



Interim Report
Q3/2017
Statkraft AS

Q3

Key figures

NOK million	Third quarter			Year to date			Year 2016
	2017	2016	Change	2017	2016	Change	
From income statement							
Share of profit/loss in equity accounted investments	-942	-146	-796	-535	106	-641	474
Gross operating revenues, underlying	14 140	10 162	3 978	43 726	35 227	8 499	52 241
Net operating revenues, underlying	3 705	3 854	-149	16 108	14 578	1 530	21 875
EBITDA, underlying	1 413	1 594	-181	9 646	8 034	1 612	12 705
Operating profit, underlying	492	717	-225	6 933	5 377	1 556	9 148
Operating profit, booked	953	-2 198	3 151	8 632	-768	9 400	3 086
Net financial items	1 035	1 846	-811	259	3 435	-3 176	2 137
Profit before tax	1 989	-352	2 340	8 891	2 667	6 224	5 223
Net profit	1 783	-1 417	3 199	6 416	-927	7 342	-179
EBITDA margin, underlying (%) ¹⁾	10.0	15.7	-5.7	22.1	22.8	-0.7	24.3
ROACE, underlying (%) ²⁾				10.6	6.7	3.9	8.3
Items excluded from the underlying operating profit ³⁾							
Unrealised value changes from energy derivatives	-349	-494	145	687	-1 491	2 178	-1 270
Gain/loss from acquisitions/divestments of business activities	2 178	-	2 178	2 418	20	2 398	16
Impairments and related costs	-1 367	-2 421	1 053	-1 406	-4 674	3 268	-4 808
Balance sheet and investments							
Total assets				161 085	163 811	-2 726	166 630
Equity				85 230	79 001	6 229	83 519
Net interest bearing debt				28 231	35 149	-6 918	32 453
Capital employed				98 366	98 078	288	101 130
Total investments	1 178	1 128	49	2 635	4 522	-1 888	5 657
Cash Flow							
Cash flow from operating activities	7 085	3 020	4 065	9 001	4 754	4 247	8 371
Cash and cash equivalents				9 991	8 677	1 314	7 308
Currency rates							
NOK/EUR average rate	9.35	9.29	0.06	9.23	9.38	-0.15	9.29
NOK/EUR closing rate				9.41	8.99	0.43	9.09

Definitions

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

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

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

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STRONG QUARTER AND TRANSACTIONS



Statkraft had a strong quarterly result.

Asset transactions will enable increased focus on core markets.

Statkraft's third quarter result is characterised by strong underlying operations, impairments and gains from transactions.

Statkraft recorded an underlying EBITDA of NOK1413 million in the third quarter of 2017. This was a decrease of NOK 181 million compared with the corresponding period in 2016. The result showed a quarterly net profit of NOK 1783 million, an increase of NOK 3199 million from the same quarter in 2016.

The average Nordic system price in the quarter was 28.5 EUR/MWh, an increase of 13 per cent compared with the price level experienced in the same period in 2016. Statkraft's total production was 13.5 TWh, a slight increase from the third quarter in 2016.

Statkraft has sold its 50 per cent shareholding in SN Power and acquired the remaining 18.1 per cent shares in Statkraft IH Invest, which is the holding company for assets in India, Nepal and South America. The transaction increases Statkraft's investment capacity and is in line with the strategy to build stronger positions in fewer markets.

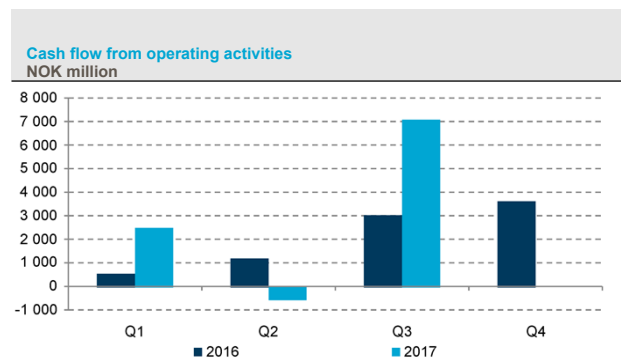
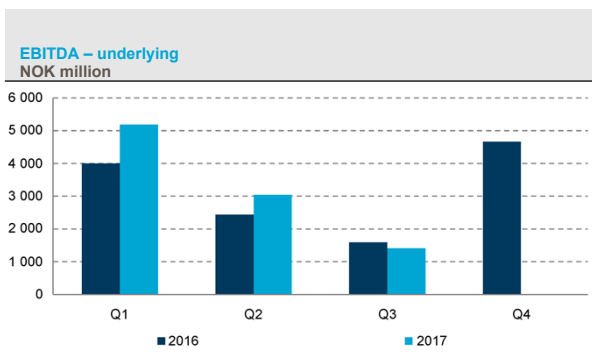
Statkraft's long-term price expectations for certain markets have been adjusted down mainly due to declining technology costs for wind and solar power. This is very positive for the competitiveness for new renewables, but has led to impairments of existing assets.

In total, NOK 1367 million of impairments were recognised in consolidated operations and NOK 1187 million in joint ventures. The negative effect of the impairments was offset by gains amounting to NOK 2178 million, stemming primarily from the sale of shares in SN Power.

Approximately NOK 220 million has so far been achieved under the performance improvement programme. The target is to strengthen performance and reduce annual costs by NOK 800 million.

Statkraft inaugurated the Ringedalen hydropower plant in Norway. It has an installed capacity of 23 MW and will generate around 60 GWh renewable energy annually.

In October, Statkraft sold its 50 per cent shareholding in the offshore wind project Triton Knoll to innogy. The financial effects will be recognized in the fourth quarter. The transaction is in accordance with Statkraft's strategy to exit offshore wind in order to strengthen financial solidity.



Corporate responsibility and HSE

	Third quarter		Year to date		Year
	2017	2016	2017	2016	2016
Corporate responsibility and HSE					
Fatalities ¹⁾	0	1	0	1	1
TRF rate ¹⁾²⁾	5.4	3.7	4.9	4.4	4.9
Serious environmental incidents	0	0	0	0	0
Full-time equivalents, Group			3 254	3 538	3 484
Absence due to illness, Group (%)	3.3	2.5	3.4	2.9	3.0

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

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

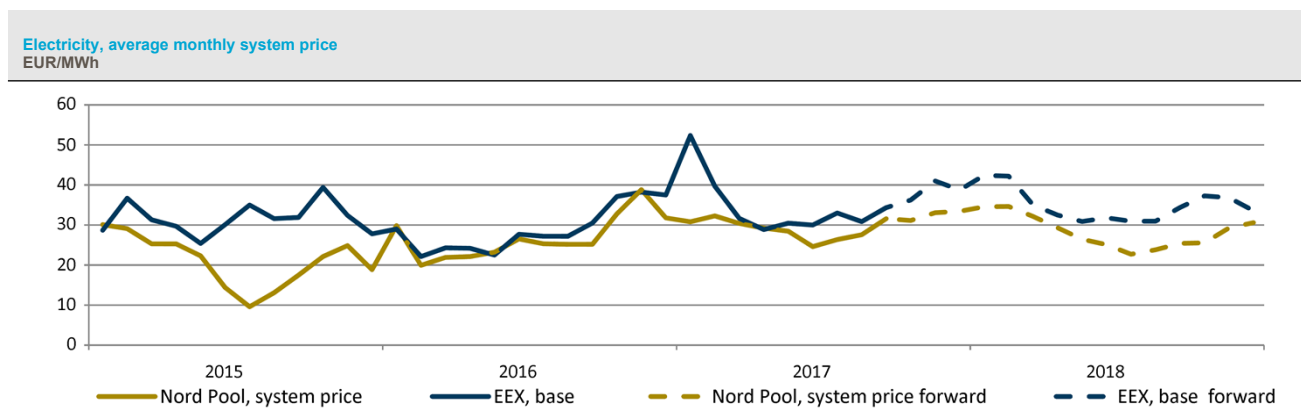
In September, a contractor employee fell when dismantling a scaffolding in Roan wind farm. The contractor employee suffered a fracture in upper arm and a dislocated shoulder. The accident has been investigated according to Statkraft's standard procedures and all safety measures are followed up.

- The Group's TRF rate was 5.4 in the third quarter.
- There were no serious environmental incidents during this quarter.
- Absence due to illness continues to stay on a low level.

Market and production

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

POWER PRICES



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

The average system price in the Nordic region was 28.5 EUR/MWh in the quarter, an increase of 13% compared with the same period in 2016. The price increase in the third quarter was driven by higher coal prices, low nuclear production in Sweden due to low availability and increased spot prices in Germany. Forward prices in the Nordic region decreased in the quarter.

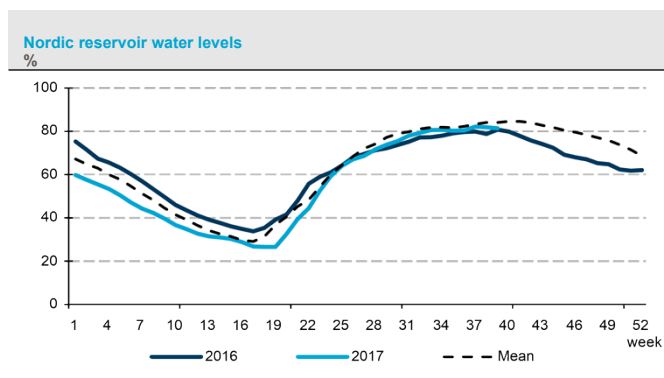
The average base price in the German market (EEX) was 32.7 EUR/MWh in the quarter, an increase of 16% compared with the same period in 2016. The increased power price level was mainly driven by higher coal and gas prices. Forward prices in Germany increased during the quarter.

The average base price in the UK was 43.1 GBP/MWh in the quarter, an increase of 9% compared with the same period in 2016. Higher gas and CO₂ prices were the main drivers for increased power prices in the third quarter.

EUR/MWh	Third quarter			Year to date			Year 2016
	2017	2016	Change	2017	2016	Change	
Market prices (average)							
System price, Nord Pool	28.5	25.2	3.3	29.0	24.4	4.7	26.9
Spot price (base), EEX	32.7	28.3	4.4	34.6	26.1	8.5	29.0
Spot price (peak), EEX	37.7	32.3	5.4	41.5	31.2	10.3	35.3
Gas price, TTF	16.1	13.0	3.1	16.7	13.1	3.6	14.1

Sources: Nord Pool, European Energy Exchange (EEX) and Title Transfer Facility (gas prices, Netherlands).

CONSUMPTION AND RESOURCE ACCESS IN THE NORDIC REGION



Source: Nord Pool.

The total reservoir level for all producers in the Nordic region was 97% of normal level at the end of the quarter, corresponding to 81.4% of total capacity.

STATKRAFT'S POWER PRODUCTION

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

TWh	Third quarter		Year to date		Year 2016
	2017	2016	2017	2016	
Production, technology					
Hydropower	12.2	12.0	41.6	44.2	61.2
Wind power	0.5	0.5	1.9	1.6	2.3
Gas power	0.8	0.8	1.6	1.0	2.2
Bio power	0.1	0.1	0.2	0.2	0.3
Total production	13.5	13.3	45.3	47.0	66.0

TWh	Third quarter		Year to date		Year 2016
	2017	2016	2017	2016	
Production, geography					
Norway	10.0	10.4	35.2	37.7	52.8
Sweden	1.5	1.0	4.7	4.6	6.1
Europe ex. Nordic	1.0	1.0	2.3	1.7	3.2
Rest of the world	1.0	0.9	3.2	3.0	3.9
Total production	13.5	13.3	45.3	47.0	66.0

The Group produced a total of 13.5 TWh in the third quarter, on par with the corresponding period in 2016. In addition, the Group's district heating deliveries amounted to 0.1 TWh.

Financial performance

NOK million	Third quarter			Year to date			Year
	2017	2016	Change	2017	2016	Change	2016
Key figures							
Net operating revenues, underlying	3 705	3 854	-149	16 108	14 578	1 530	21 875
EBITDA, underlying	1 413	1 594	-181	9 646	8 034	1 612	12 705
Profit before tax	1 989	-352	2 340	8 891	2 667	6 224	5 223
Net profit	1 783	-1 417	3 199	6 416	-927	7 342	-179

YEAR TO DATE

The underlying EBITDA was 20% higher than in 2016. The increase in net operating revenues was primarily related to higher Nordic power prices combined with increased contribution from market operations.

Underlying EBITDA is adjusted for unrealised value changes from energy derivatives. These amounted to NOK 687 million compared with NOK -1491 million in 2016. The positive effects in 2017 were mainly related to long-term power sales agreements denominated in EUR and were due to a weakening of NOK against EUR. Furthermore, underlying figures are adjusted for gains and losses on business activities and impairments and related costs in consolidated operations, which amounted to NOK 2418 million and NOK -1406 million respectively. In 2016, gains and losses on business activities were NOK 20 million, while impairments and related costs were NOK -4674 million.

Net financial items amounted to NOK 259 million compared with NOK 3435 million in the first nine months of 2016. The change was primarily related to currency gains and losses. Profit before tax ended at NOK 8891 million compared with NOK 2667 million in 2016. Net profit amounted to NOK 6416 million compared with NOK -927 million in 2016.

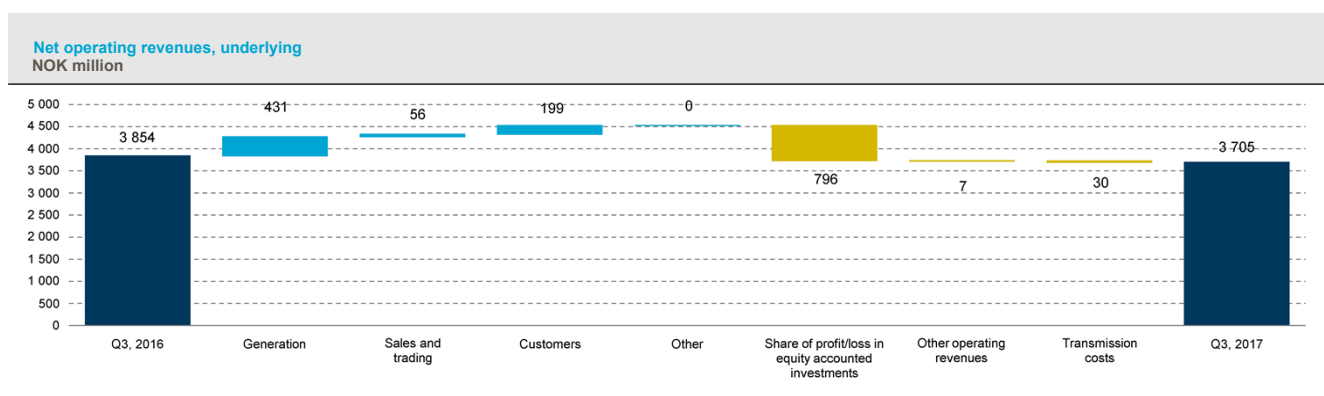
THIRD QUARTER

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

The underlying EBITDA was NOK 1413 million, NOK 181 million lower than in the same quarter in 2016. Positive effects of higher Nordic power prices and increased contribution from origination activities and long-term contracts were offset by impairments related to equity accounted investments in Chile, which are included in the underlying figures.

OPERATING REVENUES - UNDERLYING

NOK million	Third quarter			Year to date			Year 2016
	2017	2016	Change	2017	2016	Change	
Net operating revenues, underlying							
Generation	4 753	3 760	993	14 862	13 293	1 569	19 346
Sales and trading	706	277	429	3 161	2 114	1 047	3 634
Customers	9 007	5 666	3 341	23 883	17 629	6 254	25 813
Other	405	387	18	1 640	1 376	265	1 925
Sales revenues	14 871	10 089	4 782	43 545	34 411	9 134	50 718
Share of profit/loss in equity accounted investments	-942	-146	-796	-535	106	-641	474
Other operating revenues	212	219	-7	715	710	5	1 049
Gross operating revenues	14 140	10 162	3 978	43 726	35 227	8 499	52 241
Generation	-650	-88	-563	-891	-273	-618	-368
Sales and trading	-697	-324	-373	-2 453	-1 925	-528	-3 249
Customers	-8 647	-5 505	-3 143	-22 786	-17 118	-5 668	-24 897
Other	-132	-114	-18	-565	-382	-183	-579
Energy purchase	-10 127	-6 031	-4 096	-26 695	-19 698	-6 997	-29 093
Transmission costs	-308	-278	-30	-923	-951	28	-1 273
Net operating revenues	3 705	3 854	-149	16 108	14 578	1 530	21 875



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

- Net generation revenues were higher, mainly due to higher Nordic power prices.
- Net revenues from customers increased, mainly due to improved contribution from origination portfolios and end-user activities. The gross figures were high mainly related to sales of Renewables Obligation Certificate (ROC) inventory.
- Share of profit/loss in equity accounted investments decreased, mainly due to impairments in Chile.

OPERATING EXPENSES - UNDERLYING

NOK million	Third quarter			Year to date			Year 2016
	2017	2016	Change	2017	2016	Change	
Operating expenses, underlying							
Salaries and payroll costs	-923	-928	6	-2 696	-2 655	-40	-3 648
Depreciation	-921	-878	-44	-2 713	-2 657	-56	-3 557
Property tax and licence fees	-345	-464	119	-988	-1 295	307	-1 733
Other operating expenses	-1 024	-867	-157	-2 778	-2 593	-185	-3 789
Operating expenses	-3 214	-3 137	-77	-9 175	-9 201	26	-12 727

- Increase in depreciation was mainly due to a new commissioned hydropower plant in Albania and revised estimates of useful lifetime for assets in Nepal and Peru.
- Property tax and licence fees were lower, mainly due to reduced property tax in Norway and Sweden. The reduction in Norway was related to lower tax base and the reduction in Sweden was related to a lower tax rate.
- Adjustments related to fixed assets in Norway led to an increase in other operating expenses.

ITEMS EXCLUDED FROM THE UNDERLYING OPERATING PROFIT

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

NOK million	Third quarter			Year to date			Year 2016
	2017	2016	Change	2017	2016	Change	
Items excluded from the underlying operating profit							
Unrealised value changes from energy derivatives	-349	-494	145	687	-1 491	2 178	-1 270
<i>Embedded derivatives</i>	-304	-346	42	508	-712	1 221	-370
<i>Derivatives acquired for risk reduction purposes</i>	-45	-147	102	179	-778	957	-900
Gain/loss from acquisitions/divestments of business activities	2 178	-	2 178	2 418	20	2 398	16
Impairments and related costs	-1 367	-2 421	1 054	-1 406	-4 674	3 268	-4 808

- Embedded derivatives: There was a negative effect on long-term power sales agreements denominated in EUR due to a stronger NOK against EUR.
- Derivatives acquired for risk reduction purposes: Decrease mainly driven by higher forward UK power prices, partly offset by realization of losses.
- Gain/loss from acquisitions/divestments of business activities: Mainly gain from sale of 50% shareholding in SN Power. See note 12 in the financial statements for further information.
- Impairments were mainly related to operations in Chile. See note 7 in the financial statements for further information.

FINANCIAL ITEMS

NOK million	Third quarter			Year to date			Year 2016
	2017	2016	Change	2017	2016	Change	
Financial items							
Interest income	96	80	15	277	231	46	323
Other financial income	7	20	-14	38	38	-0	58
Gross financial income	102	100	2	315	270	46	380
Interest expenses	-313	-347	34	-919	-992	73	-1 301
Other financial expenses	-129	-60	-70	-171	-161	-10	-110
Gross financial expenses	-443	-407	-36	-1 090	-1 153	63	-1 411
Net currency effects	491	1 291	-800	-611	3 525	-4 136	2 847
Other financial items	885	861	24	1 645	793	852	321
Net financial items	1 035	1 846	-811	259	3 435	-3 176	2 137

- Interest income up by NOK 15 million, mainly due to increased interest income from loans to equity accounted investments.
- Interest expenses down by NOK 34 million, mainly due to lower interest rates, partly offset by lower capitalisation of borrowing costs in projects.
- Other financial expenses up by NOK 70 million, mainly due to impairment of a loan to an equity accounted investment in Chile.
- Net currency gain in the third quarter amounted to NOK 491 million, primarily related to a strengthening of NOK against EUR, GBP and USD.
- Other financial items included gains on interest rate derivatives and an obligation linked to an equity instrument. The equity instrument was realised in the third quarter.

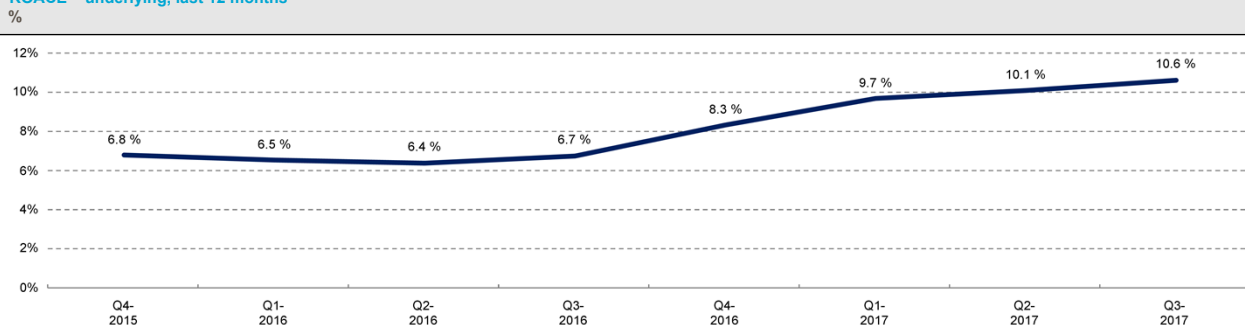
TAXES

A tax expense of NOK 206 million was recorded in the third quarter (NOK 1065 million). The decrease in tax expense was mainly due to:

- Impairments in the quarter reducing deferred tax liabilities.
- Changes in unrecognised deferred tax assets related to resource rent tax carryforwards.

RETURN

ROACE – underlying, last 12 months

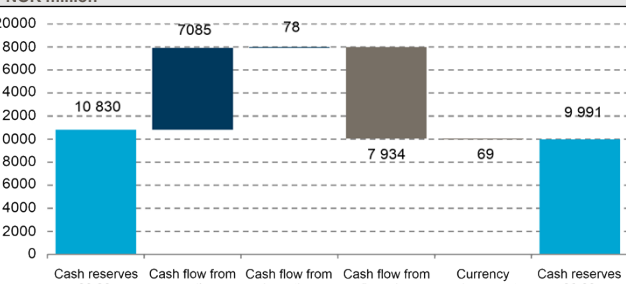


ROACE (%): (Underlying operating profit excluding share of profit/loss in equity accounted investments (rolling 12 months) x 100) / Average capital employed (rolling 12 months).

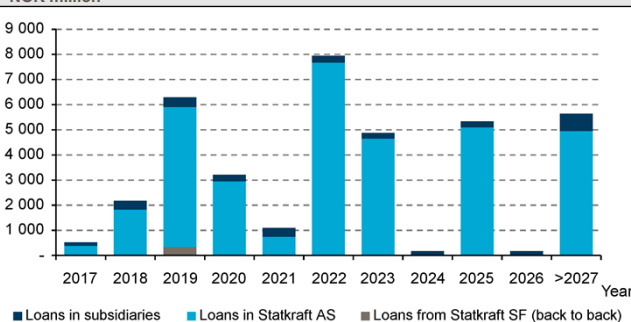
The improvement in ROACE compared with the year 2016 was due to higher underlying operating profit (12 months rolling), primarily driven by higher Nordic power prices and increased contribution from market operations. Average capital employed was stable compared with year-end 2016.

CASH FLOW AND CAPITAL STRUCTURE

Cash flow Q3 2017



Long-term debt, redemption profile



Cash flow third quarter

- Cash flow from operating activities amounted to NOK 7085 million. Net income¹⁾ was NOK 7265 million. Changes in working capital, mainly inventories in Market operations, are the main reasons for the positive cash flow. This is partly offset by negative changes in cash collateral²⁾ of NOK 701 million.
- Cash flow from investing activities of NOK 78 million mainly relates to investments in property, plant and equipment of NOK 1159 million, loans paid to third parties of NOK 607 million and cash received from sale of shares of NOK 1781 million.
- Cash flow from financing activities was mainly related to repayment of debt of NOK 5945 million and dividend paid to Statkraft SF of NOK 2052 million.

Cash flow year-to-date

- Cash flow from operating activities amounted to NOK 9001 million (NOK 4754 million). Net income¹⁾ was NOK 11 349 million (NOK 6701 million).
- Cash flow from investing activities amounted to NOK -1240 million (NOK -5716 million). This was mainly related to investments in property, plant and equipment of NOK 2567 million (NOK 4288 million), loans paid to third parties of NOK 1118 million (NOK -1354 million) and cash received from sale of shares of NOK 2083 million (NOK 25 million).
- Cash flow from financing activities amounted to NOK -5000 million (NOK 747 million). This was related to cash received from a bond issue of NOK 4549 million (NOK 3019 million), repayment of debt of NOK 6567 million (NOK -2166 million) and dividend to Statkraft SF of NOK 2052 million. No dividend was paid to Statkraft SF previous year.

Financial structure

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

- Net interest-bearing debt³⁾ totalled NOK 28 230 million, compared with NOK 32 453 million at the beginning of the year.
- The net interest-bearing debt-equity ratio was 24.7%, compared with 28.0% at year-end 2016.
- Current assets, except cash and cash equivalents, amounted to NOK 20 761 million.
- Short-term interest-free debt was NOK 10 267 million.
- Statkraft's equity totalled NOK 85 303 million, compared with NOK 83 519 million at the start of the year. This corresponds to 53% of total assets.

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

²⁾ Cash collateral: Security related to market operations and financial derivatives.

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

INVESTMENTS AND PROJECTS

Total investments in the quarter amounted to NOK 1178 million. Maintenance investments and other investments were primarily related to Nordic hydropower and advanced metering system (AMS) in Skagerak Nett. Investments in new capacity were mainly related to construction of hydropower plants in Albania and wind power projects in Norway.

NOK million	Third quarter 2017	Year to date 2017	The year 2016
Maintenance investments and other investments			
European flexible generation	284	728	1 154
Market operations	-	5	2
International power	42	65	162
Wind power	9	12	-
District heating	1	4	13
Industrial ownership	164	354	387
Other activities	8	14	44
Total	508	1 181	1 763
Investment in new capacity			
European flexible generation	51	109	582
Market operations	10	19	4
International power	351	587	1 250
Wind power	96	364	1 457
District heating	41	94	142
Industrial ownership	79	237	301
Total	627	1 410	3 736
Investment in shareholdings			
Market operations	25	25	56
International power	-	-	30
Wind power	-	-	32
Other activities	19	19	39
Total	44	44	158

Projects in consolidated operations

Third quarter	Project	Country	New capacity (MW) ¹⁾	Statkraft's ownership share	Planned completion
Committed investments in the period					
Hydropower	Songa and Trolldalen Dams	Norway	-	100%	2020 Q4
Completed projects in the period					
Hydropower	Ringedalen	Norway	23	100%	2017 Q3
Main construction projects					
Hydropower	Øvre Røssåga	Norway	-	100%	2018 Q4
	Devoll - Moglice	Albania	184	100%	2019 Q2
Solar power	Rundedal	Netherlands	14	100%	2017 Q4
Wind power	Fosen - Roan	Norway	256	52%	2018 Q4
	Fosen - Hitra II	Norway	94	52%	2019 Q3
	Fosen - Storheia	Norway	288	52%	2019 Q4
	Fosen - Geitfjellet	Norway	155	52%	2020 Q3
	Fosen - Harbaksfjellet	Norway	108	52%	2020 Q3
	Fosen - Kvenndalsfjellet	Norway	101	52%	2020 Q3

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

Segments

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

The segment International hydropower changed name to International power in 2017.

Third quarter	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
From income statement									
Gross operating revenues, underlying	14 140	3 922	9 064	-398	141	108	1 497	230	-424
Net operating revenues, underlying	3 705	3 045	263	-532	131	81	755	230	-268
EBITDA, underlying	1 413	1 877	42	-782	2	17	372	-107	-8
Depreciation, amortisation and impairments, underlying	-921	-436	-3	-194	-93	-43	-136	-16	-
Operating profit, underlying	492	1 442	39	-976	-91	-26	236	-123	-9
Operating profit, booked	953	1 327	-5	-179	-277	-27	247	-123	-10
EBITDA-margin (%), underlying	10.0	47.9	0.5	-	1.5	15.9	24.9	n/a	n/a
Maintenance investments and other investments	508	284	-	42	9	1	164	8	-
Investments in new capacity	627	51	10	351	96	41	79	-	-
Investments in shareholdings	44	-	25	-	-	-	-	19	-
Production									
Production, volume sold (TWh)	13.5	11.1	-	1.0	0.4	-	1.1	-	-
- hydropower (TWh)	12.2	10.2	-	0.9	-	-	1.1	-	-
- wind power (TWh)	0.5	-	-	0.2	0.4	-	-	-	-
- gas power (TWh)	0.8	0.8	-	-	-	-	-	-	-
- bio power (TWh)	0.1	0.1	-	-	-	-	-	-	-
Production, district heating (TWh)	0.1	-	-	-	-	0.1	0.0	-	-

EUROPEAN FLEXIBLE GENERATION

NOK million	Third quarter		Year to date		Year
	2017	2016	2017	2016	2016
Sales revenues, underlying	3 735	2 864	11 730	10 197	15 015
Share of profit/loss in equity accounted investments	-	-	-	-	-
Other operating revenues, underlying	187	170	549	505	764
Gross operating revenues, underlying	3 922	3 034	12 279	10 702	15 779
Net operating revenues, underlying	3 045	2 714	10 490	9 574	14 187
EBITDA, underlying	1 877	1 514	7 336	6 209	9 454
Operating profit, underlying	1 442	1 089	6 069	4 899	7 701
Unrealised value changes from energy derivatives	-304	-346	508	-712	-370
Gain/loss from acquisitions/divestments of business activities	-	-	-	-	-
Impairments and related costs	189	-573	169	-2 802	-2 802
Operating profit, booked	1 327	170	6 747	1 385	4 529
Maintenance investments and other investments	284	348	728	973	1 154
Investments in new capacity	51	68	109	442	582
Investments in shareholdings	-	-1	-	-	-
Production, volume sold (TWh)	11.1	11.2	36.7	38.4	54.4

Highlights in the quarter

- Ringedalen power plant was officially opened 4 September. Average power production will be approximately 60 GWh annually from two 11.5 MW turbines.
- German pump-storage hydro plant was impaired by NOK 197 million. Previous impairment of Saudefaldene power plant of NOK 386 million was reversed.

Quarterly financial performance

- The increase in underlying EBITDA was mainly driven by higher Nordic power prices. Operating expenses decreased, mainly due to lower property taxes in Norway and Sweden. This was partly offset by an adjustment related to fixed assets in Norway.

Year to date financial performance

- The increase in underlying EBITDA was mainly due to higher Nordic power prices.

Quarterly investments

- Investments in maintenance and other projects were mainly related to Tysso II and Lio.
- Investments in new capacity projects were mainly related to Ringedalen and Nedre Røssåga.

MARKET OPERATIONS

NOK million	Third quarter		Year to date		Year
	2017	2016	2017	2016	2016
Sales revenues, underlying	9 042	5 521	24 044	17 333	25 735
Share of profit/loss in equity accounted investments	1	-	-	-1	-2
Other operating revenues, underlying	21	26	80	74	110
Gross operating revenues, underlying	9 064	5 546	24 123	17 407	25 843
Net operating revenues, underlying	263	157	1 331	482	980
EBITDA, underlying	42	-79	674	-186	156
Operating profit, underlying	39	-82	666	-197	142
Unrealised value changes from energy derivatives	-45	-147	179	-778	-900
Gain/loss from acquisitions/divestments of business activities	-	-	-	-	-
Impairments and related costs	-	-	-	-	-
Operating profit, booked	-5	-230	845	-976	-758
Maintenance investments and other investments	-	1	5	3	2
Investments in new capacity	10	-	19	-	4
Investments in shareholdings	25	-	25	4	56
Production, volume sold (TWh)	-	-	-	-	-

Quarterly financial performance

- Sales revenues were high mainly due to sales of UK Renewables Obligation Certificate (ROC) inventory in the period.
- The increase in underlying EBITDA was mainly due to higher revenues from origination activities and from long-term contracts, partly offset by lower contribution from trading activities.

Year to date financial performance

- The increase in underlying EBITDA was mainly due to higher contribution from market access activities in the UK and from long-term contracts in Brazil. In addition, higher contribution from origination activities.

INTERNATIONAL POWER

NOK million	Third quarter		Year to date		Year
	2017	2016	2017	2016	2016
Sales revenues, underlying	633	639	1 876	1 857	2 501
Share of profit/loss in equity accounted investments	-1 039	-228	-942	-175	16
Other operating revenues, underlying	8	7	42	49	42
Gross operating revenues, underlying	-398	418	975	1 730	2 559
Net operating revenues, underlying	-532	316	647	1 494	2 234
EBITDA, underlying	-782	62	-72	763	1 195
Operating profit, underlying	-976	-98	-638	290	557
Unrealised value changes from energy derivatives	-	-	-	-	-
Gain/loss from acquisitions/divestments of business activities	2 167	-	2 167	-	-
Impairments and related costs	-1 369	-1 244	-1 385	-1 244	-1 377
Operating profit, booked	-179	-1 342	143	-954	-819
Maintenance investments and other investments	42	44	65	124	162
Investments in new capacity	351	248	587	917	1 250
Investments in shareholdings	-	-	-	30	30
Production, volume sold (TWh)	1.0	1.0	3.3	3.3	4.3

Highlights in the quarter

- Statkraft and Norfund completed an agreement to swap shares in their jointly owned international hydropower assets. Statkraft bought Norfund's 18.1% shareholding in Statkraft IH Invest and sold the 50% shareholding in SN Power to Norfund with a gain of NOK 2091 million, which includes a deferred gain from an earlier restructuring and currency effects.
- The sale of the shares in the Turkish project company Cetin Enerji was completed in July 2017 with a gain of NOK 76 million.
- Statkraft's long-term price expectations for certain markets have seen a negative development due to declining technology costs. This led to impairments for the segment, particularly in Chile. See note 7 in the financial statements for further information.

Quarterly financial performance

- The decrease in underlying EBITDA was mainly due to the impairments in equity accounted investments in Chile.
- In consolidated operations a production stop for the Kargi hydropower plant in Turkey was partly offset by the start of operations of Banja in Albania and higher revenues from Pilmaiquén in Chile.

Year to date financial performance

- The drop in underlying EBITDA was primarily due to the impairments in equity accounted investments in Chile.

Quarterly investments

- The investments were mainly related to the construction of the Devoll hydropower project in Albania.

WIND POWER

NOK million	Third quarter		Year to date		Year
	2017	2016	2017	2016	2016
Sales revenues, underlying	130	118	487	398	649
Share of profit/loss in equity accounted investments	10	-60	58	-57	41
Other operating revenues, underlying	2	14	15	56	96
Gross operating revenues, underlying	141	71	560	398	786
Net operating revenues, underlying	131	60	527	368	743
EBITDA, underlying	2	-57	165	-67	176
Operating profit, underlying	-91	-151	-107	-351	-191
Unrealised value changes from energy derivatives	-	-	-	-	-
Gain/loss from acquisitions/divestments of business activities	-	-	256	20	16
Impairments and related costs	-186	-585	-187	-606	-606
Operating profit, booked	-277	-735	-39	-937	-781
Maintenance investments and other investments	9	-	12	7	-
Investments in new capacity	96	174	364	1 332	1 457
Investments in shareholdings	-	-	-	32	32
Production, volume sold (TWh)	0.4	0.3	1.5	1.2	1.9

Highlights in the quarter

- The Triton Knoll project was successfully awarded a CfD in the UK auction announced 11 September. Statkraft sold its 50% share to innogy 10 October.
- Impairment of NOK 186 million was related to Nordic wind power assets.

Quarterly financial performance

- The increase in underlying EBITDA was mainly driven by improved contribution from activities in UK, mainly due to new capacity from Andershaw and Dudgeon.
- The EBITDA contribution from Nordic wind farms decreased mainly due to lower el-cert prices in Sweden.
- EBITDA was negatively influenced by higher operating expenses due to the ongoing exit processes for offshore wind. However, these costs will be netted against the sales price on completion.

Year to date financial performance

- The increase in EBITDA was primarily due to new capacity in UK and lower operating expenses.

Quarterly investments

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

DISTRICT HEATING

NOK million	Third quarter		Year to date		Year
	2017	2016	2017	2016	2016
Sales revenues, underlying	107	99	526	509	761
Share of profit/loss in equity accounted investments	-	-	-	-	-
Other operating revenues, underlying	1	1	2	4	6
Gross operating revenues, underlying	108	100	529	513	767
Net operating revenues, underlying	81	72	393	362	552
EBITDA, underlying	17	3	206	161	279
Operating profit, underlying	-26	-39	79	35	111
Unrealised value changes from energy derivatives	-	-	-	-	-
Gain/loss from acquisitions/divestments of business activities	-	-	-	-	-
Impairments and related costs	-1	-19	-3	-21	-22
Operating profit, booked	-27	-58	76	14	89
Maintenance investments and other investments	1	5	4	11	13
Investments in new capacity	41	38	94	95	142
Investments in shareholdings	-	-	-	-	-
Production, volume sold (TWh)	0.1	0.1	0.6	0.6	0.9

Quarterly financial performance

- The underlying EBITDA increased primarily due to higher volume, higher revenues from waste handling, high availability and good fuel mix. In addition, operating expenses were lower due to improvement of existing business.

Year to date financial performance

- The increase was mainly due to the same factors as for the quarter.

Quarterly investments

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

INDUSTRIAL OWNERSHIP¹⁾

NOK million	Third quarter		Year to date		Year
	2017	2016	2017	2016	2016
Sales revenues, underlying	1 382	998	5 517	4 549	6 741
Share of profit/loss in equity accounted investments	92	144	366	347	432
Other operating revenues, underlying	23	38	127	130	194
Gross operating revenues, underlying	1 497	1 181	6 009	5 027	7 367
Net operating revenues, underlying	755	554	2 885	2 420	3 364
EBITDA, underlying	372	191	1 694	1 325	1 803
Operating profit, underlying	236	56	1 273	925	1 261
Unrealised value changes from energy derivatives	-	-	-	-	-
Gain/loss from acquisitions/divestments of business activities	11	-	11	-	-
Impairments and related costs	-	-	-	-1	-2
Operating profit, booked	247	56	1 284	923	1 259
Maintenance investments and other investments	164	102	354	266	387
Investments in new capacity	79	76	237	207	301
Investments in shareholdings	-	-	-	-	-
Production, volume sold (TWh)	1.1	0.8	3.7	4.1	5.5

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

Highlights in the quarter

- Skagerak Energi sold 51% of Skagerak Naturgass AS to Air Liquide.
- BKK sold six small scale hydropower plants.

Quarterly financial performance

- The increase in underlying EBITDA was mainly due to higher Nordic power prices and increased volume.

Year to date financial performance

- The increase in underlying EBITDA was mainly related to increased revenues from generation, end-user and grid activities.

Quarterly investments

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

OTHER ACTIVITIES

NOK million	Third quarter		Year to date		Year
	2017	2016	2017	2016	2016
Sales revenues, underlying	-	-7	-	25	40
Share of profit/loss in equity accounted investments	-6	-2	-15	-8	-13
Other operating revenues, underlying	236	225	714	693	950
Gross operating revenues, underlying	230	216	699	709	976
Net operating revenues, underlying	230	216	699	709	975
EBITDA, underlying	-107	-64	-303	-141	-307
Operating profit, underlying	-123	-81	-354	-193	-381
Unrealised value changes from energy derivatives	-	-	-	-	-
Gain/loss from acquisitions/divestments of business activities	-	-	-16	-	-
Impairments and related costs	-	-	-	-	-
Operating profit, booked	-123	-81	-370	-193	-381
Maintenance investments and other investments	8	15	14	41	44
Investments in new capacity	-	1	-	1	-
Investments in shareholdings	19	10	19	38	39
Production, volume sold (TWh)	-	-	-	-	-

Quarterly financial performance

- The decrease in underlying EBITDA was mainly due to increased salary costs from personnel transferred from other segments in the Group.

Year to date financial performance

- The underlying EBITDA was lower due to the same factors as for the third quarter.

Outlook

Efficient operations and development of Norwegian and Swedish hydropower will continue to be a key priority. Nordic power prices seem to have stabilised at a moderate level. Statkraft's flexible hydropower plants and large reservoir capacity enables Statkraft to optimise the power generation based on the hydrological situation and power prices. Statkraft's high share of long-term contracts have a stabilising effect on revenues and net profit, and will continue to do so for the next years.

Resently completed transactions are in line with the strategy to strengthen financial solidity and enable scale in core markets. The strategy entails development within hydro-, wind and solar power in Europe, South America and India. New business opportunities are also being explored in the green transition.

Oslo, 25 October 2017
The Board of Directors of Statkraft AS

Statkraft AS Group Interim Financial Statements

NOK million	Third quarter		Year to date		The year
	2017	2016	2017	2016	2016
COMPREHENSIVE INCOME					
PROFIT AND LOSS					
Sales revenues	14 523	9 596	44 233	32 920	49 448
Share of profit/loss in equity accounted investments	-942	-146	-535	106	474
Other operating revenues	2 389	219	3 163	730	1 065
Gross operating revenues	15 970	9 669	46 861	33 756	50 987
Energy purchase	-10 127	-6 031	-26 695	-19 698	-29 093
Transmission costs	-308	-278	-923	-951	-1 273
Net operating revenues	5 534	3 360	19 243	13 107	20 621
Salaries and payroll costs	-923	-928	-2 696	-2 655	-3 648
Depreciation, amortisation and impairments	-2 289	-3 298	-4 119	-7 331	-8 260
Property tax and licence fees	-345	-464	-988	-1 295	-1 733
Other operating expenses	-1 024	-867	-2 809	-2 593	-3 894
Operating expenses	-4 581	-5 557	-10 612	-13 874	-17 535
Operating profit/loss	953	-2 198	8 632	-768	3 086
Financial income	102	100	315	270	380
Financial expenses	-443	-407	-1 090	-1 153	-1 411
Net currency effects	491	1 291	-611	3 525	2 847
Other financial items	885	861	1 645	793	321
Net financial items	1 035	1 846	259	3 435	2 137
Profit/loss before tax	1 989	-352	8 891	2 667	5 223
Tax expense	-206	-1 065	-2 475	-3 594	-5 402
Net profit/loss	1 783	-1 417	6 416	-926	-179
Of which non-controlling interest	-430	-323	-195	-152	-62
Of which majority interest	2 213	-1 094	6 610	-774	-117
OTHER COMPREHENSIVE INCOME					
Items in other comprehensive income that recycle over profit/loss:					
Changes in fair value of financial instruments	73	565	1 340	1 345	1 235
Income tax related to changes in fair value of financial instruments	-21	-140	-330	-331	-320
Items recorded in other comprehensive income in equity accounted investments	34	47	-180	225	445
Recycling of financial instruments related to cash flow hedges	0	-	-4	-	-
Income tax from recycling of financial instruments related to cash flow hedges	0	-	1	-	-
Reclassification currency translation effects related to foreign operations disposed of in the year	-505	0	-2 508	6	6
Currency translation effects	-1 957	-3 313	-817	-6 937	-4 851
Items in other comprehensive income that will not recycle over profit/loss:					
Estimate deviation pensions	-229	15	115	-305	-52
Income tax related to estimate deviation pensions	80	-4	-40	100	-17
Other comprehensive income	-2 526	-2 830	-2 423	-5 897	-3 555
Comprehensive income	-744	-4 247	3 992	-6 824	-3 733
Of which non-controlling interest	-674	-436	-596	-140	217
Of which majority interest	-69	-3 811	4 589	-6 684	-3 951

NOK million	30.09.2017	30.09.2016	31.12.2016
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Deferred tax assets	854	585	675
Intangible assets	3 282	4 136	3 858
Property, plant and equipment	101 060	101 694	103 303
Equity accounted investments	12 780	18 442	19 438
Other non-current financial assets	8 818	8 545	8 961
Derivatives	3 540	3 672	3 047
Non-current assets	130 333	137 075	139 282
Inventories	1 510	1 787	2 653
Receivables	9 905	8 944	10 219
Short-term financial investments	898	566	532
Derivatives	6 385	6 761	6 637
Cash and cash equivalents (included restricted cash)	9 991	8 677	7 308
	28 688	26 736	27 349
Assets held for sale	2 064	-	-
Current assets	30 752	26 736	27 349
Assets	161 085	163 811	166 630
EQUITY AND LIABILITIES			
Paid-in capital	59 219	57 111	58 411
Retained earnings	22 442	14 519	17 360
Non-controlling interest	3 569	7 372	7 747
Equity	85 230	79 002	83 519
Deferred tax	9 519	8 694	9 446
Pension liability	2 232	2 500	2 247
Provisions allocated to capital employed	2 474	4 192	3 423
Other provisions	621	3 500	4 079
Long-term interest-bearing liabilities	35 228	32 043	31 886
Derivatives	1 370	2 669	1 805
Long-term liabilities	51 443	53 599	52 885
Short-term interest-bearing liabilities	3 891	12 349	8 407
Taxes payable	4 695	3 421	4 764
Interest-free liabilities allocated to capital employed	9 547	9 669	10 531
Other interest-free liabilities	720	1 435	1 387
Derivatives	5 560	4 336	5 137
Current liabilities	24 412	31 210	30 226
Equity and liabilities	161 085	163 811	166 630

NOK million	Paid-in capital	Other reserves	Other equity	Accumulated translation differences	Retained earnings	Total majority	Non-controlling interests	Total equity
STATEMENT OF CHANGES IN EQUITY								
Balance as of 01.01.2016	57 111	-2 993	14 622	11 158	22 787	79 898	8 443	88 340
Net profit/loss	-	-	-774	-	-774	-774	-153	-927
Items in other comprehensive income that recycles over profit/loss:								
Changes in fair value of financial instruments	-	1 318	-	-	1 318	1 318	27	1 345
Income tax related to changes in fair value of financial instruments	-	-323	-	-	-323	-323	-8	-331
Items recorded in other comprehensive income in equity accounted investments	-	225	-	-	225	225	-	225
Reclassification currency translation effects related to foreign operations disposed of in the year	-	-	-	6	6	6	-	6
Currency translation effects	-	-	-	-6 931	-6 931	-6 931	-6	-6 937
Items in OCI that will not recycle over profit/loss:								
Estimate deviation pensions	-	-	-305	-	-305	-305	-	-305
Income tax related to estimate deviation pensions	-	-	100	-	100	100	-	100
Total comprehensive income for the period	-	1 220	-979	-6 926	-6 684	-6 684	-140	-6 824
Dividend and Group contribution	-	-	-1 604	-	-1 604	-1 604	-106	-1 710
Reclassification of loan to non-controlling interests ¹⁾	-	-	-	-	-	-	-825	-825
Capital increase in joint ventures from other shareholders	-	-	20	-	20	20	-	20
Balance as of 30.09.2016	57 111	-1 773	12 059	4 233	14 518	71 629	7 371	79 001
Balance as of 01.01.2016	57 111	-2 993	14 622	11 158	22 787	79 898	8 443	88 340
Net profit/loss	-	-	-117	-	-117	-117	-62	-179
Items in other comprehensive income that recycles over profit/loss:								
Changes in fair value of financial instruments	-	1 198	-	-	1 198	1 198	37	1 235
Income tax related to changes in fair value of financial instruments	-	-309	-	-	-309	-309	-11	-320
Items recorded in other comprehensive income in equity accounted investments	-	445	-	-	445	445	-	445
Reclassification currency translation effects related to foreign operations disposed of in the year	-	-	-	6	6	6	-	6
Currency translation effects	-	-	-	-5 101	-5 101	-5 101	250	-4 851
Items in OCI that will not recycle over profit/loss:								
Estimate deviation pensions	-	-	-59	-	-59	-59	7	-52
Income tax related to estimate deviation pensions	-	-	-13	-	-13	-13	-4	-17
Total comprehensive income for the period	-	1 333	-189	-5 095	-3 951	-3 951	217	-3 734
Dividend and Group contribution	-	-	-1 604	-	-1 604	-1 604	-226	-1 830
Changes in provision in connection with equity instruments over non-controlling interests	-	-	245	-	245	245	-	245
Transactions with non-controlling interests	-	-	-138	-	-138	-138	138	-
Reclassification of loan to non-controlling interests ¹⁾	-	-	-	-	-	-	-825	-825
Capital increase in joint ventures from other shareholders	-	-	20	-	20	20	-	20
Capital increase	1 300	-	-	-	-	1 300	-	1 300
Balance as of 31.12.2016	58 411	-1 660	12 957	6 063	17 360	75 771	7 747	83 518
Net profit/loss	-	-	6 610	-	6 610	6 610	-195	6 416
Items in OCI that recycle over profit/loss:								
Changes in fair value of financial instruments	-	1 336	-	-	1 336	1 336	4	1 340
Income tax related to changes in fair value of financial instruments	-	-329	-	-	-329	-329	-1	-330
Items recorded in other comprehensive income in equity accounted investments	-	-180	-	-	-180	-180	-	-180
Recycling of financial instruments related to cash flow hedges	-	-4	-	-	-4	-4	-	-4
Income tax from recycling of financial instruments related to cash flow hedges	-	1	-	-	1	1	-	1
Reclassification currency translation effects related to foreign operations disposed of in the year	-	-	-	-2 508	-2 508	-2 508	-	-2 508
Currency translation effects	-	-	-	-412	-412	-412	-404	-817
Items in OCI that will not recycle over profit/loss:								
Estimate deviation pensions	-	-	115	-	115	115	-	115
Income tax related to estimate deviation pensions	-	-	-40	-	-40	-40	-	-40
Total comprehensive income for the period	-	824	6 685	-2 921	4 589	4 589	-596	3 992
Dividend and Group contribution	-1 332	-	-3 018	-	-3 018	-4 350	-930	-5 280
Change in option recognised in equity	-	-	890	-	890	890	-	890
Business combinations/divestments	-	-	-	-	-	-	-32	-32
Transaction with non-controlling interests	-	-	2 620	-	2 620	2 620	-2 620	-
Capital increase	2 140	-	-	-	-	2 140	-	2 140
Balance as of 30.09.2017	59 219	-835	20 134	3 142	22 442	81 660	3 569	85 230

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

NOK million	Third quarter		Year to date		The year 2016
	2017	2016	2017	2016	
STATEMENT OF CASH FLOW					
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before tax	1 989	-352	8 891	2 667	5 223
Profit/loss on disposal of non-current assets	187	1	155	-17	-15
Depreciation, amortisation and impairments	2 289	3 298	4 119	7 331	8 260
Profit/loss from the sale of business	-87	-	-327	-	-
Profit/loss from the sale of shares and equity accounted investments	-2 100	-3	-2 105	-4	-8
Share of profit/loss in equity accounted investments	942	146	535	-106	-474
Realised currency effect from internal loans ¹⁾	-429	-85	-1 048	-1 316	-1 216
Unrealised changes in value	-286	-98	-453	-896	300
Changes in long term items	-7	-185	2	-224	-368
Changes in short term items	4 768	393	1 581	-734	-1 312
Dividend from equity accounted investments	-	0	558	544	545
Taxes	-181	-96	-2 906	-2 491	-2 564
Cash flow from operating activities	A	7 085	3 020	9 001	4 754
CASH FLOW FROM INVESTING ACTIVITIES					
Investments in property, plant and equipment ²⁾	-1 159	-1 091	-2 567	-4 288	-5 331
Proceeds from sale of non-current assets	-	-	84	7	31
Reclassification of joint arrangement	-	-	-	-404	-404
Business divestments net liquidity inflow to the Group ³⁾	1 781	-	2 083	25	25
Business combinations and asset purchase, net liquidity outflow from the Group	-	-	-	-59	-59
Loans to third parties	-607	-613	-1 118	-1 354	-1 526
Repayment of loans from third parties	104	81	320	455	593
Considerations regarding investments in other companies	-41	-42	-42	-100	-148
Cash flow from investing activities	B	78	-1 664	-5 716	-6 817
CASH FLOW FROM FINANCING ACTIVITIES					
New debt	2	93	4 549	3019	4 642
Repayment of debt	-5 945	-31	-6 567	-2166	-7 632
Dividend paid to Statkraft SF	-2 052	-	-2 052	-	-
Dividend and capital decrease in subsidiary related to non-controlling interests	61	-	-930	-106	-226
Cash flow from financing activities	C	-7 934	62	747	-3 217
Net change in cash and cash equivalents	A+B+C	-771	1 417	2 761	-1 663
Currency exchange rate effects on cash and cash equivalents		-69	-101	-79	-85
Cash and cash equivalents 01.07/01.01		10 830	7 360	7 308	9 056
Cash and cash equivalents 30.09/31.12 ⁴⁾		9 991	8 677	9 991	8 677
Unused committed credit lines			11 000	11 000	11 016
Unused overdraft facilities			2 019	2 215	2 015
Restricted cash			87	-	58

¹⁾ Includes reclassification of currency translation differences of NOK 2003 million related to transfer of loan portfolio. See note 9 for further details.

²⁾ Investments in property, plant and equipment in the cash flow year to date are NOK 24 million lower than investments shown in the segment reporting. This is due to capitalised borrowing costs of NOK 52 million and acquisition of assets of NOK 28 million paid in 2017, but capitalised in 2016.

³⁾ Statkraft received both cash and the 18.1% shareholding in Statkraft IH Invest AS for the sale of SN Power. The amount in the cash flow statement is the net cash effect. See note 12 for more information.

⁴⁾ Included in cash and cash equivalents are NOK 179 million related to joint operations.

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
SEGMENTS									
3rd quarter 2017									
Operating revenue external, underlying	15 082	3 855	9 065	630	-1	108	1 395	32	-2
Operating revenue internal, underlying	-	67	-2	11	132	-	10	204	-422
Share of profit/loss from associates and joint ventures	-942	-	1	-1 039	10	-	92	-6	-
Gross operating revenues, underlying	14 140	3 922	9 064	-398	141	108	1 497	230	-424
Net operating revenues, underlying	3 705	3 045	263	-532	131	81	755	230	-268
Operating profit/loss, underlying	492	1 442	39	-976	-91	-26	236	-123	-9
Unrealised value change energy derivatives	-349	-304	-45	-	-	-	-	-	-
Gain/loss from acquisition/divestments of business activities	2 178	-	-	2 167	-	-	11	-	-
Impairments and related costs	-1 367	189	-	-1 369	-186	-1	-	-	-
Operating profit/loss	954	1 327	-5	-179	-277	-27	247	-123	-9
Year to date 2017									
Operating revenue external, underlying	44 261	12 095	24 145	1 837	-2	529	5 607	103	-53
Operating revenue internal, underlying	-	184	-22	80	504	-	36	611	-1 393
Share of profit/loss in equity accounted investments	-535	-	-	-942	58	-	366	-15	-2
Gross operating revenues, underlying	43 726	12 279	24 123	975	560	529	6 009	699	-1 448
Net operating revenues, underlying	16 108	10 490	1 331	647	527	393	2 885	699	-864
Operating profit/loss, underlying	6 933	6 069	666	-638	-107	79	1 273	-354	-55
Unrealised value change energy derivatives	687	508	179	-	-	-	-	-	-
Gain/loss from acquisition/divestments of business activities	2 418	-	-	2 167	256	-	11	-16	-
Impairments and related costs	-1 406	169	-	-1 385	-187	-3	-	-	-
Operating profit/loss	8 632	6 747	845	143	-39	76	1 284	-370	-54
Balance sheet 30.09.2017									
Equity accounted investments ¹⁾	12 780	-	67	1 529	1 568	-	9 595	19	2
Other assets ¹⁾	148 305	57 224	147	24 675	9 813	3 500	15 442	23 151	14 353
Total assets	161 085	57 224	214	26 204	11 381	3 500	25 037	23 170	14 355
Depreciations, amortisation and impairments	-4 119	-1 098	-9	-1 952	-460	-130	-421	-51	1
Maintenance investments and other investments	1 181	728	5	65	12	4	354	14	-2
Investments in new generating capacity	1 410	109	19	587	364	94	237	-	-
Investments in other companies	44	-	25	-	-	-	-	19	-
3rd quarter 2016									
Operating revenue external, underlying	10 308	2 973	5 556	594	13	100	1 029	21	22
Operating revenue internal, underlying	-	61	-10	52	118	-	8	197	-426
Share of profit/loss from associates and joint ventures	-146	-	-	-228	-60	-	144	-2	-
Gross operating revenues, underlying	10 162	3 034	5 546	418	71	100	1 181	216	-404
Net operating revenues, underlying	3 854	2 714	157	316	60	72	554	216	-235
Operating profit/loss, underlying	717	1 089	-82	-98	-151	-39	56	-81	23
Unrealised value change energy derivatives	-494	-346	-147	-	-	-	-	-	-1
Gain/loss from acquisition/divestments of business activities	-	-	-	-	-	-	-	-	-
Impairments and related costs	-2 421	-573	-	-1 244	-585	-19	-	-	-
Operating profit/loss	-2 198	170	-230	-1 342	-735	-58	56	-81	22
Year to date 2016									
Operating revenue external, underlying	35 121	10 539	17 497	1 821	30	512	4 640	111	-29
Operating revenue internal, underlying	-	163	-89	84	425	1	40	606	-1 230
Share of profit/loss in equity accounted investments	106	-	-1	-175	-57	-	347	-8	-
Gross operating revenues, underlying	35 227	10 702	17 407	1 730	398	513	5 027	709	-1 259
Net operating revenues, underlying	14 578	9 574	482	1 494	368	362	2 420	709	-831
Operating profit/loss, underlying	5 377	4 899	-197	290	-351	35	925	-193	-31
Unrealised value change energy derivatives	-1 491	-712	-778	-	-	-	-	-	-1
Gain/loss from acquisition/divestments of business activities	20	-	-	-	20	-	-	-	-
Impairments and related costs	-4 674	-2 802	-	-1 244	-606	-21	-1	-	-
Operating profit/loss	-768	1 385	-976	-954	-937	14	923	-193	-30
Balance sheet 30.09.2016									
Equity accounted investments	18 442	-	10	5 282	3 363	-	9 751	32	4
Other assets	145 369	57 419	151	26 407	8 742	3 503	15 269	23 292	10 585
Total assets	163 811	57 419	161	31 689	12 105	3 503	25 020	23 324	10 589
Depreciations, amortisation and impairments	-7 331	-4 112	-11	-1 717	-890	-147	-402	-52	-
Maintenance investments and other investments	1 424	973	3	124	7	11	266	41	-1
Investments in new generating capacity	2 993	442	-	917	1 332	95	207	1	-1
Investments in other companies	105	-	4	30	32	-	-	38	1

¹⁾ The previously equity accounted investment Scira Offshore Energy Ltd. in the Wind power segment is presented as assets held for sale as of 30 September 2017 and accordingly included in Other assets in Group items.

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	Wind power	District heating	Industrial ownership	Other activities	Group items
SEGMENTS									
The year 2016									
Operating revenue external, underlying	51 767	15 520	25 953	2 429	92	765	6 877	165	-33
Operating revenue internal, underlying	-	259	-108	114	653	2	58	824	-1 802
Share of profit/loss in equity accounted investments	474	-	-2	16	41	-	432	-13	-
Gross operating revenues, underlying	52 241	15 779	25 843	2 559	786	767	7 367	976	-1 835
Net operating revenues, underlying	21 875	14 187	980	2 234	743	552	3 364	975	-1 160
Operating profit/loss, underlying	9 148	7 701	142	557	-191	111	1 261	-381	-52
Unrealised value change energy derivatives	-1 270	-370	-900	-	-	-	-	-	-
Gain/loss from acquisition/divestments of business activities	16	-	-	-	16	-	-	-	-
Impairments and related costs	-4 808	-2 802	-	-1 377	-606	-22	-2	-	1
Operating profit/loss	3 086	4 529	-758	-819	-781	89	1 259	-381	-52
Balance sheet 31.12.2016									
Equity accounted investments	19 438	-	55	5 860	3 522	0	9 979	18	4
Other assets	147 192	57 240	124	27 896	9 138	3 521	15 381	24 042	9 850
Total assets	166 630	57 240	179	33 756	12 660	3 521	25 360	24 060	9 854
Depreciations, amortisation and impairments	-8 260	-4 554	-14	-1 910	-973	-190	-544	-74	-
Maintenance investments and other investments*	1 763	1 154	2	162	-	13	387	44	-
Investments in new generating capacity	3 736	582	4	1 250	1 457	142	301	-	-
Investments in other companies	158	-	56	30	32	-	-	39	-

Selected notes to the accounts

1. FRAMEWORK AND MATERIAL ACCOUNTING POLICIES

The consolidated financial statements for the third quarter of 2017, closed on 30 September 2017, have been prepared in accordance with the accounting principles in International Financial Reporting Standards (IFRS) and consist of Statkraft AS and its subsidiaries and associates. The interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. As the information provided in the interim financial statements is less comprehensive than that contained in the annual financial statements, these statements should therefore be read in conjunction with the consolidated annual financial statements for 2016. The interim accounts have not been audited. The accounting principles applied in the interim financial statements are the same as those used for the annual financial statements.

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

2. PRESENTATION OF FINANCIAL STATEMENTS

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

3. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

4. SEGMENT REPORTING

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

The segment International hydropower changed name to International power in 2017.

5. UNREALISED EFFECTS PRESENTED IN THE INCOME STATEMENT

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

NOK million	Third quarter 2017			Year to date 2017		
	Unrealised	Realised	Total	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN P&L						
Generation	-334	4 784	4 449	506	14 864	15 370
Sales and trading	-531	1 237	706	-1 493	4 654	3 161
Customers	-286	9 248	8 962	205	23 857	24 062
Other	-	405	405	-	1 640	1 640
Total sales revenues	-1 152	15 674	14 523	-782	45 015	44 233
Generation	-	-650	-650	-	-891	-891
Sales and trading	221	-918	-697	776	-3 229	-2 453
Customers	2	-8 650	-8 647	-21	-22 765	-22 786
Other	-	-132	-132	-	-565	-565
Total energy purchase	224	-10 350	-10 127	755	-27 450	-26 695
Net currency effects	538	-47	491	1 193	-1 804	-611
Other financial items	676	209	885	-713	2 358	1 645
Total financial items	1 214			480		
Total unrealised effects	286			453		

NOK million	Third quarter 2016			Year to date 2016			The year 2016		
	Unrealised	Realised	Total	Unrealised	Realised	Total	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN P&L									
Generation	-348	3 761	3 414	-737	13 318	12 580	-426	19 402	18 976
Sales and trading	-1 244	1 521	277	-408	2 522	2 114	-493	4 128	3 634
Customers	-148	5 666	5 518	-597	17 448	16 850	-849	25 762	24 913
Other	-	387	387	-	1 376	1 376	-	1 925	1 925
Total sales revenues	-1 739	11 335	9 596	-1 742	34 662	32 920	-1 768	51 216	49 448
Generation	-	-88	-88	-	-273	-273	-	-368	-368
Sales and trading	487	-810	-324	341	-2 266	-1 925	338	-3 586	-3 249
Customers	4	-5 509	-5 505	29	-17 147	-17 118	66	-24 963	-24 897
Other	-	-114	-114	-	-382	-382	-	-579	-579
Total energy purchase	490	-6 521	-6 031	370	-20 068	-19 698	404	-29 497	-29 093
Net currency effects	508	783	1 291	1 491	2 034	3 525	557	2 290	2 847
Other financial items	840	21	861	777	15	793	508	-186	322
Total financial items	1 348			2 269			1 065		
Total unrealised effects	99			896			-299		

6. NORWEGIAN HYDROPOWER AND RELATED BUSINESS

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

NOK million	"Norwegian hydropower" from:			Sum "Norwegian hydropower, excluding related business"	Associated regional companies	Sum "Norwegian hydropower and related business"
	Statkraft AS Group	Statkraft Energi AS	Skagerak Kraft Group			
2017 (year to date)						
Share of profit/loss in equity accounted investments	-535	-	-	-	365 ¹⁾	365
Gross operating revenues	46 861	10 972	1 110	12 074	365	12 439
Net operating revenues	19 243	9 028	1 059	10 088	365	10 454
Operating profit/loss	8 632	6 488	603	7 090	365	7 456
Net financial items	259	-137	-66	-203		-203
Tax expense	-2 475	-3 319	-300	-3 618		-3 618
Profit/loss after tax	6 416	3 032	237	3 269	365	3 634
Profit/loss after tax (majority share)	6 610	3 032	165	3 197	365	3 562
Paid dividend and group contribution to Statkraft		3 758 ²⁾	76 ³⁾	3 834	528 ³⁾	4 362
Balance sheet 30.09.17						
Equity accounted investments	12 780	-	1	1	9 516 ¹⁾	9 517
Other assets	148 305	37 946	5 364	43 310		43 310
Total assets	161 085	37 946	5 365	43 311	9 516	52 827
EBITDA	12 751	6 957	744	7 701	365	8 067
Depreciation, amortisation and impairment	-4 119	-470	-141	-611		-611
Maintenance investments and other investments	1 181	579	58	637		637
Investments in new production capacity	1 410	108	-	108		108
Investments in shares	44	-	-	-		-

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

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

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

7. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

NOK million	30.09.2017	30.09.2016	31.12.2016
INTANGIBLE ASSETS			
Balance as of 01.01.	3 858	4 524	4 524
Additions	15	48	92
Reclassifications	25	-40	-452
Disposals	-1	-170	-175
Currency translation effects	-170	152	311
Amortisation	-119	-147	-180
Impairment	-325	-231	-262
Balance as of end of period	3 282	4 136	3 858
PROPERTY, PLANT AND EQUIPMENT			
Balance as of 01.01.	103 303	111 207	111 207
Additions	2 524	4 444	5 489
Reclassifications	-25	40	24
Disposals	-495	-2 579	-2 629
Capitalised borrowing costs	52	106	139
Currency translation effects	-625	-4 572	-3 109
Depreciation	-2 594	-2 543	-3 411
Impairment	-1 080	-4 409	-4 407
Balance as of end of period	101 060	101 694	103 303

Accounting policies, judgement and assumptions for impairment are described in note 14 in the annual report 2016.

Impairments in equity accounted investments are presented as a part of share of profit/loss in equity accounted investments in the comprehensive income statement. However, these impairments are described in this note.

Chile: An impairment loss of NOK 2354 million was recognised on hydropower plants. NOK 1219 million was related to consolidated business and NOK 1135 million was related to equity accounted investments. The impairments are a result of lower expected long-term prices. In addition, a shareholder loan to an equity accounted investment was impaired with NOK 117 million presented as financial expense in the comprehensive income statement.

Norway: A verdict in the Supreme Court states that Statkraft is not the taxable owner of Sønnå Høy power plant. A reversal of impairment loss of NOK 386 million was recognised due to the verdict and, in addition, the market development. See note 13 in quarterly and half year report Q2/2017 for more information.

Brazil, Peru and India: An impairment loss of NOK 219 million was recognised on hydropower plants and wind farms. NOK 167 million was related to consolidated business and NOK 52 million was related to equity accounted investments. The impairments are mainly a result of lower expected long-term prices.

Germany: An impairment loss of NOK 197 million was recognised on a pump-storage hydropower plant.

Other: An impairment loss of NOK 208 million was recognised on other projects. This was mainly related to wind power in the Nordics.

8. CURRENCY EFFECTS ON INTERNAL LOANS

Net currency effects on internal loans as of the third quarter amounted to NOK -344 million, of which NOK 611 million was unrealised and NOK -955 million was realised. The negative effects were mainly due to NOK strengthening against USD, EUR, GBP and TRY.

9. HEDGE ACCOUNTING

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

Statkraft has set up hedge accounting for parts of the net investments in Statkraft Treasury Centre SA in EUR, as well as parts of the net investments in Statkraft UK Ltd in GBP. The effect of this is that a year to date loss of NOK 171 million in 2017 was recognised in other comprehensive income instead of in the income statement.

On April 24, the major business activities in Statkraft Treasury Centre SA were transferred to Statkraft AS. The net investment hedge was discontinued on this date. As a result of the transfer of the loan portfolio, cumulative currency translation effects (NOK 2003 million) and effects from the net investment hedge (NOK -1484 million) were reclassified from other comprehensive income to profit and loss.

10. BRAZIL

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

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

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

11. DRAFT DECISION RELATED TO PREVIOUS YEARS TAX

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

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

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

On 24 April, the major business activities in STC were transferred to Statkraft AS in Norway.

12. TRANSACTIONS

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

On 11 July, Statkraft sold its shares in Cetin hydropower project in Turkey. This resulted in a gain of NOK 76 million, mainly related to currency, recognised as other operating revenues in the third quarter. As part of the sales agreement, there is a contingent earn-out. The earn-out will be recognised when payments are received.

On 25 September, an agreement was entered into between Statkraft and Norfund where Statkraft acquires its remaining 18.1% share in SKIHI and dispose its 50% share in SN Power. In addition, Statkraft receives a cash payment of NOK 1717 million. A gain of NOK 2091 million, which includes a deferred gain from an earlier restructuring and currency effects, is recognised as other operating revenues in the third quarter.

13. ASSET HELD FOR SALE

According to Statkraft strategy offshore wind assets will be divested over the next quarters. Sheringham Shoal is a 316.8 MW offshore wind farm located in 'Greater Wash' coastal waters of the UK. Statkraft is a 40% owner of Sheringham Shoal that is classified as a joint venture and accounted for in accordance with the equity method. A process to divest the wind power plant has been ongoing during the past quarters and it is assessed that the assets qualify to be presented as held for sale from the second quarter in 2017.

No impairment loss was recognised on reclassification of the power plant as held for sale as the management expect that the fair value less cost to sell is higher than the carrying amount of NOK 2064 million.

There is also a sales process related to Statkraft's 30% share of the 402 MW offshore wind farm Dudgeon located in the same area. Dudgeon is not held for sale as it is a premise that it is sold as an operating asset, and further that the final completion date has to be passed. This is expected to be in first half of December 2017.

14. SUBSEQUENT EVENTS

In October, Statkraft completed an agreement to sell its shares in the equity accounted investment Triton Knoll Offshore Wind Farms Ltd. to innogy. The financial effects of the sales transaction will be recognised in the fourth quarter.

15. IFRS STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

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

IFRS 16 Leases The IASB issued IFRS 16 in 2016. IFRS 16 replaces IAS 17 and its interpretations, including IFRIC 4. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. IFRS 16 also requires lessees to make more extensive disclosures than under IAS 17. The new standard has not yet been endorsed by EU. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. An implementation project for IFRS 16 has been initiated, but is still in an early stage. Statkraft will continue analysing the effects from IFRS 16 in 2017.

Alternative Performance Measures

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

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

From 2017 Statkraft has also amended the definition of capital employed. In the amended definition deferred tax assets and liabilities, pension liabilities, and liabilities related to equity instruments are no longer defined as Capital employed. Further, there are some other minor items that are either allocated or deallocated to capital employed. The components of capital employed are presented in the table below.

Comparable figures are restated.

Statkraft uses the following APMs:

Underlying EBITDA is defined as operating profit before depreciation and amortisation. The APM is used to measure performance from operational activities.

Capital employed and **Net interest bearing debt** are defined in the table on the next page. Capital employed is the capital allocated to perform operational activities. Net interest bearing debt is used to measure indebtedness. The components of Net interest bearing debt are presented in the table below.

ROACE is defined as underlying operating profit, excluding share of profit/loss in equity accounted investments, divided by capital employed. ROACE is calculated on a rolling 12 month average and is used to measure return from the Group's operational activities.

Items excluded from underlying operating profit:

Statkraft adjusts for the following three items when reporting underlying operating profit:

1. Unrealised value changes from energy derivatives

- **Embedded derivatives** are excluded from underlying operating profit since they only represent part of an energy contract and the other parts of these energy contracts are not reported based on market values.
- **Derivatives acquired for risk reduction purposes** is excluded when the related item is carried at cost. This is done to ensure that these hedges are reported consistently with the positions that are being hedged.

2. Impairments and related costs

are excluded from underlying operating profit since they affect the economics of an asset for the lifetime of that asset; not only the period in which it is impaired or the impairment is reversed.

3. Gain/loss from acquisitions/divestments of business activities

is eliminated from the measure since the gain or loss does not give an indication of future performance or periodic performance; such a gain or loss is related to the cumulative value creation from the time the asset is acquired until it is sold.

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

NOK million	30.09.2017	30.09.2016	31.12.2016
ALTERNATIVE PERFORMANCE MEASURES			
CAPITAL EMPLOYED			
Intangible assets	3 282	4 136	3 858
Property, plant and equipment	101 060	101 694	103 303
Other non-current financial assets	8 818	8 545	8 961
- Loans to equity accounted investments ¹⁾	-6 960	-6 416	-6 740
- Bonds and other long-term investments ¹⁾	-70	-132	-79
- Pension assets ¹⁾	-307	-242	-300
- Other shares and shareholdings ¹⁾	-301	-306	-338
Inventories	1 510	1 787	2 653
Receivables	9 905	8 944	10 219
- Receivables related to cash collateral ²⁾	-1 415	-2 313	-1 313
- Short-term loans to equity accounted investments ²⁾	-415	-342	-381
- Other receivables not part of capital employed ²⁾	-24	5	5
Provisions allocated to capital employed	-2 474	-4 192	-3 423
Taxes payable	-4 695	-3 421	-4 764
Interest-free liabilities allocated to capital employed	-9 547	-9 670	-10 532
Capital employed	98 366	98 078	101 130
Average capital employed ³⁾	102 394	106 817	104 153
NET INTEREST BEARING DEBT			
Long-term interest bearing liabilities	35 228	32 043	31 886
Short-term interest bearing liabilities	3 891	12 349	8 407
Cash and cash equivalents (including restricted cash)	-9 991	-8 677	-7 308
Short-term financial investments	-898	-566	-532
Net interest bearing debt	28 230	35 149	32 453

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

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

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



Interim Report
Q3/2017
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