investments (rolling 12 months)
6) Net Interest-bearing debt * 100
Net Interest-bearing debt = Interest-bearing debt - Equity
7) Total equity * 100
Total assets

ANNUAL REPORT 2019 | STATKRAFT AS
POWER GENERATION AND DISTRICT HEATING PRODUCTION

<table>
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<tr>
<th>Unit</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
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<tbody>
<tr>
<td>MW</td>
<td>18 445</td>
<td>17 831</td>
<td>17 478</td>
<td>17 475</td>
<td>16 718</td>
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<tr>
<td>MW</td>
<td>14 399</td>
<td>14 190</td>
<td>14 099</td>
<td>14 075</td>
<td>13 464</td>
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<tr>
<td>MW</td>
<td>1 607</td>
<td>1 203</td>
<td>947</td>
<td>703</td>
<td>647</td>
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<tr>
<td>MW</td>
<td>2 390</td>
<td>2 390</td>
<td>2 390</td>
<td>2 600</td>
<td>2 600</td>
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<tr>
<td>MW</td>
<td>49</td>
<td>49</td>
<td>43</td>
<td>40</td>
<td>67</td>
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| MW   | 826 | 836 | 835 | 830 | 838 |

| MW   | 700 | 865 | 718 | 729 | 997 |
| MW   | 386 | 292 | 184 | 207 | 873 |
| MW   | 364 | 574 | 520 | 522 | 36 |
| MW   | 14 | 0 | 14 | 0 | 0 |

| TWh  | 59.4 | 59.6 | 61.9 | 61.3 | 58.7 |

| TWh  | 61.1 | 61.7 | 62.8 | 66.0 | 56.3 |
| TWh  | 53.4 | 57.2 | 57.4 | 61.2 | 53.1 |
| TWh  | 3.0 | 2.7 | 2.7 | 2.3 | 2.5 |
| TWh  | 4.5 | 1.5 | 2.2 | 2.2 | 0.5 |
| TWh  | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |

| TWh  | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |

| %    | 92.6 | 97.6 | 96.5 | 96.7 | 95.7 |

| %    | 89.5 | 89.2 | 91.6 | 91.8 | 94.7 |

<table>
<thead>
<tr>
<th>Unit</th>
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<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
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<tr>
<td>Tonnes</td>
<td>1 483 100</td>
<td>485 400</td>
<td>818 000</td>
<td>772 400</td>
<td>258 600</td>
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<tr>
<td>Tonnes</td>
<td>1 586 300</td>
<td>587 600</td>
<td>909 700</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tonnes</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Tonnes</td>
<td>3 700</td>
<td>2 800</td>
<td>2 800</td>
<td>-</td>
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<tr>
<td>kg/MWh</td>
<td>26</td>
<td>9</td>
<td>14</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>kg/MWh</td>
<td>26</td>
<td>26</td>
<td>19</td>
<td>23</td>
<td>12</td>
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<tr>
<td>Number</td>
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<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Number</td>
<td>289</td>
<td>283</td>
<td>187</td>
<td>233</td>
<td>228</td>
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EMISSIONS AND ENVIRONMENTAL INCIDENTS

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<td>Greenhouse gas emissions</td>
<td>TWh</td>
<td>1.586 300</td>
<td>587 600</td>
<td>909 700</td>
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<tr>
<td>CO₂-related emissions</td>
<td>Tonnes</td>
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<tr>
<td>Relative greenhouse gas emissions</td>
<td>TWh</td>
<td>3.700</td>
<td>2.800</td>
<td>2.800</td>
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<tr>
<td>Environmental incidents</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Environment-related incidents</td>
<td>Number</td>
<td>289</td>
<td>283</td>
<td>187</td>
<td>233</td>
<td>228</td>
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CONTRIBUTION TO SOCIETY

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<tr>
<td>NOK mill</td>
<td>6 500</td>
<td>8 500</td>
<td>6 100</td>
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<td>1 604</td>
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<tr>
<td>NOK mill</td>
<td>9 241</td>
<td>9 027</td>
<td>5 743</td>
<td>7 581</td>
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<tr>
<td>NOK mill</td>
<td>669</td>
<td>1 369</td>
<td>3 303</td>
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<tr>
<td>NOK mill</td>
<td>3 503</td>
<td>3 168</td>
<td>3 262</td>
<td>3 302</td>
<td>3 107</td>
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<tr>
<td>NOK mill</td>
<td>4 411</td>
<td>4 210</td>
<td>5 705</td>
<td>-117</td>
<td>-3 376</td>
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REPORTED CONCERNS COVERING THE SCOPE OF THE CODE OF CONDUCT

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<td>Number</td>
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<td>Number</td>
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EMPLOYEES AND GENDER EQUALITY

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<td>%</td>
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<td>%</td>
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<tr>
<td>%</td>
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<td>31</td>
<td>22</td>
<td>24</td>
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ANNUAL REPORT 2019 | STATKRAFT AS
HEALTH AND SAFETY

### Fatalities, consolidated operations

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<td>0</td>
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<td>Third parties</td>
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### Fatal accidents, associated activities

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<td>Third parties</td>
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### Serious incidents

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<td>Employees</td>
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<td>Third parties</td>
<td>0</td>
<td>0</td>
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</table>

### Sick leave, total

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<tr>
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<tr>
<td>%</td>
<td>2.7</td>
<td>3.3</td>
<td>3.5</td>
<td>3.0</td>
<td>3.0</td>
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</table>

1) Activities where Statkraft has > 50% ownership.
2) Activities where Statkraft has 20-50% ownership.
3) Includes activities where Statkraft has ≥ 20% ownership.
4) Incidents include accidents and near misses.

MARKET VARIABLES

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<tbody>
<tr>
<td>System price, Nord Pool</td>
<td>39.0</td>
<td>44.0</td>
<td>29.4</td>
<td>26.9</td>
<td>21.0</td>
</tr>
<tr>
<td>Spot price, European Energy Exchange</td>
<td>37.7</td>
<td>44.4</td>
<td>34.2</td>
<td>29.0</td>
<td>31.7</td>
</tr>
<tr>
<td>Electricity consumption in the Nordic market</td>
<td>387</td>
<td>395</td>
<td>388</td>
<td>386</td>
<td>379</td>
</tr>
<tr>
<td>Electricity generated in the Nordic market, actual</td>
<td>388</td>
<td>397</td>
<td>397</td>
<td>389</td>
<td>394</td>
</tr>
<tr>
<td>Statkraft’s share of Nordic electricity production</td>
<td>13.2</td>
<td>13.8</td>
<td>13.9</td>
<td>15.1</td>
<td>13.1</td>
</tr>
</tbody>
</table>

POWER PLANTS

<table>
<thead>
<tr>
<th></th>
<th>Pro-rata</th>
<th>Consolidated plants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of plants</td>
<td>Capacity (MW)</td>
</tr>
<tr>
<td>Hydropower</td>
<td>335</td>
<td>15 681</td>
</tr>
<tr>
<td>Norway</td>
<td>226</td>
<td>12 829</td>
</tr>
<tr>
<td>Sweden</td>
<td>59</td>
<td>1 267</td>
</tr>
<tr>
<td>Germany</td>
<td>10</td>
<td>262</td>
</tr>
<tr>
<td>UK</td>
<td>3</td>
<td>49</td>
</tr>
<tr>
<td>Albania</td>
<td>2</td>
<td>256</td>
</tr>
<tr>
<td>Turkey</td>
<td>2</td>
<td>122</td>
</tr>
<tr>
<td>Brazil</td>
<td>18</td>
<td>269</td>
</tr>
<tr>
<td>Peru</td>
<td>9</td>
<td>442</td>
</tr>
<tr>
<td>Chile</td>
<td>3</td>
<td>213</td>
</tr>
<tr>
<td>Nepal</td>
<td>1</td>
<td>34</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
<td>136</td>
</tr>
<tr>
<td>Wind power</td>
<td>19</td>
<td>1 347</td>
</tr>
<tr>
<td>Norway</td>
<td>6</td>
<td>577</td>
</tr>
<tr>
<td>Sweden</td>
<td>4</td>
<td>546</td>
</tr>
<tr>
<td>Brazil</td>
<td>4</td>
<td>98</td>
</tr>
<tr>
<td>UK</td>
<td>4</td>
<td>103</td>
</tr>
<tr>
<td>Ireland</td>
<td>1</td>
<td>23</td>
</tr>
<tr>
<td>Solar power</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Gas</td>
<td>5</td>
<td>2 290</td>
</tr>
<tr>
<td>Germany</td>
<td>5</td>
<td>2 290</td>
</tr>
<tr>
<td>Bio</td>
<td>2</td>
<td>43</td>
</tr>
<tr>
<td>Germany</td>
<td>2</td>
<td>43</td>
</tr>
<tr>
<td>Total, power generation</td>
<td>363</td>
<td>16 666</td>
</tr>
</tbody>
</table>

DISTRICT HEATING PLANTS

<table>
<thead>
<tr>
<th></th>
<th>Pro-rata</th>
<th>Consolidated plants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of locations</td>
<td>Capacity (MW)</td>
</tr>
<tr>
<td>Norway</td>
<td>24</td>
<td>623</td>
</tr>
<tr>
<td>Sweden</td>
<td>4</td>
<td>159</td>
</tr>
<tr>
<td>Total, district heating</td>
<td>28</td>
<td>782</td>
</tr>
</tbody>
</table>

5) Statkraft equity share in all power plants (pro-rata share of direct and indirect ownership), including those in partly-owned companies.
Alternative Performance Measures

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

Statkraft uses the following APMs:

**EBITDA underlying** is defined as underlying operating profit before depreciations and amortisations. The APM is used to measure performance from operational activities. EBITDA underlying should not be considered as an alternative to operating profit and profit 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 (EBIT) underlying** is an APM used to measure performance from operational activities.

**Items excluded from Operating profit (EBIT) underlying:**

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

1. **Unrealised value changes from energy derivatives**
   - Embedded derivatives are excluded from underlying operating profit since they only represent part of an energy contract and the other parts of these energy contracts are not reported based on fair market values.
   - Derivatives entered into for risk reduction purposes were excluded from underlying figures in 2018. This was done where the related item was either carried at cost or not recognised in the statement of financial position. From 2019, certain energy contracts and the related derivatives are recognised at fair value. Thus, the unrealised value changes of these derivatives are from first quarter 2019 presented as part of the underlying figures.

2. **Gains/losses from divestments of business activities** are eliminated from the measure 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.

3. **Impairments/reversal of impairments** are excluded from underlying operating profit since they affect the economics of an asset for the useful life of that asset; not only the period in which it is impaired or the impairment is reversed.

The same items as above are also excluded from Gross operating revenues and other income underlying and Net operating revenues and other income underlying, see note 4 in the Group financial statements.

**ROACE** is defined as Operating profit (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 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 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 (EBIT) margin underlying (%)** is calculated as operating profit (EBIT) underlying relative to gross operating income underlying.

**Cost of operations, Nordic hydropower generation (øre/kWh)** is an APM that is used to measure the cost of operations per kWh for Nordic hydropower assets in the segment European flexible generation. Total operating expenses for these assets are divided by the seven-year average output from Nordic hydropower plants under own management in the segment. Total operating expenses include salaries and payroll costs, depreciation and amortisation, property tax and licence fees and other operating expenses. Net financial items and taxes related to these assets are not included. In addition, the costs related to both hydropower assets outside the Nordics and other technologies in the segment are not included in this APM.
## ALTERNATIVE PERFORMANCE MEASURES

### RECONCILIATION OF OPERATING PROFIT (EBIT) UNDERLYING TO EBITDA UNDERLYING

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit (EBIT) underlying, see note 4 in the Group Financial Statements</td>
<td>17 587</td>
<td>14 953</td>
</tr>
<tr>
<td>Depreciations and amortisations</td>
<td>3 624</td>
<td>3 567</td>
</tr>
<tr>
<td><strong>EBITDA underlying</strong></td>
<td>21 412</td>
<td>18 520</td>
</tr>
<tr>
<td>Operating profit (EBIT) margin underlying (%)</td>
<td>34.8</td>
<td>26.9</td>
</tr>
</tbody>
</table>

### FINANCIAL STATEMENT LINE ITEMS INCLUDED IN CAPITAL EMPLOYED

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>4 633</td>
<td>3 909</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>109 852</td>
<td>105 744</td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>3 597</td>
<td>3 986</td>
</tr>
<tr>
<td>- Loans to equity accounted investments 1</td>
<td>-1 463</td>
<td>-2 244</td>
</tr>
<tr>
<td>- Bonds and other long-term investments 1</td>
<td>-203</td>
<td>-232</td>
</tr>
<tr>
<td>- Pension assets 2</td>
<td>-836</td>
<td>-494</td>
</tr>
<tr>
<td>- Other shares and shareholdings 3</td>
<td>-478</td>
<td>-316</td>
</tr>
<tr>
<td>Inventories</td>
<td>4 468</td>
<td>6 316</td>
</tr>
<tr>
<td>Receivables</td>
<td>13 348</td>
<td>12 831</td>
</tr>
<tr>
<td>- Receivables related to cash collateral 2</td>
<td>-3 035</td>
<td>-3 351</td>
</tr>
<tr>
<td>- Short-term loans to equity accounted investments 2</td>
<td>-55</td>
<td>-75</td>
</tr>
<tr>
<td>- Other receivables not part of capital employed 2</td>
<td>-245</td>
<td>-8</td>
</tr>
<tr>
<td>Provisions allocated to capital employed (x)</td>
<td>-2 308</td>
<td>-2 552</td>
</tr>
<tr>
<td>Taxes payable (x)</td>
<td>-7 109</td>
<td>-7 391</td>
</tr>
<tr>
<td>Interest-free liabilities allocated to capital employed (x) 3</td>
<td>-9 720</td>
<td>-9 742</td>
</tr>
<tr>
<td><strong>Capital employed</strong></td>
<td>110 396</td>
<td>106 380</td>
</tr>
<tr>
<td><strong>Average capital employed</strong></td>
<td>107 997</td>
<td>102 020</td>
</tr>
</tbody>
</table>

### RECONCILIATION OF CAPITAL EMPLOYED TO TOTAL ASSETS

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital employed</td>
<td>110 396</td>
<td>106 380</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>614</td>
<td>676</td>
</tr>
<tr>
<td>Equity accounted investments</td>
<td>12 917</td>
<td>13 105</td>
</tr>
<tr>
<td>Other non-current financial assets 1</td>
<td>3 031</td>
<td>3 286</td>
</tr>
<tr>
<td>Derivatives, long term</td>
<td>2 694</td>
<td>2 926</td>
</tr>
<tr>
<td>Receivables 2</td>
<td>3 335</td>
<td>3 434</td>
</tr>
<tr>
<td>Short-term financial investments</td>
<td>1 470</td>
<td>604</td>
</tr>
<tr>
<td>Derivatives, short term</td>
<td>8 752</td>
<td>11 18</td>
</tr>
<tr>
<td>Cash and cash equivalents (incl. restricted cash)</td>
<td>15 203</td>
<td>23 175</td>
</tr>
<tr>
<td>Liabilities allocated to capital employed, see lines marked with (x) above</td>
<td>19 137</td>
<td>19 685</td>
</tr>
<tr>
<td><strong>Total assets as of the statement of financial position</strong></td>
<td>177 548</td>
<td>182 388</td>
</tr>
</tbody>
</table>

### RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit (EBIT) underlying, rolling 12 months</td>
<td>17 587</td>
<td>14 953</td>
</tr>
<tr>
<td>Average capital employed</td>
<td>107 997</td>
<td>102 020</td>
</tr>
<tr>
<td><strong>ROACE</strong></td>
<td>16.3%</td>
<td>14.7%</td>
</tr>
</tbody>
</table>

### RETURN ON AVERAGE EQUITY ACCOUNTED INVESTMENTS (ROAE)

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of profit/loss in equity accounted investments, rolling 12 months</td>
<td>1 249</td>
<td>790</td>
</tr>
<tr>
<td>Average equity accounted investments 4</td>
<td>13 107</td>
<td>13 359</td>
</tr>
<tr>
<td><strong>ROAE</strong></td>
<td>9.5%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

### NET INTEREST-BEARING DEBT

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term interest bearing liabilities</td>
<td>28 160</td>
<td>30 354</td>
</tr>
<tr>
<td>Short-term interest bearing liabilities</td>
<td>4 479</td>
<td>6 346</td>
</tr>
<tr>
<td>Cash and cash equivalents (incl. restricted cash)</td>
<td>-15 203</td>
<td>-23 175</td>
</tr>
<tr>
<td>Short-term financial investments</td>
<td>-1 470</td>
<td>-604</td>
</tr>
<tr>
<td><strong>Net interest-bearing debt</strong></td>
<td>15 965</td>
<td>12 921</td>
</tr>
</tbody>
</table>

### NET INTEREST-BEARING DEBT-EQUITY RATIO

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest-bearing debt</td>
<td>15 965</td>
<td>12 921</td>
</tr>
<tr>
<td>Equity</td>
<td>100 764</td>
<td>98 004</td>
</tr>
<tr>
<td><strong>Sum of net-interest bearing debt and equity</strong></td>
<td>116 729</td>
<td>110 926</td>
</tr>
<tr>
<td><strong>Net interest-bearing debt - equity ratio</strong></td>
<td>13.7%</td>
<td>11.6%</td>
</tr>
</tbody>
</table>
COST OF OPERATIONS, NORDIC HYDROPOWER GENERATION IN SEGMENT EUROPEAN FLEXIBLE GENERATION (EF)

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating revenues and other income underlying (EF)</td>
<td>18,028</td>
<td>18,765</td>
</tr>
<tr>
<td>- operating profit (EBIT) underlying (EF)</td>
<td>12,247</td>
<td>12,943</td>
</tr>
<tr>
<td>Operating expenses, underlying (EF)</td>
<td>5,780</td>
<td>5,822</td>
</tr>
<tr>
<td>- items in EF not related to Nordic hydropower generation 5)</td>
<td>1,280</td>
<td>1,180</td>
</tr>
<tr>
<td>= Cost of operations, Nordic hydropower generation (EF)</td>
<td>4,500</td>
<td>4,642</td>
</tr>
<tr>
<td>7 year average generation, Nordic hydropower (GWh) 6)</td>
<td>49,613</td>
<td>48,191</td>
</tr>
<tr>
<td>7 year average generation, Nordic hydropower generation in EF (øre/kWh)</td>
<td>9.1</td>
<td>9.6</td>
</tr>
</tbody>
</table>

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) Accrued interest liability of NOK 256 million and other current liability of NOK 73 million are part of interest-free liabilities in the statement of financial position, but not part of capital employed. See note 33.
4) Average capital employed and average equity accounted investments are based on the average for the last four quarters.
5) Includes all operating expenses related to hydropower generation outside the Nordics and other technologies.
6) Basis for figures for 7 year average generation has been slightly adjusted and comparable figures have been restated accordingly.