

Interim Report Q1/2020

Statkraft AS



Q1



Key figures

NOK million	First quarter			Year
	2020	2019	Change	2019
Income statement				
Gross operating revenues and other income underlying	12 028	14 999	-2 971	47 836
Net operating revenues and other income underlying	7 593	9 678	-2 085	29 318
EBITDA underlying	5 145	7 703	-2 558	20 569
Operating profit (EBIT) underlying	4 090	6 762	-2 672	16 744
Operating profit (EBIT) IFRS	4 386	6 243	-1 857	16 978
Share of profit/loss in equity accounted investments	722	508	213	1 249
Net financial items	-5 947	550	-6 497	733
Profit before tax	-840	7 301	-8 141	18 959
Net profit	-1 888	4 752	-6 640	11 327
Key financial metrics				
EBIT margin underlying	34.0%	45.1%	-11.1%	35.0%
ROACE	12.8%	15.3%	-2.4%	15.5%
ROAE	11.2%	6.0%	5.2%	9.5%
Balance sheet and investments				
Assets	199 249	180 777	18 472	177 815
Equity	105 409	101 288	4 120	100 764
Net interest-bearing debt	26 416	11 706	14 710	16 232
Capital employed	117 058	107 199	9 859	110 396
Equity accounted investments	13 915	13 777	138	12 917
Total investments	1 289	884	406	7 421
Cash Flow				
From operating activities	-2 458	3 565	-6 022	11 861
Cash and cash equivalents (incl. restricted cash)	10 105	24 445	-14 340	15 203
Currency rates				
NOK/EUR average rate	10.46	9.74	0.71	9.85
NOK/EUR closing rate	11.51	9.66	1.85	9.86

Definitions

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

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

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STABLE OPERATIONS IN A DEMANDING QUARTER

“Satisfactory operating result, however changes in the energy market outlook led to impairments of wind farms. Reliable and safe operations are our top priority.”

Statkraft has upheld reliable and safe operations during the Covid-19 pandemic. Underlying EBIT is satisfactory, considering the low power prices caused by a large Nordic hydrological surplus and low energy demand. Net profit for the quarter is negative following impairments and currency effects.

Low fuel prices, a significant hydrological surplus and low demand due to a mild winter plus the outbreak of the Corona virus have put pressure on the Nordic power prices. In the first quarter, the average Nordic system price was 15.4 EUR/MWh, a decrease of 67 per cent compared with the same quarter in 2019. Total generation was 17.7 TWh in the quarter, an increase of 1.7 TWh. The increase in generation was primarily related to Nordic hydropower and wind power.

Statkraft recorded an underlying EBIT amounting to NOK 4090 million in the first quarter of 2020. This was a decrease of NOK 2672 million from the corresponding quarter last year. The decrease was mainly driven by the substantially lower Nordic power prices. Extraordinary strong results from market activities partly offset the effects from lower power prices.

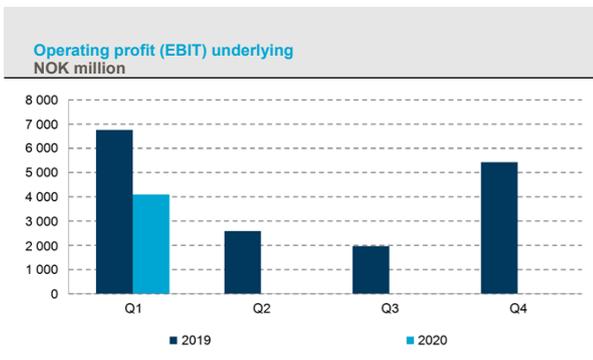
Changes in the energy market outlook led to impairments of wind power assets in the Nordics of NOK 2.6 billion.

A substantial weakening of NOK led to negative currency effects amounting to NOK 5.7 billion, which are mainly unrealised. The quarterly net profit was NOK -1.9 billion, a decrease of NOK 6.6 billion. The negative currency effects are however more than offset by positive translation effects of foreign investments, leading to a strengthening of total equity by NOK 4.6 billion in the quarter.

A positive underlying EBIT was more than offset by cash outflow of taxes paid, margin calls and cash collaterals. Cash flow from operating activities amounted to NOK -2.5 billion in the quarter. A substantial part of the cash outflows will be either reversed or offset by long term cash effects.

A new long-term power contract was entered into with Glencore Nikkelverk for the period 2021-2029 with an annual volume of 90 GWh. Statkraft has decided significant refurbishments of the Tokke/Vinje hydropower plants in Norway.

Statkraft is closely monitoring the development of the pandemic. Statkraft is committed to the safety and well-being of our employees and contractors and has taken actions to reduce the spread of the virus in line with advice from national health authorities. The construction projects Tidong hydropower project in India, the Los Lagos hydropower project in Chile and the Windy Rig wind power project in UK are temporarily halted due to the pandemic. There is uncertainty as to when the construction works can be restarted.



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.

AMBITION	TARGET	STATUS
HSE and sustainability		
Prevent incidents and be committed to a workplace without injury or harm	Zero serious injuries	1
Prevent corruption and unethical practices in all activities	Zero serious compliance incidents	0
Deliver climate-friendly, renewable power and taking responsible environmental measures	Zero serious environmental incidents	0
Financial performance		
Deliver a solid return on capital	>7% ROACE	12.8%
Value creation in ongoing business		
Efficient management of energy resources in the Nordic hydropower fleet	>3.5% higher realised prices than the average spot price in the market	4.4%
Growth		
Grow capacity in renewable energy (hydro-, wind- and solar power)	9 GW growth by 2025	1.4 GW
Organisational enablers		
Improve diversity in background, competence and gender across the company	Long-term target of 40% women in top management positions	26.4%

Caring for people is at the core of Statkraft's activities and Statkraft works continuously towards the goal of zero injuries. Still, there was one fatal accident in the first quarter of 2020. There were no other accidents with serious injuries. See section "Corporate responsibility and HSE" for more information.

Statkraft has zero tolerance for corruption and unethical practices in all activities, and there were no serious compliance incidents in the first quarter of 2020.

Assessing environmental risks is part of Statkraft's daily risk management procedures and practices, and there were no serious environmental incidents in the first quarter of 2020.

Statkraft aims to deliver a solid return on capital employed. Measured on 12 months rolling basis, the ROACE was 12.8%, significantly above the target. See section "Return on capital employed (ROACE)" for more information.

With Europe's largest portfolio of flexible hydropower plants and reservoir capacity, Statkraft is able to optimise Nordic hydropower generation over several years. Statkraft is therefore well positioned to achieve a higher average price for this generation than the average Nordic spot price. In the first quarter of 2020, Statkraft's realised prices (measured over the last 60 months) were 4.4% higher than the average spot price in the Nordics.

The strategy has a growth target of 9 GW by 2025, but the total investments will be adapted to the macroeconomic effects following the Covid-19 pandemic.

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 the first quarter of 2020 the total share of women in all top management positions was 26.4%, slightly down from 27.5% at the end of 2019. The 40% target was reached for the Corporate Management with effect from 1 April.

Corporate responsibility and HSE

	First quarter 2020	2019	Year 2019
Corporate responsibility and HSE			
Fatal accidents ¹⁾	1	0	0
Serious environmental incidents	0	0	0
Absence due to illness, Group	3.5%	3.0%	2.7%
TRR rate ¹⁾²⁾	4.9	5.5	4.8
Full-time equivalents, Group	3 700	3 300	3 601

¹⁾ Includes employees and suppliers in plants where Statkraft owns 20% or more.

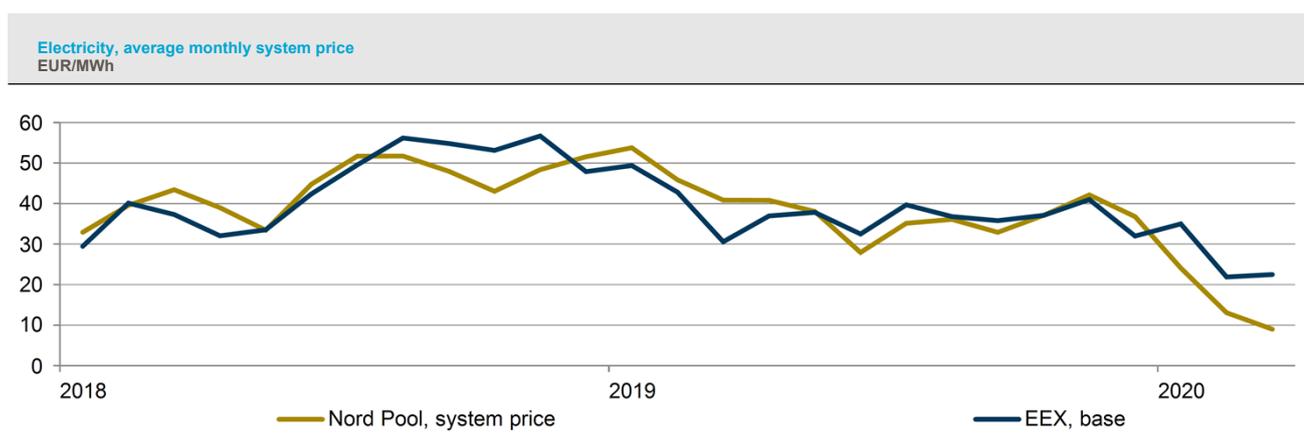
²⁾ TRR rate (rolling 12 months): Number of injuries per million hours worked.

In January a contractor employee on the Tidong hydropower project in India died following a fall incident on site. The fatal accident has been investigated according to Statkraft's procedures and all safety measures are followed up.

Market and production

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

POWER PRICES



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

	First quarter 2020	2019	Change	Year 2019
Market prices (average)				
System price, Nord Pool (EUR/MWh)	15.4	46.8	-31.4	39.0
Spot price (base), EEX (EUR/MWh)	26.5	40.9	-14.5	37.7
Spot price (peak), EEX (EUR/MWh)	34.8	49.2	-14.4	44.4
Spot price (base), N2EX UK (GBP/MWh)	32.7	51.8	-19.1	43.0

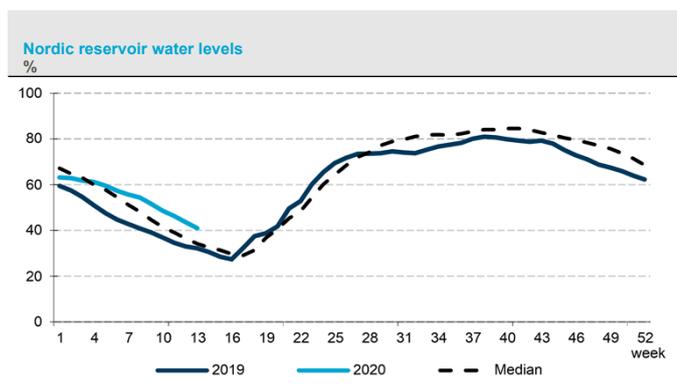
Sources: Nord Pool and European Energy Exchange (EEX).

The average system price in the Nordic region was 15.4 EUR/MWh in the quarter, a decrease of 67%. The decrease was mainly due to a stronger hydrological balance in the Nordics and lower Continental prices.

The average base price in the German market (EEX) was 26.5 EUR/MWh in the quarter, a decrease of 35%. The decrease was mainly due to lower gas and coal prices. Mild weather and low consumption due to Covid-19 along with higher wind speeds also contributed to the decrease.

The average base price in the UK was 32.7 GBP/MWh in the quarter, a decrease of 37%. The decrease was mainly driven by lower gas prices.

CONSUMPTION AND RESOURCE ACCESS IN THE NORDIC REGION



TWh	First quarter		Year
	2020	2019	2019
Consumption and output			
Nordic			
Nordic consumption	110.1	115.6	386.9
Nordic output	116.6	113.7	387.8
Net Nordic import(+)/export(-)	-6.5	1.9	-0.9
Norway			
Norwegian consumption	39.2	40.3	133.5
Norwegian output	40.4	38.1	133.4
Net Norwegian import(+)/export(-)	-1.2	2.2	0.1

The total reservoir level for all producers in the Nordic region was 120% of median level at the end of the quarter, corresponding to 41% of total capacity.

STATKRAFT'S POWER GENERATION

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

TWh	First quarter		Year
	2020	2019	2019
Generation, technology			
Hydropower	15.6	14.6	53.4
Wind power	1.4	0.9	3.0
Gas power	0.7	0.5	4.5
Other power ¹⁾	0.1	0.1	0.3
Total generation	17.7	16.1	61.1

¹⁾ Biomass and solar power.

TWh	First quarter		Year
	2020	2019	2019
Generation, geography			
Norway	13.2	12.2	44.9
Sweden	2.3	1.8	6.2
Europe ex. Nordic	1.0	0.9	5.6
Rest of the world	1.2	1.2	4.4
Total generation	17.7	16.1	61.1

The Group generated a total of 17.7 TWh in the quarter, an increase of 10%. Nordic hydropower increased driven by a stronger hydrological balance and wind power increased driven by new capacity and higher wind speeds. The Group's district heating deliveries amounted to 0.4 TWh.

Financial performance

NOK million	First quarter			Year
	2020	2019	Change	2019
Net operating revenues and other income underlying	7 593	9 678	-2 085	29 318
Operating profit (EBIT) underlying	4 090	6 762	-2 672	16 744
Operating profit (EBIT) IFRS	4 386	6 243	-1 857	16 978
Net financial items	-5 947	550	-6 497	733
Profit before tax	-840	7 301	-8 141	18 959
Tax expense	-1 048	-2 549	1 501	-7 632
Net profit	-1 888	4 752	-6 640	11 327

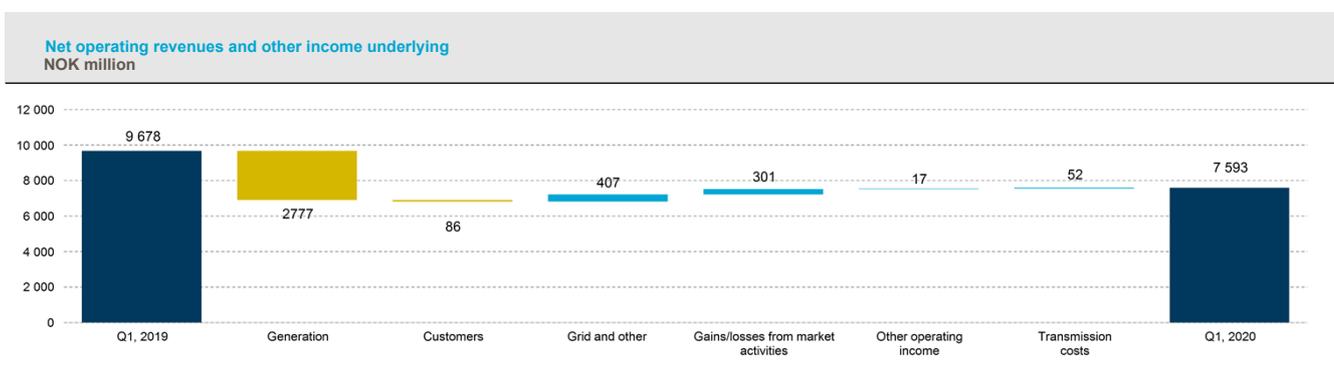
FINANCIAL PERFORMANCE FIRST QUARTER

The underlying EBIT was NOK 4090 million, a decrease of 40%. The decrease was primarily related to significantly lower Nordic power prices. The negative development was partly offset by higher gains from financial hedging, increased contribution from trading and market access and higher power generation.

Net financial items were negative, primarily due to currency effects related to debt in foreign currencies. The currency effects are mainly unrealised and are more than offset by positive translation effects in the comprehensive income.

NET OPERATING REVENUES AND OTHER INCOME UNDERLYING

NOK million	First quarter			Year 2019
	2020	2019	Change	
Net operating revenues and other income				
Generation	4 929	7 780	-2 851	26 138
Customers	3 197	4 041	-843	13 588
Grid and other	1 396	992	405	3 724
Sales revenues	9 522	12 812	-3 290	43 450
Gains/losses from market activities	2 403	2 102	301	3 674
Other operating income	103	86	17	712
Gross operating revenues and other income	12 028	14 999	-2 971	47 836
Generation	-403	-477	74	-2 139
Customers	-3 224	-3 981	757	-13 515
Other	-228	-230	3	-829
Energy purchase	-3 855	-4 688	833	-16 483
Transmission costs	-581	-633	52	-2 035
Net operating revenues and other income	7 593	9 678	-2 085	29 318



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

- Net operating income from Generation decreased, mainly driven by significantly lower Nordic power prices. This was partly offset by higher generation.
- Net operating income from Grid and other increased, mainly due to positive effects from downstream market services in the UK.
- Gains/losses from market activities increased, mainly driven by improved contribution from financial hedging, trading and market access UK. This was partly offset by lower contribution from certain embedded derivatives related to long-term industry contracts and negative effects from long-term contracts in Brazil.

OPERATING EXPENSES UNDERLYING

NOK million	First quarter			Year 2019
	2020	2019	Change	
Operating expenses				
Salaries and payroll costs	-1 172	-962	-210	-3 971
Depreciations and amortisations	-1 055	-941	-114	-3 824
Property tax and licence fees	-309	-306	-3	-1 139
Other operating expenses	-967	-707	-260	-3 638
Operating expenses	-3 503	-2 917	-586	-12 573

- In general there were negative currency effects related to a weakening of NOK against other currencies.
- The increase in salaries and payroll costs was mainly due to performance-related costs in the segment Market operations driven by high profits in the first quarter in 2020. In addition there was an increase in full-time equivalents.
- The increase in depreciations and amortisations was mainly due to a reversal of impairments of gas-fired power plants in the third quarter of 2019 and a change in useful life of assets in Brazil.
- Other operating expenses were higher due to increased costs from newly acquired companies, costs related to wind farms entering into operations in Norway and higher business development costs.

ITEMS EXCLUDED FROM OPERATING PROFIT (EBIT) UNDERLYING

The segment reporting is based on underlying figures, which is in accordance with how the corporate management makes, follows up and evaluates its decisions. Unrealised value changes from embedded EUR derivatives, gains/losses from divestments of business activities and impairments/reversal of impairments are excluded from operating profit (EBIT) underlying from 2020. See page 21.

NOK million	First quarter			Year 2019
	2020	2019	Change	
Items excluded from operating profit (EBIT) underlying				
Unrealised value changes from embedded EUR derivatives	2 853	-512	3 365	42
Gains/losses from divestments of business activities	-	-	-	55
Impairments/reversal of impairments	-2 558	-7	-2 551	136
Items excluded from operating profit (EBIT) underlying	295	-519	815	233

- Embedded EUR derivatives linked to long-term industry contracts had a positive effect. This was mainly driven by a significant weakening of NOK against EUR.
- The impairment loss was related to Nordic wind power, see note 9 for more details.

FINANCIAL ITEMS

NOK million	First quarter			Year 2019
	2020	2019	Change	
Financial items				
Interest income	78	126	-48	440
Interest expenses	-145	-222	77	-669
Net currency effects	-5 715	688	-6 403	132
Other financial items	-165	-42	-123	829
Net financial items	-5 947	550	-6 497	733

- Interest income decreased, mainly due to reduced liquidity.
- Interest expenses decreased, mainly due to lower average interest rates.
- Net currency losses in the quarter were mainly unrealised, and were related to a weakening of NOK against EUR, USD and GBP.
- Other financial items decreased, mainly due to negative value changes on interest rate derivatives.

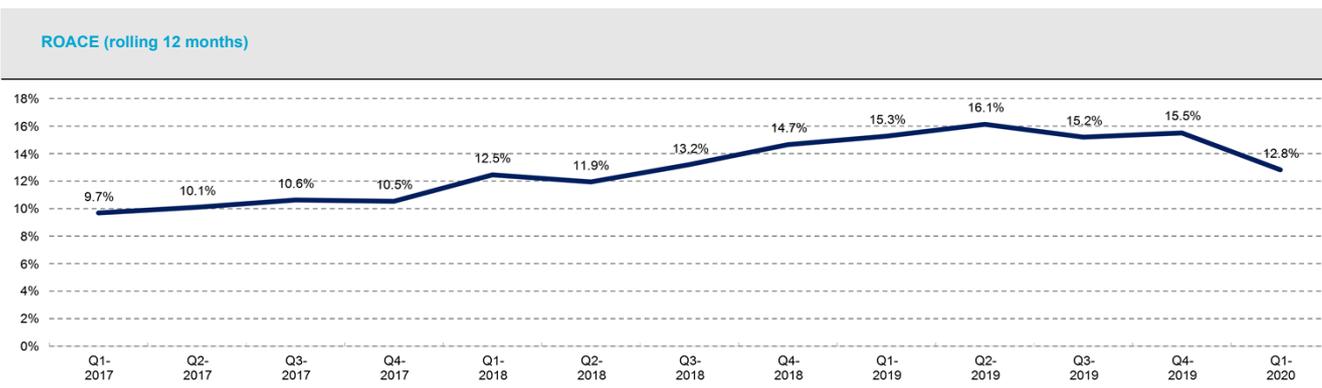
TAX EXPENSE

NOK million	First quarter		Change	Year 2019
	2020	2019		
Tax expense				
Profit before tax	-840	7 301	-8 141	18 959
Nominal tax rate in Norway	22%	22%	0%	22%
Tax calculated at nominal Norwegian tax rate	-185	1 606	-1 791	4 171
Tax on share of profit/loss in equity accounted investments	-159	-112	-47	-275
Resource rent tax payable	502	1 069	-567	3 407
Resource rent tax deferred	1 123	108	1 015	262
Other differences from the nominal Norwegian tax rate	-233	-122	-111	67
Tax expense	1 048	2 549	-1 501	7 632
Effective tax rate	-124.8%	34.9%	-159.7%	40.3%

Tax expense first quarter

- Resource rent tax payable decreased, mainly due to significantly lower Nordic power prices.
- Resource rent tax deferred increased, mainly due to unrealised value changes from embedded derivatives.
- Negative other differences from the nominal Norwegian tax rate of NOK 233 million were mainly due to changes in unrecognised deferred tax assets in Germany.

RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)



The decrease in ROACE compared with year-end 2019 was mainly due to a lower underlying operating profit (rolling 12 months). Average capital employed was 2% higher compared with year-end 2019, mainly due to currency effects driven by a weaker NOK.

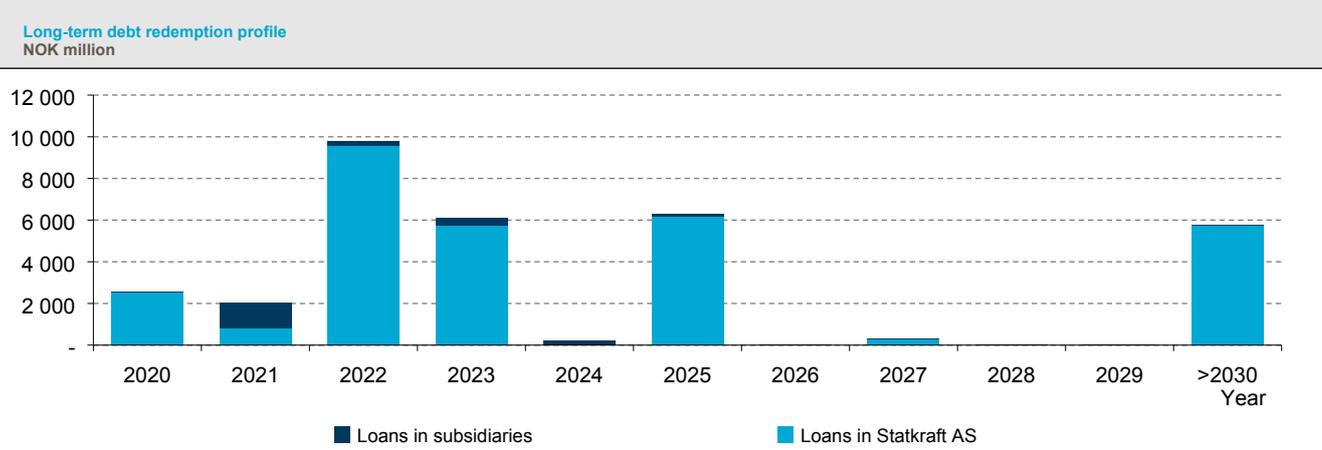
CASH FLOW

NOK million	First quarter			Year 2019
	2020	2019	Change	
Cash flow				
Operating activities	-2 458	3 565	-6 022	11 861
Investing activities	-1 271	-925	-347	-4 821
Financing activities	-1 625	-1 281	-345	-14 938
Net change in cash and cash equivalents	-5 354	1 359	-6 713	-7 900
Cash and cash equivalents (incl. restricted cash) at period end	10 105	24 445	-14 340	15 203

Cash flow first quarter

- A positive EBIT in the quarter was more than offset by unrealised effects, collaterals related to operations and taxes paid, which led to a negative cash flow from operating activities.
- The investing activities were mainly related to investments in property, plant and equipment.
- The financing activities were mainly related to repayment of debt and cash outflow from cash collaterals related to the debt portfolio, partly offset by new debt.

INTEREST-BEARING DEBT REPAYMENT PLAN



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

- Net interest-bearing debt totalled NOK 26 416 million.
- Net interest-bearing debt-equity ratio was 20%.

INVESTMENTS AND PROJECTS

Total investments in the quarter amounted to NOK 1289 million. Maintenance investments and other investments were primarily related to Nordic hydropower. Investments in new capacity were mainly related to construction of hydropower plants in India, Albania and Chile, and the construction of a wind power project in the UK.

NOK million	First quarter 2020	The year 2019
Maintenance investments and other investments		
European flexible generation	330	1 532
Market operations	2	73
International power	24	214
European wind and solar	32	231
District heating	-	6
Industrial ownership	138	603
Other activities	62	54
Total	588	2 712
Investments in new capacity		
European flexible generation	55	194
Market operations	-	2
International power	299	808
European wind and solar	144	2 215
District heating	38	168
Industrial ownership	102	351
Total	638	3 738
Investments in shareholdings		
International power	43	349
European wind and solar	21	188
Industrial ownership	-	53
Other activities	-	381
Total	64	972
Total investments	1 289	7 421

Projects in consolidated operations

First quarter	Project	Country	New capacity (MW) ¹⁾	Statkraft's ownership share	Planned completion	
Committed investments in the period						
Wind power	Windy Rig ²⁾	UK	43	100%	2021	Q2
Completed projects in the period						
Wind power	Fosen - Storheia	Norway	288	52%	2020	Q1
Main construction projects						
Hydropower	Devoll - Moglice	Albania	184	100%	2020	Q2
	Songa and Trollfalden Dams	Norway	-	100%	2020	Q4
	Tidong ²⁾	India	150	100%	2021	Q2
	Los Lagos ²⁾	Chile	52	100%	2022	Q2
Wind power	Fosen - Hitra II	Norway	94	52%	2020	Q2
	Fosen - Geitfjellet	Norway	155	52%	2020	Q3
	Fosen - Harbaksfjellet	Norway	108	52%	2020	Q3
	Fosen - Kvenndalsfjellet	Norway	101	52%	2020	Q3
	Windy Rig ²⁾	UK	43	100%	2021	Q2

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

²⁾ As a consequence of the Covid-19 outbreak, Statkraft has decided to put the project works temporarily on hold.

Segments

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

The reportable segments are defined as:

European flexible generation includes 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 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.

First quarter	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
Income statement									
Gross operating revenues and other income underlying	12 028	4 990	5 576	841	304	244	672	347	-946
Net operating revenues and other income underlying	7 593	4 369	1 780	685	285	169	622	347	-664
EBITDA underlying	5 145	3 358	1 322	390	98	98	346	-155	-312
Operating profit (EBIT) underlying	4 090	2 893	1 313	133	-7	53	219	-202	-312
Operating profit (EBIT) IFRS	4 386	5 746	1 313	127	-2 558	52	219	-202	-311
Key financial metrics									
EBIT-margin underlying	34.0%	58.0%	23.6%	15.8%	-2.3%	21.7%	32.6%	n/a	n/a
ROACE	12.8%	17.3%	73.4%	2.7%	-0.8%	3.8%	8.2%	n/a	n/a
ROAE ¹⁾	11.2%	n/a	n/a	-2.4%	0.9%	n/a	17.0%	n/a	n/a
Investments									
Total investments	1 289	385	2	366	196	38	241	62	-
Generation and district heating									
Generation, volume sold (TWh)	17.7	13.3	-	1.3	1.4	-	1.7	-	-
- hydropower (TWh)	15.6	12.6	-	1.3	-	-	1.7	-	-
- wind power (TWh)	1.4	-	-	0.1	1.4	-	-	-	-
- gas power (TWh)	0.7	0.7	-	-	-	-	-	-	-
- other power (TWh) ²⁾	0.1	0.1	-	0.0	-	-	-	-	-
Production, district heating (TWh)	0.4	-	-	-	-	0.3	0.0	-	-

¹⁾ Return on average equity accounted investments.

²⁾ Biomass and solar power.

EUROPEAN FLEXIBLE GENERATION

NOK million	First quarter		Year
	2020	2019	2019
Gross operating revenues and other income	4 990	6 637	20 525
Net operating revenues and other income	4 369	5 802	17 184
Operating expenses	-1 476	-1 374	-5 780
Operating profit (EBIT) underlying	2 893	4 428	11 404
Unrealised value changes from energy derivatives ^{*)}	2 853	-512	42
Gains/losses from divestments of business activities	-	-	-
Impairments/reversal of impairments	-	-	1 035
Operating profit (EBIT) IFRS	5 746	3 916	12 482
Share of profit/loss in equity accounted investments	4	-	-
Gains/losses from divestments of equity accounted investments ¹⁾	-	-	-
ROACE (rolling 12 months)	17.3%	22.5%	20.2%
ROAE (rolling 12 months) ²⁾	n/a	n/a	n/a
Maintenance investments and other investments	330	217	1 532
Investments in new capacity	55	32	194
Investments in shareholdings	-	-	-
Generation (TWh)	13.3	12.4	48.7

^{*)} Included in Other financial items.

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

^{***)} Related to embedded EUR-derivatives, see page 7.

Key events

- Statkraft has entered into a new long-term power contract with Glencore Nikkelverk for the period 2021-2029 with a total volume of 0.8 TWh.

Quarterly financial performance

- The decrease in underlying EBIT was mainly driven by significantly lower Nordic power prices. This was partly offset by improved contribution from financial hedging and higher generation.
- Operating expenses increased mainly due to higher depreciations driven by reversal of impairments for German gas-fired power plants in the third quarter of 2019. In addition there were negative currency effects driven by a weaker NOK.

Financial metrics

- ROACE was 17.3%, down from last quarter due to a lower underlying EBIT.

Quarterly investments

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

MARKET OPERATIONS

NOK million	First quarter		Year
	2020	2019	2019
Gross operating revenues and other income	5 576	5 929	19 813
Net operating revenues and other income	1 780	1 350	4 556
Operating expenses	-467	-272	-1 428
Operating profit (EBIT) underlying	1 313	1 078	3 127
Unrealised value changes from energy derivatives	-	-	-
Gains/losses from divestments of business activities	-	-	-
Impairments/reversal of impairments	-	-	-
Operating profit (EBIT) IFRS	1 313	1 078	3 128
Share of profit/loss in equity accounted investments	1	-	3
Gains/losses from divestments of equity accounted investments ¹⁾	-	-	-20
ROACE (rolling 12 months)	73.4%	11.6%	64.7%
ROAE (rolling 12 months) ²⁾	n/a	n/a	n/a
Maintenance investments and other investments	2	15	73
Investments in new capacity	-	-	2
Investments in shareholdings	-	-	-
Generation (TWh)	-	-	-

^{*)} Included in Other financial items.

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

Key events

- Statkraft has entered into two 10-year power agreements in Spain.
- Statkraft has entered into a 100% green power, long-term supply agreement with Daimler and Enovos.

Quarterly financial performance

- Statkraft generates profit from changes in the market value of energy and energy-related products, and from buying and selling both standard and structured products, typically environmental certificates and power contracts.
- The increase in underlying EBIT was mainly driven by improved contribution from trading and market access activities.

Financial metrics

- ROACE was 73.4%, mainly due to a high underlying EBIT.

INTERNATIONAL POWER

NOK million	First quarter		Year
	2020	2019	2019
Gross operating revenues and other income	841	783	3 215
Net operating revenues and other income	685	631	2 702
Operating expenses	-552	-433	-1 946
Operating profit (EBIT) underlying	133	198	756
Unrealised value changes from energy derivatives	-	-	-
Gains/losses from divestments of business activities	-	-	-
Impairments/reversal of impairments	-6	-7	-564
Operating profit (EBIT) IFRS	127	191	192
Share of profit/loss in equity accounted investments	35	16	-86
Gains/losses from divestments of equity accounted investments ¹⁾	-	-	-
ROACE (rolling 12 months)	2.7%	2.8%	3.1%
ROAE (rolling 12 months) ²⁾	-2.4%	5.0%	-3.2%
Maintenance investments and other investments	24	47	214
Investments in new capacity	299	131	808
Investments in shareholdings	43	-	349
Generation (TWh)	1.3	1.4	4.9

¹⁾ Included in Other financial items.

²⁾ Return on average equity accounted investments.

Key Events

- In January, a contractor employee on the Tidong hydropower project in India died following a fall incident on site.
- As a consequence of the Covid-19 outbreak, Statkraft has decided to put the Los Lagos and Tidong hydropower projects temporarily on hold.
- In April, the first unit (92 MW) of the Moglice hydropower plant in Albania started commercial operations. The remaining two units are expected to start operations in the second quarter.

Quarterly financial performance

- The underlying EBIT decreased mainly due to higher depreciations driven by changes in the useful life of assets and one-off costs in Brazil as well as lower contribution from Turkey due to hydrology.
- The increase in share of profit/loss in equity accounted investments was mainly driven by improved contribution from Chile and Brazil.

Financial metrics

- The ROACE was 2.7%, slightly lower compared with the last quarter. The capital employed is high, mainly due to newly built and acquired assets leading to high carrying values.
- The ROAE increased compared with the last quarter, mainly driven by improved contribution from Chile and Brazil.

Quarterly investments

- The investments were mainly related to the construction of the hydropower plants Tidong in India, Moglice in Albania and Los Lagos in Chile.

EUROPEAN WIND AND SOLAR

NOK million	First quarter		Year
	2020	2019	2019
Gross operating revenues and other income	304	535	1 388
Net operating revenues and other income	285	519	1 330
Operating expenses	-292	-228	-1 103
Operating profit (EBIT) underlying	-7	291	227
Unrealised value changes from energy derivatives	-	-	-
Gains/losses from divestments of business activities	-	-	55
Impairments/reversal of impairments	-2 551	-	-333
Operating profit (EBIT) IFRS	-2 558	291	-50
Share of profit/loss in equity accounted investments	7	11	12
Gains/losses from divestments of equity accounted investments ¹⁾	-	-	-
ROACE (rolling 12 months)	-0.8%	8.8%	2.6%
ROAE (rolling 12 months) ²⁾	0.9%	3.1%	1.4%
Maintenance investments and other investments	32	15	231
Investments in new capacity	144	129	2 215
Investments in shareholdings	21	-	188
Generation (TWh)	1.4	0.9	2.6

¹⁾ Included in Other financial items.

²⁾ Return on average equity accounted investments.

Key events

- Wind assets in the Nordics were impaired by NOK 2551 million. See note 9.
- The construction project Windy Rig in UK has been temporarily put on hold due to the Covid-19 pandemic.
- Kilathmoy wind farm (23 MW) entered into operation, being Statkraft's first asset in operation in Ireland.

Quarterly financial performance

- The decrease in underlying EBIT was mainly driven by significantly lower power and el-cert prices in the Nordics, partly offset by higher generation from both new capacity and existing wind farms.

Financial metrics

- The ROACE was -0.8%, a decrease compared with previous quarters. This was mainly due to a lower underlying EBIT.
- The ROAE was 0.9%, a decrease from previous quarters, mainly due to lower power prices in the UK.

Quarterly investments

- The investments in new capacity were mainly related to the Windy Rig construction project in the UK and the Fosen wind project in Norway.

DISTRICT HEATING

NOK million	First quarter		Year 2019
	2020	2019	
Gross operating revenues and other income	244	352	919
Net operating revenues and other income	169	243	653
Operating expenses	-117	-106	-437
Operating profit (EBIT) underlying	53	137	216
Unrealised value changes from energy derivatives	-	-	-
Gains/losses from divestments of business activities	-	-	-
Impairments/reversal of impairments	-1	-1	-3
Operating profit (EBIT) IFRS	52	136	213
Share of profit/loss in equity accounted investments	-	-	-
Gains/losses from divestments of equity accounted investments ¹⁾	-	-	-
ROACE (rolling 12 months)	3.8%	6.1%	6.2%
ROAE (rolling 12 months) ²⁾	n/a	n/a	n/a
Maintenance investments and other investments	-	1	6
Investments in new capacity	38	35	168
Investments in shareholdings	-	-	-
Delivered volume (TWh)	0.3	0.4	1.0

¹⁾ Included in Other financial items.

²⁾ Return on average equity accounted investments.

Quarterly financial performance

- Net operating revenues and other income decreased due to lower district heating prices and volume. Lower heating prices was caused by significantly reduced power prices, while lower heating volume was a result of high temperatures in the quarter.
- Operating expenses increased, primarily due to higher manning and increased operating and maintenance cost.

Financial metrics

- The decrease in ROACE was driven by a lower underlying EBIT. The average capital employed was stable.

Quarterly investments

- The investments were primarily related to pipelines, increased cooling capacity and modifications on existing assets in Norway.

INDUSTRIAL OWNERSHIP

NOK million	First quarter		Year 2019
	2020	2019	
Gross operating revenues and other income	672	1 160	3 408
Net operating revenues and other income	622	1 037	3 159
Operating expenses	-403	-424	-1 506
Operating profit (EBIT) underlying	219	613	1 653
Unrealised value changes from energy derivatives	-	-	-
Gains/losses from divestments of business activities	-	-	-
Impairments/reversal of impairments	-	-	-
Operating profit (EBIT) IFRS	219	613	1 653
Share of profit/loss in equity accounted investments	690	490	1 396
Gains/losses from divestments of equity accounted investments ¹⁾	-	43	624
ROACE (rolling 12 months)	8.2%	10.0%	10.8%
ROAE (rolling 12 months) ²⁾	17.0%	6.7%	14.7%
Maintenance investments and other investments	138	123	603
Investments in new capacity	102	74	351
Investments in shareholdings	-	-	53
Generation (TWh)	1.7	1.5	4.9

¹⁾ Included in Other financial items.

²⁾ Return on average equity accounted investments.

Quarterly financial performance

- Underlying EBIT decreased, mainly due to significantly lower power prices.
- Lower generation revenues in Agder Energi and BKK following significantly lower power prices was more than offset by effects from hedging contracts, resulting in increased share of profit/loss from equity accounted investments.

Financial metrics

- The ROACE was 8.2%, a decrease from previous quarters, driven by lower underlying EBIT.
- The ROAE was 17%, an increase from previous periods, mainly due to higher contribution from Agder Energi.

Quarterly investments

- The investments were primarily related to grid activities.

OTHER ACTIVITIES

NOK million	First quarter		Year
	2020	2019	2019
Gross operating revenues and other income	347	266	1 252
Net operating revenues and other income	347	266	1 252
Operating expenses	-549	-412	-1 778
Operating profit (EBIT) underlying	-202	-145	-526
Unrealised value changes from energy derivatives	-	-	-
Gains/losses from divestments of business activities	-	-	-
Impairments/reversal of impairments	-	-	-
Operating profit (EBIT) IFRS	-202	-145	-526
Share of profit/loss in equity accounted investments	-15	-9	-50
Gains/losses from divestments of equity accounted investments ¹⁾	-	-	133
Maintenance investments and other investments	62	7	54
Investments in new capacity	-	-	-
Investments in shareholdings	-	55	381
Generation (TWh)	-	-	-

¹⁾ Included in Other financial items.

Quarterly financial performance

- The decrease in underlying EBIT was primarily due to higher costs related to business development and newly consolidated companies within EV charging.

Quarterly investments

- The investments were primarily related to EV charging business.

Outlook

The outbreak of the Covid-19 pandemic has led to a significant drop in energy demand on the Continent and in the Nordics. The medium to long-term effects on the energy market outlook are uncertain.

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 has a large share of long-term power contracts within the segments European flexible generation and International power. The contracts have a stabilising effect on revenues and net profit. Statkraft will continue to offer new contracts to maintain its position as a competitive supplier to the industry in Norway.

Statkraft's ambition is to maintain the position as the largest generator of renewable energy in Europe and contribute to the energy transition through investments in renewable energy. The investment programme has a large degree of flexibility and will be adapted to the market development, including effects following the pandemic, 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.

Oslo, 6 May 2020
The Board of Directors of Statkraft AS

Statkraft AS Group Interim Financial Statements

NOK million	First quarter		The year
	2020	2019	2019
STATEMENT OF COMPREHENSIVE INCOME			
PROFIT AND LOSS			
Sales revenues	9 522	12 810	43 450
Gains/losses from market activities	5 257	1 592	3 716
Other operating income	103	86	767
Gross operating revenues and other income	14 882	14 488	47 933
Energy purchase	-3 855	-4 688	-16 483
Transmission costs	-581	-633	-2 035
Net operating revenues and other income	10 447	9 167	29 415
Salaries and payroll costs	-1 172	-962	-3 971
Depreciations and amortisations	-1 055	-941	-3 824
Impairments/reversal of impairments	-2 558	-7	136
Property tax and licence fees	-309	-306	-1 139
Other operating expenses	-967	-707	-3 638
Operating expenses	-6 061	-2 924	-12 438
Operating profit (EBIT)	4 386	6 243	16 978
Share of profit/loss in equity accounted investments	722	508	1 249
Interest income	78	126	440
Interest expenses	-145	-222	-669
Net currency effects	-5 715	688	132
Other financial items	-165	-42	829
Net financial items	-5 947	550	733
Profit before tax	-840	7 301	18 959
Tax expense	-1 048	-2 549	-7 632
Net profit	-1 888	4 752	11 327
Of which non-controlling interest	109	130	417
Of which owners of the parent	-1 998	4 621	10 910
OTHER COMPREHENSIVE INCOME			
Items in other comprehensive income that recycle over profit and loss:			
Changes in fair value of financial instruments, net of tax	-	9	-16
Items recorded in other comprehensive income in equity accounted investments	-301	-71	16
Recycling of financial instruments related to cash flow hedges, net of tax	-	-	-6
Currency translation effects	7 601	-1 570	-475
Items in other comprehensive income that will not recycle over profit and loss:			
Changes in fair value of equity instruments, net of tax	-	1	17
Estimate deviation pensions, net of tax	-642	-336	88
Other comprehensive income	6 659	-1 968	-375
Comprehensive income	4 771	2 784	10 952
Of which non-controlling interest	93	108	474
Of which owners of the parent	4 677	2 676	10 478

NOK million	31.03.2020	31.03.2019	31.12.2019
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Deferred tax assets	2 353	566	614
Intangible assets	4 668	3 758	4 633
Property, plant and equipment	113 130	105 853	109 852
Equity accounted investments	13 915	13 777	12 917
Other non-current assets	3 367	3 111	3 597
Derivatives	6 250	5 320	2 961
Non-current assets	143 682	132 385	134 574
Inventories	6 057	6 726	4 468
Receivables	17 516	11 701	13 348
Financial investments	1 626	615	1 470
Derivatives	20 263	4 905	8 752
Cash and cash equivalents (incl. restricted cash)	10 105	24 445	15 203
Current assets	55 567	48 392	43 242
Assets	199 249	180 777	177 815
EQUITY AND LIABILITIES			
Paid-in capital	59 219	59 219	59 219
Retained equity	41 841	37 979	37 164
Non-controlling interest	4 348	4 090	4 382
Equity	105 409	101 288	100 764
Deferred tax	13 031	9 982	10 792
Pension liability	3 213	3 163	2 685
Other provisions	3 146	2 885	3 033
Interest-bearing liabilities	32 163	29 090	28 427
Derivatives	2 989	3 348	983
Non-current liabilities	54 542	48 468	45 920
Interest-bearing liabilities	5 984	7 675	4 479
Taxes payable	5 175	7 459	7 109
Other interest-free liabilities	10 547	9 543	10 049
Derivatives	17 592	6 343	9 496
Current liabilities	39 299	31 021	31 131
Equity and liabilities	199 249	180 777	177 815

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 31.12.2018	59 219	-1 020	31 561	4 275	34 815	94 035	3 970	98 004
Implementation of IFRS 16	-	-	487	-	487	487	-	487
Balance as of 01.01.2019	59 219	-1 020	32 048	4 275	35 302	94 522	3 970	98 491
Net profit	-	-	4 621	-	4 621	4 621	130	4 752
Items in other comprehensive income that recycles over profit:								
Changes in fair value of financial instruments, net of tax	-	9	-	-	9	9	-	9
Items recorded in other comprehensive income in equity accounted investments	-	-71	-	-	-71	-71	-	-71
Currency translation effects	-	-	-	-1 548	-1 548	-1 548	-23	-1 570
Items in OCI that will not recycle over profit:								
Changes in fair value of financial instruments, net of tax	-	1	-	-	1	1	-	1
Estimate deviation pension, net of tax	-	-	-336	-	-336	-336	-	-336
Total comprehensive income for the period	-	-61	4 285	-1 548	2 676	2 676	108	2 784
Dividend	-	-	-	-	-	-	-5	-5
Business combinations/divestments	-	-	-	-	-	-	18	18
Balance as of 30.03.2019	59 219	-1 082	36 334	2 727	37 979	97 198	4 090	101 288
Balance as of 01.01.2019	59 219	-1 020	32 048	4 275	35 302	94 522	3 970	98 491
Implementation of IFRS 16, adjusted in fourth quarter 2019 ¹⁾	-	-	-107	-	-107	-107	-	-107
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:								
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:								
Changes in fair value of equity instruments, net of tax	-	14	-	-	14	14	3	17
Estimate deviation pensions, net of tax	-	-	20	-	20	20	68	88
Total comprehensive income for the period	-	9	10 930	-461	10 478	10 478	474	10 952
Dividend	-	-	-8 510	-	-8 510	-8 510	-83	-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
Net profit	-	-	-1 998	-	-1 998	-1 998	109	-1 888
Items in OCI that recycle over profit:								
Changes in fair value of financial instruments, net of tax	-	-	-	-	-	-	-	-
Items recorded in other comprehensive income in equity accounted investments	-	-301	-	-	-301	-301	-	-301
Currency translation effects	-	-	-	7 617	7 617	7 617	-16	7 601
Items in OCI that will not recycle over profit:								
Estimate deviation pensions, net of tax	-	-	-642	-	-642	-642	-	-642
Total comprehensive income for the period	-	-301	-2 640	7 617	4 677	4 677	93	4 771
Dividend	-	-	-	-	-	-	-121	-121
Business combinations/divestments	-	-	-	-	-	-	-6	-6
Balance as of 31.03.2020	59 219	-1 312	31 722	11 431	41 841	101 060	4 348	105 409

¹⁾ The adjustment is related to power purchase agreements accounted for in accordance with IFRS 9 from 1 January 2019.

NOK million	First quarter 2020	2019	The year 2019
STATEMENT OF CASH FLOW			
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit (EBIT)	4 386	6 243	16 978
Depreciations, amortisations and impairments	3 613	948	3 689
Gains/losses from divestments and disposals of assets	5	4	-50
Unrealised effects included in operating profit (EBIT)	-4 086	-848	-1 250
Dividends from equity accounted investments	16	35	736
Changes in working capital	-731	-825	528
Cash collateral, margin calls and option premiums ³⁾	-2 604	270	-1 339
Cash effects from foreign exchange derivatives related to operations	-160	-6	30
Taxes paid	-2 878	-1 975	-6 900
Other changes	-19	-281	-562
Cash flow from operating activities	A	3 565	11 861
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment and intangible assets ¹⁾	-1 220	-855	-5 786
Business divestments, net liquidity inflow	-	-	1 578
Acquisitions of shares in subsidiaries, net liquidity outflow	-24	-177	-841
Loans to equity accounted investments	-15	-	-25
Repayment of loans from equity accounted investments	26	17	137
Interests received from loans to equity accounted investments	0	5	11
Other investments	-38	85	105
Cash flow from investing activities	B	-925	-4 821
CASH FLOW FROM FINANCING ACTIVITIES			
New debt	3 443	45	261
Repayment of debt ²⁾	-3 324	-1 262	-5 963
Cash collateral related to financing ³⁾	-1 618	327	101
Interests paid	-225	-359	-958
Interest rate derivatives realised before maturity	-	-132	-220
Interests received from cash and other assets	100	106	434
Dividend and group contribution paid to Statkraft SF ^{2), 4)}	-	-	-8 510
Transactions with non-controlling interests	-	-5	-83
Cash flow from financing activities	C	-1 281	-14 938
Net change in cash and cash equivalents	A+B+C	1 359	-7 900
Currency exchange rate effects on cash and cash equivalents	256	-89	-71
Cash and cash equivalents 01.01	15 203	23 175	23 175
Cash and cash equivalents 31.03/31.12 ⁵⁾	10 105	24 445	15 203
Unused committed credit lines	9 187	9 167	9 189
Unused overdraft facilities	1 034	1 004	1 025
Restricted cash	35	48	36

¹⁾ Investments in property, plant and equipment and intangible assets in the cash flow in 2020 are NOK 6 million lower than investments (excluding investments in shareholdings) shown in the segment reporting. This is due to capitalised borrowing costs of NOK -33 million, non-cash additions from right-of-use assets of NOK -16 million and timing differences between capitalisation and payment date of NOK 42 million.

²⁾ Parts of dividend paid to Statkraft SF have been reclassified in 2019 compared to previous years, and comparable figures have been restated. See note 5.

³⁾ Cash collateral related to financing activities has been reclassified from operating activities to financing activities. Comparable figures have been restated. See note 5.

⁴⁾ NOK 10 million in Group contribution paid to Statkraft SF in 2019 are included in figures for the full year of 2019.

⁵⁾ Included in cash and cash equivalents are NOK 461 million related to joint operations at the end of the first quarter 2020. For 2019 the amounts were NOK 264 million and NOK 328 million at the end of the quarter and at the end of the year, respectively.

Segments

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

From 2020, Statkraft has changed the definition of which items that are to be considered as underlying. The comparable figures have been restated with an effect on operating profit (EBIT) underlying of NOK 332 million for the first quarter 2019 and NOK - 843 million for the full year 2019. See note 5 and section Alternative Performance Measures for further details.

FIRST QUARTER 2020

The items below are excluded from the underlying figures:

1. **Gains/losses from market activities:** Unrealised value changes from embedded EUR derivatives related to long-term industry contracts (NOK -2853 million)
2. **Other operating income:** Gains from divestments of business activities.
3. **Impairments/reversal of impairments:** Related to intangible assets, property, plant and equipment. (NOK 2558 million)
4. **Other operating expenses:** Losses from divestments of business activities.

THE YEAR 2019

The items below were excluded from the underlying figures:

1. **Gains/losses from market activities:** Unrealised value changes from embedded EUR derivatives related to long-term industry contracts. (NOK -42 million)
2. **Other operating income:** Gains from divestments of business activities. (NOK -55 million)
3. **Impairments/reversal of impairments:** Related to intangible assets, property, plant and equipment. (NOK -136 million)
4. **Other operating expenses:** Losses from divestments of business activities.

RECONCILIATION OF IFRS FIGURES VERSUS UNDERLYING FIGURES

NOK million	First quarter 2020			First quarter 2019		
	IFRS	Adjustments	Underlying	IFRS	Adjustments	Underlying
Sales revenues ¹⁾	9 522	-	9 522	12 810	2	12 812
Gains/losses from market activities	5 257	-2 853	2 403	1 592	509	2 102
Other operating income ¹⁾	103	-	103	86	-	86
Gross operating revenues and other income	14 882	-2 853	12 028	14 488	512	14 999
Energy purchase	-3 855	-	-3 855	-4 688	-	-4 688
Transmission costs	-581	-	-581	-633	-	-633
Net operating revenues and other income	10 447	-2 853	7 593	9 167	512	9 678
Salaries and payroll costs	-1 172	-	-1 172	-962	-	-962
Depreciations and amortisations	-1 055	-	-1 055	-941	-	-941
Impairments/reversal of impairments	-2 558	2 558	-	-7	7	-
Property tax and license fees	-309	-	-309	-306	-	-306
Other operating expenses	-967	-	-967	-707	-	-707
Operating expenses	-6 061	2 558	-3 503	-2 924	7	-2 917
Operating profit (EBIT)	4 386	-295	4 090	6 243	519	6 762

¹⁾ Figures presented in the interim report in the first quarter 2019 have been changed with a reclassification of NOK 133 million from Other operating income to Sales revenues, related to revenues from rental of power plants in Norway. See note 12 in the annual report 2019 for more information.

RECONCILIATION OF IFRS FIGURES VERSUS UNDERLYING FIGURES

NOK million	The year 2019		
	IFRS	Adjustments	Underlying
Sales revenues	43 450	-	43 450
Gains/losses from market activities	3 716	-42	3 674
Other operating income	767	-55	712
Gross operating revenues and other income	47 933	-98	47 836
Energy purchase	-16 483	-	-16 483
Transmission costs	-2 035	-	-2 035
Net operating revenues and other income	29 415	-98	29 318
Salaries and payroll costs	-3 971	-	-3 971
Depreciations and amortisations	-3 824	-	-3 824
Impairments/reversal of impairments	136	-136	-
Property tax and license fees	-1 139	-	-1 139
Other operating expenses	-3 638	-	-3 638
Operating expenses	-12 438	-136	-12 573
Operating profit (EBIT)	16 978	-233	16 744

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
SEGMENTS									
First quarter 2020									
Gross operating revenues and other income, external	12 028	4 864	5 584	820	90	244	664	85	-323
Gross operating revenues and other income, internal	-	126	-8	21	214	-	8	262	-623
Gross operating revenues and other income underlying	12 028	4 990	5 576	841	304	244	672	347	-946
Net operating revenues and other income underlying	7 593	4 369	1 780	685	285	169	622	347	-665
Operating profit (EBIT) underlying	4 090	2 893	1 313	133	-7	53	219	-202	-312
Unrealised value changes from energy derivatives	2 853	2 853	-	-	-	-	-	-	-
Gains/losses from divestments of business activities	0	-	-	-	0	-	-	-	-
Impairments/reversal of impairments	-2 558	-	-	-6	-2 551	-1	-	-	-
Operating profit (EBIT) IFRS	4 386	5 746	1 313	127	-2 558	52	219	-202	-312
Share of profit/loss in equity accounted investments	722	4	1	35	7	-	690	-15	-
Assets and capital employed 31.03.2020									
Property, plant and equipment and intangible assets	117 798	60 251	190	27 561	8 188	3 527	16 364	1 718	-
Equity accounted investments	13 915	5	10	3 156	967	-	9 760	37	-20
Loans to equity accounted investments	1 781	-	-	1 154	585	-	42	-	-
Other assets	65 755	2 524	11 803	1 599	451	234	1 396	50 137	-2 390
Total assets	199 249	62 780	12 004	33 470	10 190	3 761	27 562	51 892	-2 410
Assets not included in capital employed	-64 357	-35	-10	-4 524	-1 558	-	-10 726	-47 503	-
Liabilities included in capital employed	-17 835	-2 978	-7 732	-1 513	-774	-209	-1 313	-5 706	2 390
Capital employed	117 058	59 767	4 262	27 432	7 859	3 552	15 523	-1 317	-20
Return on average capital employed (ROACE)	12.8%	17.3%	73.4%	2.7%	-0.8%	3.8%	8.2%	n/a	n/a
Return on average equity accounted investments (ROAE)	11.2%	n/a	n/a	-2.4%	0.9%	n/a	17.0%	n/a	n/a
Depreciations, amortisations and impairments	-3 613	-465	-9	-264	-2 656	-46	-127	-47	-
Maintenance investments and other investments	588	330	2	24	32	-	138	62	-
Investments in new capacity	638	55	0	299	144	38	102	-	-
Investments in shareholdings	64	-	-	43	21	-	-	-	-

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
SEGMENTS									
The year 2019									
Gross operating revenues and other income, external	47 836	20 234	19 729	3 145	469	918	3 360	216	-235
Gross operating revenues and other income, internal	-	291	84	70	919	1	48	1 036	-2 449
Gross operating revenues and other income underlying	47 836	20 525	19 813	3 215	1 388	919	3 408	1 252	-2 684
Net operating revenues and other income underlying	29 318	17 184	4 556	2 702	1 330	653	3 159	1 252	-1 519
Operating profit (EBIT) underlying	16 744	11 404	3 127	756	227	216	1 653	-526	-114
Unrealised value changes from energy derivatives	42	42	0	-	-	-	-	-	-0
Gains/losses from divestments of business activities	55	-	-	-	55	-	-	-	-
Impairments/reversal of impairments	136	1 035	-	-564	-333	-3	-	-	-
Operating profit (EBIT) IFRS	16 978	12 482	3 128	192	-50	213	1 653	-526	-114
Share of profit/loss in equity accounted investments	1 249	-	3	-86	12	-	1 396	-50	-26
Assets and capital employed 31.12.2019									
Property, plant and equipment and intangible assets	114 485	58 011	180	24 889	10 004	3 478	16 247	1 677	-
Equity accounted investments	12 917	0	8	2 631	871	-	9 375	53	-21
Loans to equity accounted investments	1 518	-	-	969	522	-	27	-	-
Other assets	48 896	2 546	9 795	1 429	421	300	1 414	33 160	-169
Total assets	177 815	60 557	9 982	29 918	11 819	3 778	27 062	34 869	-169
Assets not included in capital employed	-48 282	-35	-8	-3 909	-1 398	-	-10 288	-32 644	-
Liabilities included in capital employed	-19 137	-2 702	-5 598	-1 228	-652	-215	-1 277	-7 634	169
Capital employed	110 396	57 820	4 376	24 781	9 768	3 563	15 497	-5 409	-
Return on average capital employed (ROACE)	15.5%	20.2%	64.7%	3.1%	2.6%	6.2%	10.8%	n/a	n/a
Return on average equity accounted investments (ROAE)	9.5%	n/a	n/a	-3.2%	1.4%	n/a	14.7%	n/a	n/a
Depreciations, amortisations and impairments	-3 689	-679	-31	-1 449	-688	-178	-509	-156	-
Maintenance investments and other investments	2 712	1 532	73	214	231	6	603	54	-
Investments in new capacity	3 738	194	2	808	2 215	168	351	-	-
Investments in shareholdings	972	-	-	349	188	-	53	381	-

Selected notes to the accounts

1. FRAMEWORK AND MATERIAL ACCOUNTING POLICIES

The consolidated financial statements for the first quarter of 2020, ended 31 March 2020, have been prepared in accordance with International Financial Reporting Standards (IFRS) and consist of Statkraft AS and its subsidiaries and equity accounted investments. The interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. As the information provided in the interim financial statements is less comprehensive than that contained in the annual financial statements, these statements should therefore be read in conjunction with the consolidated annual report for 2019.

The interim accounts have not been audited.

2. PRESENTATION OF FINANCIAL STATEMENTS

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

3. ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting principles to the preparation of the interim financial statements, the management has exercised its judgment and employed estimates and assumptions that affect the figures included in the statement of profit and loss and the statement of financial position. The most important assumptions regarding future events and other significant sources of uncertainty in relation to the estimates, and which may involve a significant risk of material changes to the amounts recognised in future financial periods, are discussed in the annual report for 2019. In preparing the consolidated financial statements for the current quarter, the Group's management has exercised its judgment in relation to the same areas where such judgment has had material significance in relation to the figures included in the Group's statement of profit and loss and statement of financial position, as discussed in the annual report for 2019.

Since the Annual report for 2019 was published, the Covid-19 pandemic has emerged and become global. The impacts of Covid-19 on the power and renewables industry continue to evolve. The magnitude of the effects on Statkraft's financial statements will largely depend on the economic downturn in relevant regions.

Market risk

The pandemic and the following economic downturn have impacted the market outlook and it is challenging to predict the effects on future power prices.

The use of forward-looking information is pervasive in Statkraft's assessment of impairment of non-financial assets, in particular power plants, and valuation of long-term energy contracts classified as level 3 contracts.

Substantially lower observed energy prices including in the forward market and imposed restrictions following the Covid-19 pandemic, which impacts expected economic growth and energy demand, indicate adverse changes in the value of some of the Group's assets. See note 9 for information about impairments in the first quarter.

Credit risk

Statkraft is facing credit risk when entering into contracts both with financial institutions, providing loans to associates and joint ventures and in connection with energy trading and power purchase and sales contracts. The Group's exposure to the individual counterparties are continuously monitored. Normally Statkraft considers the credit risk inherent in its portfolios to be low. In response to the current market conditions the portfolio of bilateral contracts has been reviewed and the assignment of internal credit ratings and limits has been reassessed. Adverse changes in the portfolios indicating high risk for breach and cancellation of contracts have not been observed.

Liquidity risk

Statkraft is mitigating the liquidity situation through liquidity forecasts, access to different borrowing sources and markets. During 2020, cash and cash equivalents have decreased. However, no adverse changes have incurred neither for the short- nor the long-term liquidity situation for the Group.

Currency risk

The value of the reporting currency NOK has declined significantly compared with most other currencies during 2020. Unrealised currency losses on debt denominated in other currencies are more than offset by positive currency effects from revenues in other currencies and currency translation adjustments. The latter is presented as part of other comprehensive income.

Uncertainties going forward

As at 31 March 2020 management based its estimates and judgement on historical experience and various other assumptions which are held to be reasonable under the circumstances. Subsequent to 31 March 2020, the Covid-19 pandemic continues to evolve, and new information becomes continually available. The impact from Covid-19 on underlying assumptions are reviewed on an ongoing basis. The judgments, estimates and assumptions made, may significantly differ from later assessments. This

could lead to significant adjustments of carrying amounts of non-financial assets and long-term energy contracts in subsequent periods.

4. SEGMENT REPORTING

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

5. CHANGES IN THE FINANCIAL STATEMENTS AND COMPARABLE FIGURES

Presentation of fair value hedge in the statement of financial position. In previous years, Statkraft presented both hedging instruments and hedging items net on the line item interest-bearing liabilities. From 2020, hedging instruments are presented on the line items for derivatives. The comparable figures have been restated with an increase of interest-bearing liabilities with NOK 234 million and NOK 267 million for the first quarter and full year of 2019, respectively. There is an opposite effect on the derivatives.

The definition of underlying operating profit (EBIT). Statkraft has several power sales contracts with the power-intensive industry that include embedded derivatives. In previous years all changes in fair value from embedded derivatives were excluded from the underlying operating profit. From 2020 it is only embedded derivatives related to EUR that are excluded. Embedded derivatives related to various commodity indices are included in the underlying operating profit going forward. This will better reflect how the management follows up the results in the segments. It is only the segment European flexible generation that will be affected from this change. The comparable figures have been restated.

Presentation of collaterals in the statement of cash flow. Statkraft has several types of collaterals, both related to operations and financing. In previous years, all collaterals have been presented as a part of operating activities in the cash flow statement. From 2020, this has changed by reclassifying cash collaterals related to the debt portfolio to financing activities in the cash flow statement. This resulted in reclassifying NOK -1618 million from operating activities to financing activities for the first quarter of 2020. Comparable figures have been restated with NOK 327 million and NOK 101 million for the first quarter and full year of 2019, respectively.

Presentation of dividend paid to Statkraft SF under financing activities in the statement of cash flow. In previous years, Statkraft has presented dividend paid to Statkraft SF as both cash outflow from the allocated dividend from previous year's net profit and changes in withheld dividend during the year. From 2020, dividend paid is changed to only consist of cash outflow from allocated dividend from previous year's net profit, whereas changes in withheld dividend is now presented as repayment of debt/new debt. Net cash flow from financing activities is unchanged. Comparable figures have been restated with NOK 95 million and NOK 39 million for the first quarter and full year of 2019, respectively.

6. REVENUE SPECIFICATION PER SEGMENT

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

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

Customers includes sales revenues and energy purchases related to market access activities, which are in scope of IFRS 15. This is 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.

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
First quarter 2020									
Generation - sales revenues	4 929	3 433	14	742	260	253	286	-	-59
Generation - energy purchase	-403	-259	-30	-72	-	-75	-14	-	47
Generation - net	4 526	3 174	-16	670	260	178	272	-	-12
Customers - sales revenues	3 197	-	3 388	25	-	-	2	-	-218
Customers - energy purchase	-3 224	-	-3 440	-	-	-	-	-	216
Customers - net	-27	-	-52	25	-	-	2	-	-2
Grid and other - sales revenues	1 396	341	644	70	-	-9	345	36	-31
Grid and other - energy purchase	-228	-169	-15	-59	-	-	-	-	15
Grid and other - net	1 169	172	629	11	-	-9	345	36	-15
Sales revenues - total	9 522	3 774	4 046	837	260	244	633	36	-308
Energy purchase - total	-3 855	-428	-3 485	-131	-	-75	-14	-	278
Sales revenues adjusted for energy purchase	5 667	3 346	561	706	260	169	619	36	-30

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
First quarter 2019									
Generation - sales revenues	7 780	5 561	32	709	514	351	739	-	-126
Generation - energy purchase	-477	-302	-35	-76	-	-109	-20	-	65
Generation - net	7 303	5 259	-3	633	514	242	719	-	-61
Customers - sales revenues	4 038	-	4 456	-	-	-	-	-	-418
Customers - energy purchase	-3 981	-	-4 396	-	-	-	-	-	415
Customers - net	57	-	60	-	-	-	-	-	-3
Grid and other - sales revenues	992	334	213	67	-	-	384	1	-7
Grid and other - energy purchase	-230	-184	-11	-46	-	-	-	-	11
Grid and other - net	761	150	202	21	-	-	384	1	3
Sales revenues - total	12 810	5 895	4 701	776	514	351	1 123	1	-551
Energy purchase - total	-4 688	-486	-4 442	-122	-	-109	-20	-	491
Sales revenues adjusted for energy purchase	8 121	5 409	259	654	514	242	1 103	1	-61

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
The year 2019									
Generation - sales revenues	26 138	19 323	22	2 791	1 260	902	2 095	-	-254
Generation - energy purchase	-2 139	-1 662	-22	-250	-	-266	-51	-	113
Generation - net	24 000	17 660	-	2 542	1 260	636	2 044	-	-141
Customers - sales revenues	13 588	-	14 575	-	-	-	3	-	-990
Customers - energy purchase	-13 515	-	-14 505	-	-	-	1	-	990
Customers - net	73	-	70	-	-	-	4	-	-
Grid and other - sales revenues	3 724	1 168	1 127	256	-	13	1 192	18	-50
Grid and other - energy purchase	-829	-642	-47	-187	-	-	-	-	47
Grid and other - net	2 894	526	1 080	69	-	13	1 192	18	-3
Sales revenues - total	43 450	20 490	15 725	3 048	1 260	915	3 289	18	-1 295
Energy purchase - total	-16 483	-2 305	-14 575	-437	-	-266	-50	-	1 150
Sales revenues adjusted for energy purchase	26 967	18 186	1 149	2 611	1 260	649	3 239	18	-144

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

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

NOK million	First quarter 2020		Total
	Unrealised	Realised	
UNREALISED EFFECTS REPORTED IN PROFIT AND LOSS			
Generation	-	4 929	4 929
Customers	-	3 197	3 197
Grid and other	-	1 396	1 396
Total sales revenues	-	9 522	9 522
Gains/losses from market activities	4 086	1 170	5 257
Generation	-	-403	-403
Customers	-	-3 224	-3 224
Other purchase	-	-228	-228
Total energy purchase	-	-3 855	-3 855
Unrealised effects included in Operating profit (EBIT) ¹⁾	4 086		
Net currency effects ²⁾	-5 031	-684	-5 715
Other financial items	-172	7	-165
Unrealised effects included in Net financial items	-5 203		
Total unrealised effects	-1 117		

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

²⁾ Losses for the quarter from internal loans were NOK -523 million, of which NOK -606 million was realised.

NOK million	First quarter 2019			The year 2019		
	Unrealised	Realised	Total	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN PROFIT AND LOSS						
Generation	-	7 780	7 780	-	26 138	26 138
Customers	-1	4 040	4 038	-	13 588	13 588
Grid and other	-	992	992	-	3 724	3 724
Total sales revenues	-1	12 811	12 810	-	43 450	43 450
Gains/losses from market activities	850	743	1 592	1 250	2 466	3 716
Generation	-	-477	-477	-	-2 139	-2 139
Customers	-	-3 981	-3 981	-	-13 515	-13 515
Other purchase	-	-230	-230	-	-829	-829
Total energy purchase	-	-4 688	-4 688	-	-16 483	-16 483
Unrealised effects included in Operating profit (EBIT) ¹⁾	848			1 250		
Net currency effects ²⁾	753	-65	688	562	-430	132
Other financial items	79	-121	-42	415	414	829
Unrealised effects included in Net financial items	832			977		
Total unrealised effects	1 680			2 227		

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

²⁾ Losses for the year 2019 from internal loans were NOK -42 million, of which NOK -33 million was realised.

8. NORWEGIAN HYDROPOWER AND RELATED BUSINESS

This note discloses selected financial figures from Norwegian hydropower and related business. See note 4 in the annual report 2019.

NOK million	"Norwegian hydropower" from:			Sum "Norwegian hydropower, excluding related business"	Associated regional companies	Sum "Norwegian hydropower and related business"
	Statkraft AS Group	Statkraft Energi AS	Skagerak Kraft Group			
Year to date 2020						
Gross operating revenues and other income	14 882	7 118	282	7 398		7 398
Net operating revenues and other income	10 447	6 903	262	7 164		7 164
Operating profit (EBIT)	4 386	5 941	91	6 032		6 032
Share of profit/loss in equity accounted investments	722	-	-	-	690 ¹⁾	690
Net financial items	-5 947	162	-12	149		149
Tax expense	-1 048	-2 923	-36	-2 959		-2 959
Net profit	-1 888	3 180	43	3 223	690	3 912
Net profit (of which owners of the parent)	-1 998	3 180	29	3 208	690	3 898
Paid dividend and group contribution to Statkraft		- ²⁾	- ³⁾	-	- ³⁾	-
Assets 31.03.20						
Equity accounted investments	13 915	2	3	5	9 641 ¹⁾	9 646
Other assets	185 334	37 786	5 420	43 206		43 206
Total assets	199 249	37 788	5 423	43 211	9 641	52 852
EBITDA	7 999	6 209	137	6 346		6 346
Depreciations, amortisations and impairments	-3 613	-268	-45	-313		-313
Maintenance investments and other investments	588	219	45	264		264
Investments in new capacity	638	49	8	58		58
Investments in shareholdings	64	-	-	-		-

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

NOK million	"Norwegian hydropower" from:			Sum "Norwegian hydropower, excluding related business"	Associated regional companies	Sum "Norwegian hydropower and related business"
	Statkraft AS Group	Statkraft Energi AS	Skagerak Kraft Group			
The year 2019						
Gross operating revenues and other income	47 933	15 491	2 045	17 516		17 516
Net operating revenues and other income	29 415	14 350	1 953	16 298		16 298
Operating profit (EBIT)	16 978	10 553	1 319	11 871		11 871
Share of profit/loss in equity accounted investments	1 249	-	-	-	1 360 ¹⁾	1 360
Net financial items	733	-323	-65	-388		-388
Tax expense	-7 632	-5 707	-613	-6 320		-6 320
Net profit	11 327	4 523	642	5 164	1 360	6 524
Net profit (of which owners of the parent)	10 910	4 523	426	4 949	1 360	6 309
Paid dividend and group contribution to Statkraft		6 000 ²⁾	151 ³⁾	6 151	638 ³⁾	6 789
Assets 31.12.19						
Equity accounted investments	12 917	2	2	5	9 259 ¹⁾	9 264
Other assets	164 899	37 804	5 401	43 205		43 205
Total assets	177 815	37 806	5 403	43 210	9 259	52 469
EBITDA	20 666	11 628	1 495	13 123		13 123
Depreciations, amortisations and impairments	-3 688	-1 075	-177	-1 252		-1 252
Maintenance investments and other investments	2 712	991	185	1 175		1 175
Investments in new capacity	3 738	194	27	221		221
Investments in shareholdings	972	-	-	-		-

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

9. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

NOK million	31.03.2020	31.03.2019	31.12.2019
INTANGIBLE ASSETS			
Balance as of 01.01.	4 633	3 909	3 909
Additions	57	-142	940
Reclassifications	-150	112	72
Disposals	-1	-14	-22
Currency translation effects	178	-67	-64
Amortisations	-42	-33	-159
Impairments/reversal of impairments	-7	-7	-43
Balance as of end of period	4 668	3 758	4 633
PROPERTY, PLANT AND EQUIPMENT			
Balance as of 01.01.	109 852	105 744	105 744
Additions	1 148	914	6 399
Additions due to IFRS 16 (implementation)	-	1 584	1 584
Additions due to IFRS 16 (new contracts)	16	40	146
Reclassifications	150	-112	-72
Disposals	-6	-34	-72
Capitalised borrowing costs	31	33	123
Currency translation effects	5 494	-1 409	-515
Depreciations ¹⁾	-1 013	-908	-3 665
Impairments/reversal of impairments	-2 551	-	179
Remeasurements and other changes (IFRS 16)	9	-	2
Balance as of end of period	113 130	105 853	109 852

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

Accounting policies, judgment and assumptions for impairments are described in note 15 in the annual report 2019.

Wind power in the Nordics Expected lower power prices in the coming years in the Nordic area are considered to lead to reduced revenues for wind assets in Norway and Sweden. As a result, impairments amounting to NOK 1263 million and NOK 1288 million, respectively, have been recognised in the statement of profit and loss.

Calculated value in use for the assets are 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 the future power prices and cost of capital. Sensitivity analysis shows the following:

Impairments in Norway:

- An increase in the future power price of 10% will result in a change of approximately NOK 525 million.
- A decrease in the future power price of 10% will result in a change of approximately NOK -525 million.
- A decrease in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK 143 million.
- An increase in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK -121 million.

Impairments in Sweden:

- An increase in the future power price of 10% will result in a change of approximately NOK 441 million.
- A decrease in the future power price of 10% will result in a change of approximately NOK -455 million.
- A decrease in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK 281 million.
- An increase in the discount rate of 1 percentage point (after tax) will result in a change of approximately NOK -256 million.

10. 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.

SKER is still part of a civil lawsuit related to historical investments made by the four main pension funds in Brazil including FUNCEF, see note 34 in the annual report 2019.

11. DECISION RELATED TO PREVIOUS YEARS' TAX

On 3rd and 12th of March 2020, Statkraft AS received decisions of tax reassessment from the Norwegian tax authorities.

The decisions regard the income tax returns for the fiscal years 2010-2016 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 in the Consolidated financial statements. In the parent company financial statements, prepared under N-GAAP, the impact from the decision has been expensed. Statkraft will challenge the decision of tax reassessment.

If all arguments from the Norwegian tax authorities would prevail, the financial exposure for the period 2010-2017 is estimated to NOK 2.4 billion as additional payable tax and interest expenses.

Although no provision has been made according to IFRS, Statkraft may have to expect to make tax and interest payments, or alternatively obtain a guarantee, estimated to NOK 2.4 billion in the second quarter of 2020.

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

12. SUBSEQUENT EVENTS

There are no significant subsequent events.

Alternative Performance Measures

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

Statkraft has made changes in the operating profit (EBIT) underlying from 2020. Previous years all embedded derivatives were excluded. Going forward only embedded derivatives related to EUR vs NOK exposure will be excluded. The change better reflects how the management is following up on the financial results in the segments.

Statkraft uses the following APMs:

EBITDA underlying is defined as operating profit (EBIT) underlying 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 embedded EUR derivatives**, since they do not reflect how the segment is following up on the results. The EUR exposure in the power sales agreements with the power intensive industry are hedged by entering into currency derivatives or EUR bonds. Hence, the unrealised value changes from the energy (EUR) derivatives are offset in Net financial items in the Profit and loss statement.
2. **Gains/losses from divestments of business activities**, since the gains or losses do not give an indication of future performance or periodic performance from operating activities. Such gains or losses are related to the cumulative value creation from the time the asset is acquired until it is sold.
3. **Impairments/reversal of impairments**, since they affect the economics of an asset for the useful life of that asset; not only the period in which it is impaired or the impairment is reversed.

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

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

Capital employed is the capital allocated to perform operational activities.

Net interest-bearing debt is used to measure indebtedness.

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

Operating profit (EBIT) margin underlying (%) is calculated as operating profit (EBIT) underlying relative to gross operating revenues and other income underlying.

NOK million	First quarter		The year 2019
	2020	2019	
ALTERNATIVE PERFORMANCE MEASURES			
OPERATING PROFIT (EBIT) MARGIN UNDERLYING			
Operating profit (EBIT) underlying, see page 22	4 090	6 762	16 744
Gross operating revenues and other income underlying, see page 22	12 028	14 999	47 836
Operating profit (EBIT) margin underlying	34.0%	45.1%	35.0%
RECONCILIATION OF OPERATING PROFIT (EBIT) UNDERLYING TO EBITDA UNDERLYING			
Operating profit (EBIT) underlying	4 090	6 762	16 744
Depreciations and amortisations	1 055	941	3 824
EBITDA underlying	5 145	7 703	20 569
FINANCIAL STATEMENT LINE ITEMS INCLUDED IN CAPITAL EMPLOYED			
Intangible assets	4 668	3 758	4 633
Property, plant and equipment	113 130	105 853	109 852
Other non-current assets	3 367	3 111	3 597
- Loans to equity accounted investments ¹⁾	-1 719	-1 452	-1 463
- Bonds and other long-term investments ¹⁾	-100	-254	-203
- Pension assets ¹⁾	-495	-479	-886
- Other shares and shareholdings ¹⁾	-494	-295	-478
Inventories	6 057	6 726	4 468
Receivables	17 516	11 701	13 348
- Receivables related to cash collateral ²⁾	-6 384	-2 428	-3 035
- Current loans to equity accounted investments ²⁾	-62	-76	-55
- Other receivables not part of capital employed ²⁾	-590	-93	-245
Provisions allocated to capital employed	-2 346	-2 257	-2 308
Taxes payable	-5 175	-7 459	-7 109
Interest-free liabilities allocated to capital employed	-10 313	-9 156	-9 720
Capital employed	117 058	107 199	110 396
Average capital employed ³⁾	109 732	103 157	107 997
RECONCILIATION OF CAPITAL EMPLOYED TO TOTAL ASSETS			
Capital employed	117 058	107 199	110 396
Deferred tax assets	2 353	566	614
Equity accounted investments	13 915	13 777	12 917
Other non-current financial assets ¹⁾	2 809	2 481	3 031
Derivatives, non-current	6 250	5 320	2 961
Receivables ²⁾	7 036	2 597	3 335
Current financial investments	1 626	615	1 470
Derivatives, current	20 263	4 905	8 752
Cash and cash equivalents (incl. restricted cash)	10 105	24 445	15 203
Liabilities allocated to capital employed, see table above	17 835	18 873	19 137
Total assets as of the statement of financial position	199 249	180 777	177 815
RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)			
Operating profit (EBIT) underlying, rolling 12 months	14 073	15 753	16 744
Average capital employed	109 732	103 157	107 997
ROACE	12.8%	15.3%	15.5%
RETURN ON AVERAGE EQUITY ACCOUNTED INVESTMENTS (ROAE)			
Share of profit/loss in equity accounted investments, rolling 12 months	1 462	798	1 249
Average equity accounted investments ³⁾	13 101	13 316	13 107
ROAE	11.2%	6.0%	9.5%
NET INTEREST-BEARING DEBT			
Non-current interest-bearing liabilities	32 163	29 090	28 427
Current interest-bearing liabilities	5 984	7 675	4 479
Cash and cash equivalents (incl. restricted cash)	-10 105	-24 445	-15 203
Current financial investments	-1 626	-615	-1 470
Net interest-bearing debt	26 416	11 706	16 232
NET INTEREST-BEARING DEBT-EQUITY RATIO			
Net interest-bearing debt	26 416	11 706	16 232
Equity	105 409	101 288	100 764
Sum of net interest-bearing debt and equity	131 824	112 994	116 996
Net interest-bearing debt - equity ratio	20.0%	10.4%	13.9%

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

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

³⁾ Average capital employed and average equity accounted investments are based on the average for the last four quarters.

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