

Quarterly and half year report Q2/2020

Statkraft AS



Q2



Key figures

NOK million	Second quarter			Year to date			Year
	2020	2019	Change	2020	2019	Change	2019
Income statement							
Gross operating revenues and other income underlying	6 156	8 917	-2 761	18 190	23 916	-5 726	47 836
Net operating revenues and other income underlying	3 207	5 358	-2 151	10 800	15 036	-4 236	29 318
EBITDA underlying	925	3 510	-2 585	6 070	11 212	-5 143	20 569
Operating profit (EBIT) underlying	-100	2 588	-2 689	3 990	9 350	-5 360	16 744
Operating profit (EBIT) IFRS	-1 636	2 819	-4 456	2 749	9 062	-6 313	16 978
Share of profit/loss in equity accounted investments	-322	263	-585	400	771	-372	1 249
Net financial items	2 324	332	1 993	-3 623	882	-4 505	733
Profit before tax	366	3 414	-3 048	-474	10 715	-11 189	18 959
Net profit/loss	491	2 123	-1 631	-1 397	6 874	-8 271	11 327
Key financial metrics							
Operating profit (EBIT) margin underlying	-1.6%	29.0%	-30.7%	21.9%	39.1%	-17.2%	35.0%
ROACE				10.1%	16.1%	-6.0%	15.5%
ROAE				6.7%	7.7%	-1.0%	9.5%
Balance sheet and investments							
Assets				181 765	169 776	11 989	177 815
Equity				96 317	94 332	1 985	100 764
Net interest-bearing debt				25 084	19 738	5 346	16 232
Capital employed				121 256	110 054	11 202	110 396
Equity accounted investments				12 854	12 806	48	12 917
Total investments	2 373	1 501	872	3 662	2 385	1 278	7 421
Cash Flow							
From operating activities	303	770	-467	-2 155	4 334	-6 489	11 861
Cash and cash equivalents (incl. restricted cash)				9 940	13 046	-3 106	15 203
Currency rates							
NOK/EUR average rate	11.02	9.72	1.30	10.74	9.73	1.01	9.85
NOK/EUR closing rate				10.91	9.69	1.22	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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LARGE HYDROLOGICAL SURPLUS PUSHED DOWN NORDIC POWER PRICES



Extraordinary low spot prices in the Nordics led to a low operating result.

Growth target remains, but net investment level will be reduced by divesting more projects at completion.

Amidst the Covid-19 pandemic and high snow-melting in Norway, Statkraft continues to focus on reliable and safe operations. Nordic power prices have been under pressure throughout 2020 and were pushed further down during the second quarter.

A significant hydrological surplus due to high snow reservoirs has put pressure on the Nordic power prices. We expect the hydrological situation to normalise over time, which will have a positive effect on Nordic power prices. In the second quarter, the average Nordic system price was exceptionally low at 5.6 EUR/MWh, a decrease of 84 per cent compared with the same quarter in 2019. Total generation was 15.9 TWh in the quarter, an increase of 3.6 TWh. The increase in generation was primarily related to Nordic hydropower.

Statkraft recorded a negative underlying EBIT amounting to NOK 100 million in the second quarter of 2020. This was a decrease of NOK 2689 million from the corresponding quarter last year. The decrease was mainly driven by the substantially lower Nordic power prices.

A strengthening of NOK led to positive currency effects amounting to NOK 2.3 billion, which are mainly unrealised. The quarterly net profit was NOK 491 million, a decrease of NOK 1631 million.

Statkraft has a robust financial position, and rating agencies recently confirmed the company's solid credit rating. Cash flow from operating activities in the quarter was NOK 303 million. Net interest-bearing debt to equity ratio was 20.7% at end of quarter.

For the first half year of 2020, Statkraft reported an underlying EBIT of NOK 3990 million, a decrease of NOK 5360 million compared with the same period in 2019. The main driver for the decrease was significantly lower Nordic power prices. The net result year to date was negative influenced by impairments and currency losses and ended with a loss of NOK 1397 million.

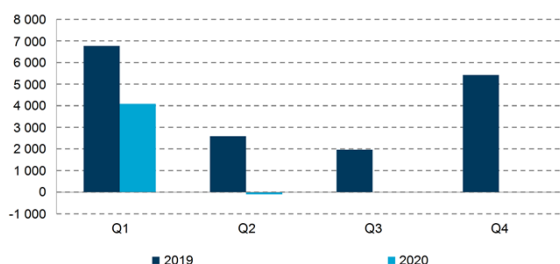
In June, commercial operations started for the Moglicë hydropower plant in Albania. Statkraft's power generation in Albania will now reach 700 GWh per year, equal to approximately 13 per cent of the country's total electricity generation.

Due to the outbreak of the pandemic, three construction projects in UK, Chile and India were temporarily halted earlier this year. These projects will gradually restart in accordance with the respective national guidelines on Covid-19.

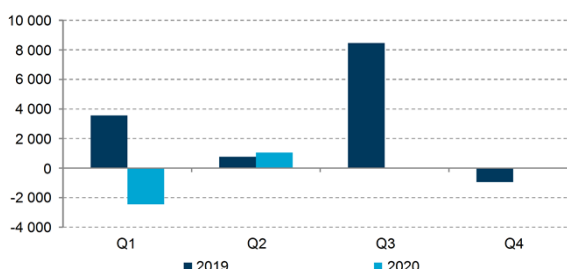
In line with the strategy, Statkraft continues to grow the customer business and has signed a 12-year physical baseload power supply agreement in the Nordics with an annual contract volume of 500 GWh in the quarter. Furthermore, Statkraft has acquired three greenfield wind projects within the segment European wind and solar in the second quarter.

Due to lower expected energy prices in the coming years, Statkraft's investment capacity is expected to be reduced, but still be at a significant level. The growth target of developing 9 GW by 2025 remains, however more projects could be divested at completion. The investment programme will be adapted to the market development and the company's commitment to the existing rating target.

Operating profit (EBIT) underlying
NOK million



Cash flow from operating activities
NOK million



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.

There were two fatal accidents in India in the first half of 2020. The fatal accidents have been investigated according to Statkraft's procedures and all safety measures are followed up. Caring for people is at the core of Statkraft's activities and Statkraft works continuously towards the goal of zero injuries.

AMBITION	TARGET	STATUS
HSE and sustainability		
Prevent incidents and be committed to a workplace without injury or harm	Zero serious injuries	2
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	10.1%
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	4.7%
Growth		
Grow capacity in renewable energy (hydro-, wind- and solar power)	9 GW growth by 2025	1.5 GW ¹⁾
Organisational enablers		
Improve diversity in background, competence and gender across the company	Long-term target of 40% women in top management positions	30%

¹⁾ Status as of 30.06.2020.

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

Statkraft aims to deliver a solid return on capital employed. Measured on 12 months rolling basis, the ROACE was 10.1% which is down from first quarter but 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. As of June 2020, Statkraft's realised prices (measured over the last 60 months) were 4.7% higher than the average spot price in the Nordics.

The target of developing 9 GW by 2025 remains, but the investment levels will be reduced through the divestment of more projects after completion.

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 June 2020 the total share of women in all top management positions was 30%, up from 27.5% at the end of 2019. The 40% target was reached for the corporate management in April.

Corporate responsibility and HSE

	Second quarter		Year to date		Year 2019
	2020	2019	2020	2019	
Corporate responsibility and HSE					
Fatal accidents ¹⁾	1	0	2	0	0
Serious environmental incidents	0	0	0	0	0
Absence due to illness, Group	1.9%	2.5%	2.5%	2.7%	2.7%
TRR rate ¹⁾²⁾			4.6	4.7	4.8
Full-time equivalents, Group			3 767	3 361	3 601

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

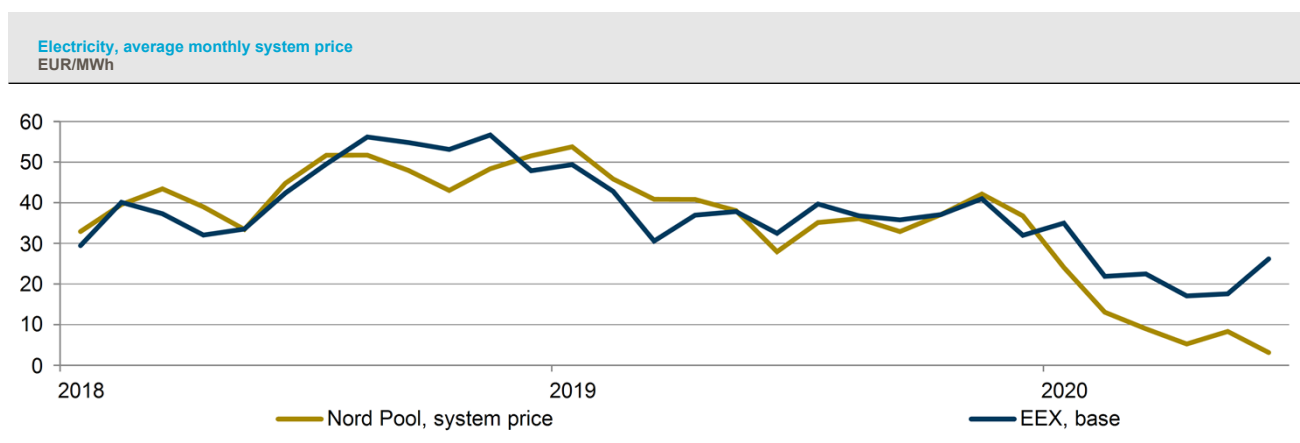
²⁾ TRR rate (rolling 12 months): Number of injuries per million hours worked.

In the second quarter a contractor employee in the joint venture Allain Duhangan in India died following a fall accident on site. The accident took place during repair works on a transmission line. The investigating report has identified several improvements which are under implementation. Improving safety-performance and awareness across the organization and among subcontractors continues to be a top priority.

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).

	Second quarter			Year to date			Year 2019
	2020	2019	Change	2020	2019	Change	
Market prices (average)							
System price, Nord Pool (EUR/MWh)	5.6	35.6	-30.0	10.5	41.2	-30.7	39.0
Spot price (base), EEX (EUR/MWh)	20.3	35.8	-15.5	23.4	38.4	-15.0	37.7
Spot price (peak), EEX (EUR/MWh)	22.0	39.6	-17.6	28.4	44.4	-16.0	44.4
Spot price (base), N2EX UK (GBP/MWh)	24.3	41.5	-17.3	28.5	46.7	-18.2	43.0

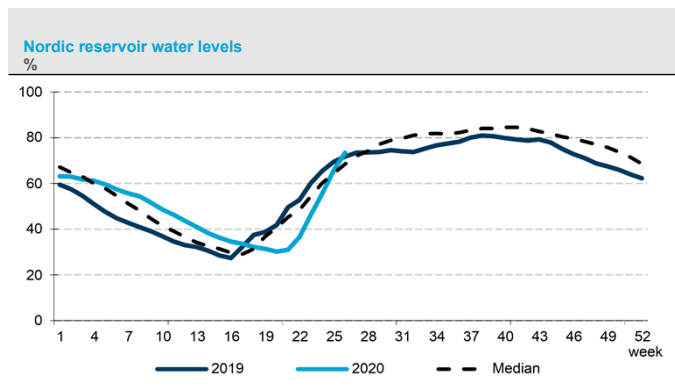
Sources: Nord Pool and European Energy Exchange (EEX).

The average system price in the Nordic region was 5.6 EUR/MWh in the quarter, a decrease of 84%. The decrease was mainly due to an exceptionally large inflow from snow-melting in the Nordics as well as lower Continental prices.

The average base price in the German market (EEX) was 20.3 EUR/MWh in the quarter, a decrease of 43%. The decrease was mainly due to lower gas, coal and CO₂ prices. Low consumption across Europe due to Covid-19 also contributed to the decrease.

The average base price in the UK was 24.3 GBP/MWh in the quarter, a decrease of 42%. The decrease was mainly driven by lower gas prices.

CONSUMPTION AND RESOURCE ACCESS IN THE NORDIC REGION



Source: Nord Pool.

TWh	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Consumption and output					
Nordic					
Nordic consumption	85.5	85.8	195.6	201.4	386.9
Nordic output	90.9	87.7	207.5	201.4	387.8
Net Nordic import(+)/export(-)	-5.4	-1.8	-11.9	0.1	-0.9
Norway					
Norwegian consumption	29.8	29.1	69.0	69.4	133.5
Norwegian output	34.8	28.6	75.3	66.7	133.4
Net Norwegian import(+)/export(-)	-5.1	0.5	-6.3	2.7	0.1

The total reservoir level for all producers in the Nordic region was 107% of median level at the end of the quarter, corresponding to 74% 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	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Generation, technology					
Hydropower	13.9	11.1	29.5	25.6	53.4
Wind power	0.8	0.6	2.2	1.5	3.0
Gas power	1.1	0.6	1.8	1.1	4.5
Other power ¹⁾	0.1	0.1	0.1	0.1	0.3
Total generation	15.9	12.3	33.7	28.4	61.1

¹⁾ Biomass and solar power.

TWh	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Generation, geography					
Norway	11.8	8.8	24.9	21.0	44.9
Sweden	1.6	1.5	4.0	3.3	6.2
Europe ex. Nordic	1.5	0.9	2.5	1.8	5.6
Rest of the world	1.1	1.1	2.3	2.3	4.4
Total generation	15.9	12.3	33.7	28.4	61.1

The Group generated a total of 15.9 TWh in the quarter, an increase of 29%. Norwegian hydropower generation increased driven by a stronger hydrological balance and higher inflow. Generation from wind power increased driven by new capacity and higher wind speeds. Gas-fired power generation increased, driven by more hours with positive spark spread.

The Group's district heating deliveries amounted to 0.2 TWh and were stable compared with the same quarter last year.

Financial performance

NOK million	Second quarter			Year to date			Year
	2020	2019	Change	2020	2019	Change	2019
Net operating revenues and other income underlying	3 207	5 358	-2 151	10 800	15 036	-4 236	29 318
Operating profit (EBIT) underlying	-100	2 588	-2 689	3 990	9 350	-5 360	16 744
Operating profit (EBIT) IFRS	-1 636	2 819	-4 456	2 749	9 062	-6 313	16 978
Share of profit/loss in equity accounted investments	-322	263	-585	400	771	-372	1 249
Net financial items	2 324	332	1 993	-3 623	882	-4 505	733
Profit before tax	366	3 414	-3 048	-474	10 715	-11 189	18 959
Tax expense	126	-1 291	1 417	-923	-3 841	2 918	-7 632
Net profit/loss	491	2 123	-1 631	-1 397	6 874	-8 271	11 327

FINANCIAL PERFORMANCE SECOND QUARTER

The decrease in underlying EBIT was mainly driven by significantly lower Nordic power prices and higher underlying operating expenses. Underlying operating expenses increased primarily due to higher performance-related accruals, increased number of full-time equivalents in line with the strategy and repair costs for Baltic Cable. In addition, depreciations increased mainly due to reversal of impairments last year.

Share of profit/loss in equity accounted investments was negative with NOK 322 million. The decrease of NOK 585 million was mainly related to BKK and Agder Energi.

Net financial items were positive, primarily due to currency effects related to debt in foreign currencies.

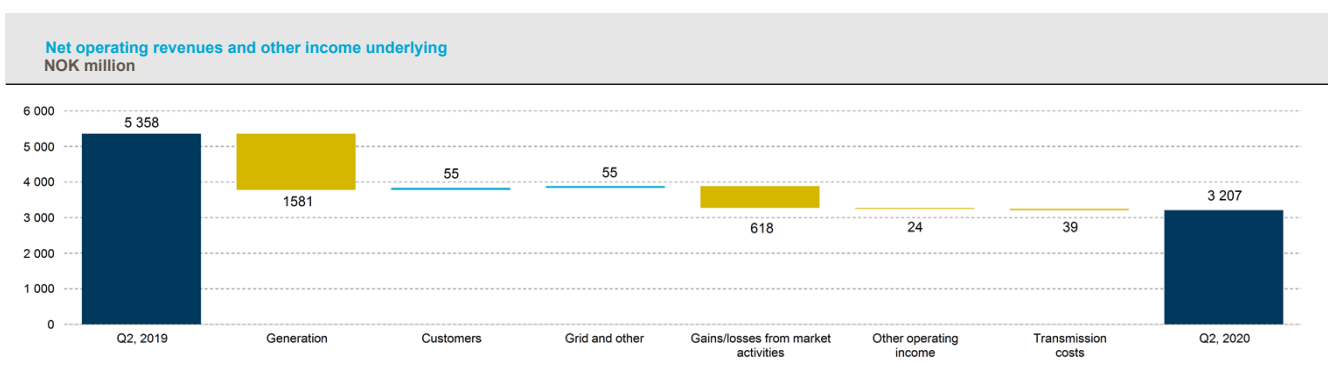
FINANCIAL PERFORMANCE YEAR TO DATE

The decrease in underlying EBIT year to date was mainly due to the same factors as for the second quarter.

Net profit was in addition negatively affected by impairments for wind power assets in the Nordics of NOK 2.6 billion and negative currency effects of NOK 3.4 billion, primarily related to debt in foreign currencies.

NET OPERATING REVENUES AND OTHER INCOME UNDERLYING

NOK million	Second quarter			Year to date			Year 2019
	2020	2019	Change	2020	2019	Change	
Net operating revenues and other income							
Generation	3 473	5 084	-1 611	8 402	12 864	-4 462	26 138
Customers	2 356	2 862	-505	6 183	7 103	-920	14 668
Grid and other	578	581	-3	1 358	1 372	-14	2 644
Sales revenues	6 407	8 526	-2 119	15 942	21 338	-5 396	43 450
Gains/losses from market activities	-364	253	-618	2 032	2 355	-323	3 674
Other operating income	113	137	-24	216	223	-6	712
Gross operating revenues and other income	6 156	8 917	-2 761	18 190	23 916	-5 726	47 836
Generation	-309	-339	30	-712	-816	104	-2 139
Customers	-2 276	-2 837	561	-5 811	-6 954	1 143	-14 197
Other	-136	-193	58	-369	-424	54	-829
Energy purchase	-2 721	-3 369	648	-6 893	-8 194	1 301	-17 165
Transmission costs	-229	-190	-39	-498	-686	188	-1 353
Net operating revenues and other income	3 207	5 358	-2 151	10 800	15 036	-4 236	29 318



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

- Net operating revenues from Generation decreased, mainly driven by significantly lower Nordic power prices.
- Gains/losses from market activities decreased, mainly driven by negative contribution from financial hedging and hedging related to market access activities in the UK.

OPERATING EXPENSES UNDERLYING

NOK million	Second quarter			Year to date			Year 2019
	2020	2019	Change	2020	2019	Change	
Operating expenses							
Salaries and payroll costs	-1 015	-778	-237	-2 187	-1 740	-446	-3 971
Depreciations and amortisations	-1 025	-921	-104	-2 080	-1 862	-218	-3 824
Property tax and licence fees	-323	-269	-54	-632	-575	-57	-1 139
Other operating expenses	-944	-801	-143	-1 911	-1 508	-403	-3 638
Operating expenses	-3 307	-2 769	-538	-6 810	-5 686	-1 124	-12 573

- In general, a weaker NOK compared with the second quarter 2019 led to an increase in the operating expenses.
- The increase in salaries and payroll costs was mainly due to performance-related costs in the segment Market operations and a general increase in the number of 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 start of depreciation of assets in Albania.
- Other operating expenses were higher due to costs from newly acquired companies, costs related to new wind farms in Norway, a hydropower plant in Albania entering into operations and repair costs related to an outage on Baltic Cable.

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 start of section Segments in the quarterly financial statements.

NOK million	Second quarter			Year to date			Year 2019
	2020	2019	Change	2020	2019	Change	
Items excluded from operating profit (EBIT) underlying							
Unrealised value changes from embedded EUR derivatives	-1 673	238	-1 911	1 181	-273	1 454	42
Gains/losses from divestments of business activities	-	-	-	-	-	-	55
Impairments/reversal of impairments	137	-7	144	-2 422	-15	-2 407	136
Items excluded from operating profit (EBIT) underlying	-1 536	231	-1 767	-1 241	-288	-953	233

- Embedded EUR derivatives linked to long-term industry contracts had a negative effect. This was mainly driven by a strengthening of NOK against EUR.
- The reversal of impairments in the quarter was mainly related to a gas-fired power plant in Germany, see note 9 for more details.

FINANCIAL ITEMS

NOK million	Second quarter			Year to date			Year 2019
	2020	2019	Change	2020	2019	Change	
Financial items							
Interest income	39	116	-78	117	243	-126	440
Interest expenses	-110	-156	46	-255	-378	123	-669
Net currency effects	2 327	201	2 126	-3 388	889	-4 277	132
Other financial items	68	170	-102	-96	128	-225	829
Net financial items	2 324	332	1 993	-3 623	882	-4 505	733

- Interest income decreased, mainly due to reduced liquidity.
- Interest expenses decreased, mainly due to lower average interest rates.
- Net currency gains in the quarter were mainly unrealised, and were related to a strengthening of NOK against EUR, USD and GBP. The currency gains were primarily related to debt in foreign currencies. The positive currency effects were more than offset by negative currency translation effects of foreign investments.
- Other financial items decreased, mainly due to negative value changes on interest rate derivatives.

TAX EXPENSE

NOK million	Second quarter			Year to date			Year 2019
	2020	2019	Change	2020	2019	Change	
Tax expense							
Profit before tax	366	3 414	-3 048	-474	10 715	-11 189	18 959
Nominal tax rate in Norway	22%	22%	0%	22%	22%	0%	22%
Tax calculated at nominal Norwegian tax rate	80	751	-671	-104	2 357	-2 462	4 171
Tax on share of profit/loss in equity accounted investments	71	-58	129	-88	-170	82	-275
Resource rent tax payable	248	619	-371	750	1 688	-938	3 407
Resource rent tax deferred	-696	122	-817	428	230	198	262
Other differences from the nominal Norwegian tax rate	171	-142	313	-62	-264	202	67
Tax expense	-126	1 291	-1 417	923	3 841	-2 918	7 632
Effective tax rate	-34.3%	37.8%	-72.1%	-194.7%	35.8%	-230.5%	40.3%

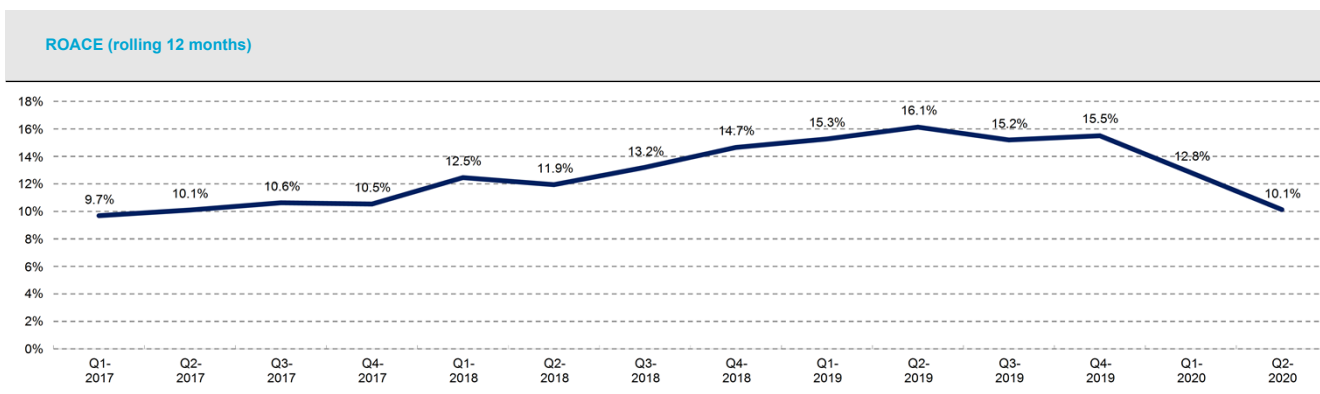
Tax expense second quarter

- Resource rent tax payable decreased, mainly due to significantly lower Nordic power prices.
- Resource rent tax deferred decreased, mainly due to unrealised losses related to embedded derivatives.
- Other differences from the nominal Norwegian tax rate of NOK 171 million were mainly due to changes in unrecognised deferred tax assets in Germany.

Tax expense year to date

- Resource rent tax payable decreased, mainly due to significantly lower Nordic power prices.
- Resource rent tax deferred increased, mainly due to unrealised gains related to embedded derivatives.
- Negative other differences from the nominal Norwegian tax rate of NOK 62 million were mainly due to tax exempt gains related to Fjordkraft shares. See note 12.

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 4% higher compared with year-end 2019, mainly due to currency effects driven by a weaker NOK vs. SEK, USD and EUR.

CASH FLOW

NOK million	Second quarter			Year to date			Year 2019
	2020	2019	Change	2020	2019	Change	
Cash flow							
Operating activities	303	770	-467	-2 155	4 334	-6 489	11 861
Investing activities	-585	-732	147	-1 856	-1 657	-199	-4 821
Financing activities	346	-11 437	11 783	-1 279	-12 717	11 439	-14 938
Net change in cash and cash equivalents	65	-11 400	11 463	-5 289	-10 040	4 751	-7 900
Cash and cash equivalents (incl. restricted cash) at period end	9 940	13 046	-3 106	9 940	13 046	-3 106	15 203

Cash flow second quarter

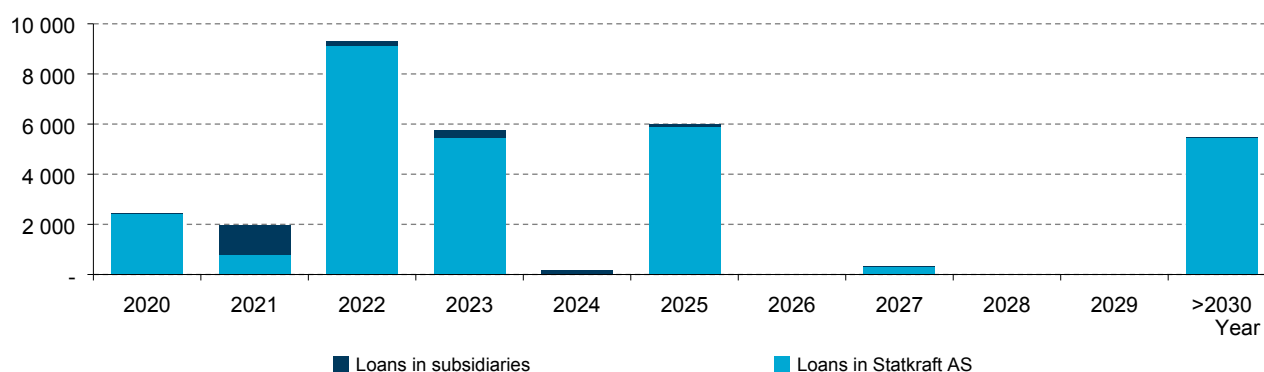
- A quarterly EBIT, adjusted for negative unrealised effects from financial instruments, ended at NOK 1400 million. Cash inflow from collaterals related to operations and taxes paid were the main components leading to a cash flow from operating activities of NOK 303 million.
- The negative cash flow from investing activities was mainly due to investments in property, plant and equipment and acquisition of shares, partly offset by sale of shares in Fjordkraft.
- The positive cash flow from financing activities was mainly due to cash collaterals related to the debt portfolio, partly offset by repayment of debt and interest paid.

Cash flow year-to-date

- A positive EBIT was more than offset by taxes paid and changes in working capital, leading to a negative cash flow from operating activities.
- The investing activities were mainly related to investments in property, plant and equipment, partly offset by cash inflow from sale of shares in Fjordkraft.
- Negative cash flow from financing activities was mainly due to repayment of debt, interest paid and cash collaterals related to the debt portfolio, partly offset by new debt.

INTEREST-BEARING DEBT REPAYMENT PLAN

Long-term debt redemption profile
NOK million



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

- Net interest-bearing debt totalled NOK 25 084 million.
- Net interest-bearing debt-equity ratio was 20.7%.

INVESTMENTS AND PROJECTS

Total investments in the quarter amounted to NOK 2373 million. Maintenance investments and other investments were primarily related to Nordic hydropower. Investments in new capacity were mainly related to construction of onshore wind farms in Norway and the UK and a hydropower plant in Albania.

NOK million	Second quarter 2020	Year to date 2020	The year 2019
Maintenance investments and other investments			
European flexible generation	397	726	1 532
Market operations	-	2	73
International power	20	44	214
European wind and solar	87	119	231
District heating	-	-	6
Industrial ownership	129	267	603
Other activities	16	78	54
Total	649	1 237	2 712
Investments in new capacity			
European flexible generation	35	90	194
Market operations	2	2	2
International power	278	577	808
European wind and solar	870	1 014	2 215
District heating	43	81	168
Industrial ownership	104	207	351
Other activities	4	4	-
Total	1 336	1 974	3 738
Investments in shareholdings			
International power	-	43	349
European wind and solar	296	317	188
Industrial ownership	-	-	53
Other activities	92	92	381
Total	387	451	972
Total investments	2 373	3 662	7 421

Projects in consolidated operations

Second quarter	Project	Country	New capacity (MW) ¹⁾	Statkraft's ownership share	Planned completion
Committed investments in the period					
Wind power	Twentysilling	UK	38	100%	2022 Q1
Main construction projects					
Hydropower	Devoll - Moglice ³⁾	Albania	184	100%	2020 Q3
	Songa and Trollfjell 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 Q3
	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⁾ The project works, which were temporarily put on hold in the first quarter, will gradually be restarted in accordance with the respective national guidelines related to Covid-19.

³⁾ Commercial operations of the plant started in the second quarter.

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 operations 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 businesses within biomass and electric vehicle charging as well as venture capital investments. Unallocated assets are also reported as Other activities.

Group items includes eliminations.

Second 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	6 156	2 065	2 740	765	95	125	401	368	-403
Net operating revenues and other income underlying	3 207	1 588	442	621	78	86	372	364	-344
EBITDA underlying	925	545	32	392	-136	26	138	-99	27
Operating profit (EBIT) underlying	-100	70	23	151	-220	-19	19	-152	28
Operating profit (EBIT) IFRS	-1 636	-1 464	23	152	-220	-22	19	-152	28
Key financial metrics									
Operating profit (EBIT) margin underlying	-1.6%	3.4%	0.8%	19.7%	-232.2%	-15.2%	4.6%	n/a	n/a
ROACE	10.1%	13.5%	74.4%	2.5%	-2.9%	3.1%	6.2%	n/a	n/a
ROAE ¹⁾	6.7%	n/a	n/a	-2.9%	-0.5%	n/a	11.5%	n/a	n/a
Investments									
Total investments	2 373	432	3	298	1 253	43	233	112	-
Generation and district heating									
Generation, volume sold (TWh)	15.9	12.5	-	1.2	0.7	-	1.5	-	-
- hydropower (TWh)	13.9	11.3	-	1.1	-	-	1.5	-	-
- wind power (TWh)	0.8	-	-	0.1	0.7	-	-	-	-
- gas power (TWh)	1.1	1.1	-	-	-	-	-	-	-
- other power (TWh) ²⁾	0.1	0.1	-	0.0	-	-	-	-	-
Production, district heating (TWh)	0.2	-	-	-	-	0.2	0.0	-	-

¹⁾ Return on average equity accounted investments.

²⁾ Biomass and solar power.

EUROPEAN FLEXIBLE GENERATION

NOK million	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Gross operating revenues and other income	2 065	3 941	7 055	10 578	20 525
Net operating revenues and other income	1 588	3 354	5 957	9 156	17 184
Operating expenses	-1 518	-1 290	-2 995	-2 664	-5 780
Operating profit (EBIT) underlying	70	2 064	2 963	6 492	11 404
Unrealised value changes from energy derivatives ^{***)}	-1 673	238	1 181	-274	42
Gains/losses from divestments of business activities	-	-	-	-	-
Impairments/reversal of impairments	138	-	138	-	1 035
Operating profit (EBIT) IFRS	-1 464	2 302	4 282	6 218	12 482
Share of profit/loss in equity accounted investments	-	-	4	-	-
Gains/losses from divestments of equity accounted investments ¹⁾	-	-	-	-	-
ROACE (rolling 12 months)			13.5%	23.1%	20.2%
ROAE (rolling 12 months) ²⁾			n/a	n/a	n/a
Maintenance investments and other investments	397	401	726	619	1 532
Investments in new capacity	35	48	90	80	194
Investments in shareholdings	-	-	-	-	-
Generation (TWh)	12.5	9.7	25.8	22.0	48.7

¹⁾ Included in Other financial items.

²⁾ Return on average equity accounted investments.

³⁾ Related to embedded EUR-derivatives, see page 7.

Quarterly financial performance

- The decrease in underlying EBIT was mainly driven by significantly lower Nordic power prices and a negative contribution from hedging.
- 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 repair costs related to an outage on Baltic Cable (a subsea interconnector between Sweden and Germany).

Year-to-date financial performance

- The decrease in underlying EBIT was mainly driven by significantly lower Nordic power prices, partly offset by improved contribution from hedging and higher generation.
- Operating expenses increased mainly due to the same factors as for the second quarter.

Financial metrics

- ROACE was 13.5%, 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	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Gross operating revenues and other income	2 740	3 582	8 316	9 511	19 813
Net operating revenues and other income	442	576	2 222	1 926	4 556
Operating expenses	-419	-229	-886	-500	-1 428
Operating profit (EBIT) underlying	23	347	1 336	1 425	3 127
Unrealised value changes from energy derivatives	-	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-	-
Impairments/reversal of impairments	-	-	-	-	-
Operating profit (EBIT) IFRS	23	347	1 336	1 426	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)			74.4%	25.7%	64.7%
ROAE (rolling 12 months) ²⁾			n/a	n/a	n/a
Maintenance investments and other investments	-	30	2	42	73
Investments in new capacity	2	1	2	1	2
Investments in shareholdings	-	3	-	3	-
Generation (TWh)	-	-	-	-	-

¹⁾ Included in Other financial items.

²⁾ Return on average equity accounted investments.

Key events

- Statkraft has signed a 12-year physical baseload power supply agreement in the Nordics with a contract volume of 500 GWh per year.
- Statkraft has signed a 11-year solar power purchase contract with Anumar in Germany. Total installed capacity of the solar park is 50 MWp and the expected volume is 57 GWh per year.
- Statkraft has signed several new wind power purchase contracts in France, with a duration of 3-5 years. The installed capacity related to the new contracts is 161 MW.

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 decrease in underlying EBIT was mainly driven by lower contribution from market access activities and dynamic asset management portfolios as well as higher performance related accruals. The decrease was partly offset by higher contribution from origination.

Year-to-date financial performance

- The decrease in underlying EBIT was mainly driven by lower contribution from long term contracts, partly offset by improved contribution from trading and origination.

Financial metrics

- ROACE was 74.4%, mainly due to a high underlying EBIT the last year.

INTERNATIONAL POWER

NOK million	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Gross operating revenues and other income	765	749	1 607	1 533	3 215
Net operating revenues and other income	621	656	1 306	1 287	2 702
Operating expenses	-470	-448	-1 022	-881	-1 946
Operating profit (EBIT) underlying	151	208	284	406	756
Unrealised value changes from energy derivatives	-	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-	-
Impairments/reversal of impairments	2	-6	-5	-13	-564
Operating profit (EBIT) IFRS	152	201	279	393	192
Share of profit/loss in equity accounted investments	-12	4	23	20	-86
Gains/losses from divestments of equity accounted investments ¹⁾	-	-	-	-	-
ROACE (rolling 12 months)			2.5%	3.0%	3.1%
ROAE (rolling 12 months) ²⁾			-2.9%	4.3%	-3.2%
Maintenance investments and other investments	20	100	44	147	214
Investments in new capacity	278	137	577	268	808
Investments in shareholdings	-	-	43	-	349
Generation (TWh)	1.2	1.3	2.6	2.6	4.9

¹⁾ Included in Other financial items.

²⁾ Return on average equity accounted investments.

Key events

- The construction works in the Los Lagos and Tidong hydropower projects will gradually be restarted in accordance with national guidelines related to Covid-19.
- Commercial operations started for the two units (184 MW) in the Moglice hydropower plant in Albania.
- Himal Power Ltd. (HPL) is obliged to transfer 50% of its ownership in the Khimti hydropower plant to a company jointly owned by HPL and the Nepal Electricity Authority.

Quarterly financial performance

- The underlying EBIT decreased mainly due to negative contribution from Chile and Albania, primarily related to lower power prices and suspension costs related to Los Lagos in Chile. These effects were somewhat offset by improved hydrology and positive currency effects in both Turkey and Nepal.
- The decrease in share of profit/loss in equity accounted investments was mainly driven by lower contribution from Chile and India.

Year-to-date financial performance

- The underlying EBIT decreased mainly due to the same factors as for the second quarter and negative one-off effects in the first quarter in Brazil.
- The increase in share of profit/loss in equity accounted investments was mainly driven by improved contribution from Brazil and Chile.

Financial metrics

- The ROACE was 2.5%, slightly lower compared with the last quarter.
- The ROAE decreased compared with the last quarter, mainly driven by lower contribution from Chile and India.

Quarterly investments

- The investments were mainly related to the construction of the hydropower plant Moglice in Albania.

EUROPEAN WIND AND SOLAR

NOK million	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Gross operating revenues and other income	95	216	398	752	1 388
Net operating revenues and other income	78	206	363	725	1 330
Operating expenses	-297	-247	-589	-475	-1 103
Operating profit (EBIT) underlying	-220	-41	-226	250	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	-220	-41	-2 777	250	-50
Share of profit/loss in equity accounted investments	-20	-8	-13	3	12
Gains/losses from divestments of equity accounted investments ¹⁾	-	-	-	-	-
ROACE (rolling 12 months)			-2.9%	7.1%	2.6%
ROAE (rolling 12 months) ²⁾			-0.5%	3.2%	1.4%
Maintenance investments and other investments	87	7	119	22	231
Investments in new capacity	870	392	1 014	520	2 215
Investments in shareholdings	296	-	317	-	188
Generation (TWh)	0.7	0.5	2.1	1.3	2.6

¹⁾ Included in Other financial items.

²⁾ Return on average equity accounted investments.

Key events

- Statkraft completed the acquisition of several onshore wind projects in Europe, see note 12.
- Construction has restarted at the Windy Rig wind farm construction project in UK after being temporarily put on hold due to Covid-19.

Quarterly financial performance

- The decrease in underlying EBIT was mainly driven by significantly lower power prices in the Nordics and increased operating expenses, following increased development costs related to the growth strategy, costs from new capacity and costs related to inverter faults in Sweden. This was partly offset by higher generation from both new capacity and existing wind farms.

Year-to-date financial performance

- The decrease in underlying EBIT was mainly due to the same drivers as for the quarter.

Financial metrics

- The ROACE was -2.9%, a decrease compared with previous quarter. This was mainly due to a lower underlying EBIT.
- The ROAE was -0.5%, a decrease from previous quarter, mainly due to lower power prices and lower generation in the UK.

Quarterly investments

- The investments in new capacity were mainly related to the Fosen wind projects in Norway.
- The investments in shareholdings were related to onshore wind in Europe, see note 12.

DISTRICT HEATING

NOK million	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Gross operating revenues and other income	125	148	369	500	919
Net operating revenues and other income	86	106	256	349	653
Operating expenses	-106	-100	-222	-206	-437
Operating profit (EBIT) underlying	-19	6	34	143	216
Unrealised value changes from energy derivatives	-	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-	-
Impairments/reversal of impairments	-3	-1	-4	-2	-3
Operating profit (EBIT) IFRS	-22	5	30	141	213
Share of profit/loss in equity accounted investments	-	-	-	-	-
Gains/losses from divestments of equity accounted investments ¹⁾	-	-	-	-	-
ROACE (rolling 12 months)			3.1%	5.9%	6.2%
ROAE (rolling 12 months) ²⁾			n/a	n/a	n/a
Maintenance investments and other investments	-	2	-	2	6
Investments in new capacity	43	41	81	76	168
Investments in shareholdings	-	-	-	-	-
Delivered volume (TWh)	0.2	0.2	0.5	0.5	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. Lower heating prices was caused by significantly reduced Norwegian power prices.
- Operating expenses increased, primarily due to an increase in the number of full-time equivalents.

Year-to-date financial performance

- In addition to the lower heating prices, net operating revenues and other income decreased due to lower heating volume. This was caused by high temperatures in the first quarter.
- Operating expenses increased, primarily due to an increase in the number of full-time equivalents and higher depreciations.

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 of existing assets in Norway.

INDUSTRIAL OWNERSHIP

NOK million	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Gross operating revenues and other income	401	665	1 072	1 824	3 408
Net operating revenues and other income	372	667	994	1 704	3 159
Operating expenses	-354	-350	-757	-775	-1 506
Operating profit (EBIT) underlying	19	316	237	929	1 653
Unrealised value changes from energy derivatives	-	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-	-
Impairments/reversal of impairments	-	-	-	-	-
Operating profit (EBIT) IFRS	19	316	237	929	1 653
Share of profit/loss in equity accounted investments	-248	276	442	765	1 396
Gains/losses from divestments of equity accounted investments ¹⁾	-	143	-	186	624
ROACE (rolling 12 months)			6.2%	11.5%	10.8%
ROAE (rolling 12 months) ²⁾			11.5%	9.1%	14.7%
Maintenance investments and other investments	129	148	267	272	603
Investments in new capacity	104	83	207	157	351
Investments in shareholdings	-	-	-	-	53
Generation (TWh)	1.5	0.9	3.2	2.4	4.9

¹⁾ Included in Other financial items.

²⁾ Return on average equity accounted investments.

Key events

- Skagerak Energi sold its remaining 15.5 million shares in Fjordkraft Holding ASA, representing 14.86% of the share capital in the company for NOK 77 per share. See note 12.
- On 1 July BKK sold 8 million shares in Fjordkraft Holding ASA, representing 7.65% of the share capital in the company for NOK 74.5 per share. The financial effects will be recognised in the third quarter.

Quarterly financial performance

- Underlying EBIT decreased, mainly due to significantly lower power prices.
- Share of profit/loss in equity accounted investments decreased, mainly due to significantly lower power prices and negative unrealised effects from energy and currency contracts in BKK and Agder.

Year-to-date financial performance

- Underlying EBIT decreased, mainly due to significantly lower power prices.
- Share of profit/loss in equity accounted investments decreased, mainly due to significantly lower power prices.

Financial metrics

- The ROACE was 6.2%, a decrease from previous quarter, driven by a lower underlying EBIT.
- The ROAE was 11.5%, a decrease from previous quarter, mainly due to a negative contribution from Agder Energi and BKK.

Quarterly investments

- The investments were primarily related to grid activities.

OTHER ACTIVITIES

NOK million	Second quarter		Year to date		Year
	2020	2019	2020	2019	2019
Gross operating revenues and other income	368	265	721	531	1 252
Net operating revenues and other income	364	265	711	531	1 252
Operating expenses	-516	-418	-1 065	-829	-1 778
Operating profit (EBIT) underlying	-152	-153	-353	-298	-526
Unrealised value changes from energy derivatives	-	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-	-
Impairments/reversal of impairments	-	-	-	-	-
Operating profit (EBIT) IFRS	-152	-153	-353	-298	-526
Share of profit/loss in equity accounted investments	-41	-8	-56	-17	-50
Gains/losses from divestments of equity accounted investments ¹⁾	-	-	-	-	133
Maintenance investments and other investments	16	18	78	25	54
Investments in new capacity	4	-	4	-	-
Investments in shareholdings	92	90	92	145	381
Generation (TWh)	-	-	-	-	-

¹⁾ Included in Other financial items.

Quarterly financial performance

- The underlying EBIT was on par with the second quarter 2019.

Year-to-date 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 biofuel business and investments made by Statkraft Ventures.

Outlook

The outbreak of the Covid-19 pandemic has led to a drop in energy demand on the Continent. The medium to long-term effects on the energy market outlook are uncertain. Additionally, a large hydrological surplus has put pressure on the short-term Nordic power prices, particularly in Norway. In the medium to long term, the hydrological situation in the Nordics is expected to normalise, leading to an increase in the power prices.

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 financed by retained earnings, external financing and divestments to other investors. On the back of lower expected power prices in the coming years, the net investment level is likely to be reduced. However, the strategic growth target of developing 9 GW by 2025 remains and it is expected that more projects could be divested at completion.

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

Oslo, 16 July 2020
The Board of Directors of Statkraft AS

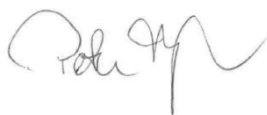
Declaration from the Board of Directors and President and CEO

We hereby declare to the best of our knowledge that the six-month interim financial statements for the period 1 January to 30 June 2020 have been prepared in accordance with IAS 34, Interim Reporting, and the accounting information provides a true and fair view of the Group's assets, liabilities, financial position and performance as a whole, and that the six-month interim report provides a true and fair view of important events in the accounting period and their influence on the six-month interim financial statements, associated material transactions and the key risk and uncertainty factors facing the business in the next accounting period.

Oslo, 16 July 2020
The Board of Directors of Statkraft AS



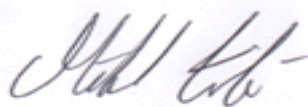
Thorhild Widvey
Chair of the Board



Peter Mellbye
Deputy chair



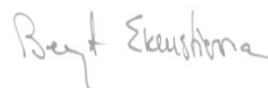
Marit Salte
Director



Mikael Lundin
Director



Ingelise Arntsen
Director



Bengt Ekenstierna
Director



Vilde Eriksen Bjerknæs
Director



Thorbjørn Holøs
Director



Asbjørn Sevejordet
Director



Christian Rynning-Tønnesen
President and CEO

Statkraft AS Group Interim Financial Statements

NOK million	Second quarter		Year to date		The year
	2020	2019	2020	2019	2019
STATEMENT OF COMPREHENSIVE INCOME					
PROFIT AND LOSS					
Sales revenues	6 407	8 518	15 942	21 328	43 450
Gains/losses from market activities	-2 037	500	3 212	2 093	3 716
Other operating income	113	137	217	223	767
Gross operating revenues and other income	4 483	9 155	19 371	23 643	47 933
Energy purchase	-2 721	-3 369	-6 893	-8 194	-17 165
Transmission costs	-229	-190	-498	-686	-1 353
Net operating revenues and other income	1 534	5 596	11 981	14 763	29 415
Salaries and payroll costs	-1 015	-778	-2 187	-1 740	-3 971
Depreciations and amortisations	-1 025	-921	-2 080	-1 862	-3 824
Impairments/reversal of impairments	137	-7	-2 422	-15	136
Property tax and licence fees	-323	-269	-632	-575	-1 139
Other operating expenses	-944	-801	-1 911	-1 508	-3 638
Operating expenses	-3 171	-2 777	-9 231	-5 701	-12 438
Operating profit (EBIT)	-1 636	2 819	2 749	9 062	16 978
Share of profit/loss in equity accounted investments	-322	263	400	771	1 249
Interest income	39	116	117	243	440
Interest expenses	-110	-156	-255	-378	-669
Net currency effects	2 327	201	-3 388	889	132
Other financial items	68	170	-96	128	829
Net financial items	2 324	332	-3 623	882	733
Profit before tax	366	3 414	-474	10 715	18 959
Tax expense	126	-1 291	-923	-3 841	-7 632
Net profit/loss	491	2 123	-1 397	6 874	11 327
Of which non-controlling interest	73	149	182	282	417
Of which owners of the parent	418	1 974	-1 579	6 592	10 910
OTHER COMPREHENSIVE INCOME (OCI)					
Items in other comprehensive income that recycle over profit and loss:					
Changes in fair value of financial instruments, net of tax	-	-38	-	-29	-16
Items recorded in other comprehensive income in equity accounted investments	76	-19	-225	-90	16
Recycling of financial instruments related to cash flow hedges, net of tax	-	-	-	-	-6
Currency translation effects	-2 978	-316	4 623	-1 886	-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	2	1	3	17
Estimate deviation pensions, net of tax	-85	-112	-727	-448	88
Other comprehensive income	-2 986	-482	3 672	-2 449	-375
Comprehensive income	-2 495	1 641	2 275	4 425	10 952
Of which non-controlling interest	-	166	93	274	474
Of which owners of the parent	-2 495	1 475	2 182	4 151	10 478

NOK million	30.06.2020	30.06.2019	31.12.2019
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Deferred tax assets	1 601	639	614
Intangible assets	4 602	3 782	4 633
Property, plant and equipment	112 321	106 048	109 852
Equity accounted investments	12 854	12 806	12 917
Other non-current assets	5 599	3 129	3 597
Derivatives	4 456	5 055	2 961
Non-current assets	141 434	131 459	134 574
Inventories	6 885	7 515	4 468
Receivables	12 429	10 522	13 348
Financial investments	561	1 210	1 470
Derivatives	10 518	6 024	8 752
Cash and cash equivalents (incl. restricted cash)	9 940	13 046	15 203
Current assets	40 332	38 317	43 242
Assets	181 765	169 776	177 815
EQUITY AND LIABILITIES			
Paid-in capital	59 219	59 219	59 219
Retained equity	32 846	30 944	37 164
Non-controlling interest	4 252	4 169	4 382
Equity	96 317	94 332	100 764
Deferred tax	11 397	10 166	10 792
Pension liability	3 444	3 331	2 685
Other provisions	3 028	2 849	3 033
Interest-bearing liabilities	30 602	29 178	28 427
Derivatives	2 511	3 470	983
Non-current liabilities	50 982	48 994	45 920
Interest-bearing liabilities	4 983	4 815	4 479
Taxes payable	2 781	6 623	7 109
Other interest-free liabilities	14 679	7 524	10 049
Derivatives	12 023	7 488	9 496
Current liabilities	34 466	26 450	31 131
Equity and liabilities	181 765	169 776	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	35 303	94 522	3 970	98 491
Net profit/loss	-	-	6 592	-	6 592	6 592	282	6 874
Items in OCI that recycle over profit and loss:								
Changes in fair value of financial instruments, net of tax	-	-29	-	-	-29	-29	-	-29
Items recorded in other comprehensive income in equity accounted investments	-	-90	-	-	-90	-90	-	-90
Currency translation effects	-	-	-	-1 877	-1 877	-1 877	-9	-1 886
Items in OCI that will not recycle over profit and loss:								
Changes in fair value of financial instruments, net of tax	-	2	-	-	2	2	1	3
Estimate deviation pension, net of tax	-	-	-448	-	-448	-448	-	-448
Total comprehensive income for the period	-	-116	6 144	-1 877	4 151	4 151	274	4 425
Dividend	-	-	-8 510	-	-8 510	-8 510	-83	-8 593
Business combinations/divestments	-	-	-	-	-	-	8	8
Balance as of 30.06.2019	59 219	-1 136	29 682	2 398	30 944	90 163	4 169	94 332
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/loss	-	-	10 910	-	10 910	10 910	417	11 327
Items in OCI that recycle over profit and loss:								
Changes in fair value of financial instruments, net of tax	-	-16	-	-	-16	-16	-	-16
Items recorded in other comprehensive income in equity accounted investments	-	16	-	-	16	16	-	16
Recycling of financial instruments related to cash flow hedges, net of tax	-	-6	-	-	-6	-6	-	-6
Currency translation effects	-	-	-	-461	-461	-461	-14	-475
Items in OCI that will not recycle over profit and loss:								
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/loss	-	-	-1 579	-	-1 579	-1 579	182	-1 397
Items in OCI that recycle over profit and loss:								
Items recorded in other comprehensive income in equity accounted investments	-	-225	-	-	-225	-225	-	-225
Currency translation effects	-	-	-	4 712	4 712	4 712	-89	4 623
Items in OCI that will not recycle over profit and loss:								
Changes in fair value of equity instruments, net of tax	-	1	-	-	1	1	-	1
Estimate deviation pensions, net of tax	-	-	-727	-	-727	-727	-	-727
Total comprehensive income for the period	-	-224	-2 306	4 712	2 182	2 182	93	2 275
Dividend	-	-	-6 500	-	-6 500	-6 500	-217	-6 716
Business combinations/divestments	-	-	-	-	-	-	-6	-6
Balance as of 30.06.2020	59 219	-1 235	25 555	8 526	32 845	92 065	4 252	96 317

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

NOK million	Second quarter		Year to date		The year	
	2020	2019	2020	2019	2019	
STATEMENT OF CASH FLOW						
CASH FLOW FROM OPERATING ACTIVITIES						
Operating profit (EBIT)	-1 636	2 819	2 749	9 062	16 978	
Depreciations, amortisations and impairments	888	928	4 501	1 877	3 689	
Gains/losses from divestments and disposals of assets	-	11	5	15	-50	
Unrealised effects included in operating profit (EBIT)	3 036	336	-1 051	-511	-1 250	
Dividends from equity accounted investments	538	675	554	710	736	
Changes in working capital	-953	-1 828	-1 684	-2 653	528	
Cash collateral, margin calls and option premiums ³⁾	3 439	-176	835	93	-1 339	
Cash effects from foreign exchange derivatives related to operations	128	14	-32	8	30	
Taxes paid ⁶⁾	-4 932	-1 989	-7 810	-3 964	-6 900	
Other changes	-204	-22	-223	-302	-562	
Cash flow from operating activities	A	303	770	-2 155	4 334	11 861
CASH FLOW FROM INVESTING ACTIVITIES						
Investments in property, plant and equipment and intangible assets ¹⁾	-1 531	-1 349	-2 751	-2 204	-5 786	
Business divestments, net liquidity inflow	7	551	7	550	1 578	
Acquisitions of shares in subsidiaries, net liquidity outflow	-296	-12	-319	-189	-841	
Loans to equity accounted investments	-	-4	-15	-4	-25	
Repayment of loans from equity accounted investments	40	49	66	66	137	
Interests received from loans to equity accounted investments	10	5	10	10	11	
Other investments ⁷⁾	1 185	29	1 147	113	105	
Cash flow from investing activities	B	-585	-732	-1 856	-1 657	-4 821
CASH FLOW FROM FINANCING ACTIVITIES						
New debt	25	55	3 468	100	261	
Repayment of debt ²⁾	-330	-2 597	-3 654	-3 859	-5 963	
Cash collateral related to financing ³⁾	1 189	-159	-429	168	101	
Interests paid ⁶⁾	-339	-286	-564	-645	-958	
Interest rate derivatives realised before maturity	-	-	-	-132	-220	
Interests received from cash and other assets	33	138	133	244	434	
Dividend and group contribution paid to Statkraft SF ^{2), 4)}	-138	-8 510	-138	-8 510	-8 510	
Transactions with non-controlling interests	-94	-78	-94	-83	-83	
Cash flow from financing activities	C	346	-11 437	-12 717	-14 938	
Net change in cash and cash equivalents	A+B+C	65	-11 400	-5 289	-10 040	-7 900
Currency exchange rate effects on cash and cash equivalents	-230	-	26	-89	-71	
Cash and cash equivalents 01.04/01.01	10 105	24 445	15 203	23 175	23 175	
Cash and cash equivalents 30.06/31.12 ⁵⁾	9 940	13 046	9 940	13 046	15 203	
Unused committed credit lines			9 167	9 167	9 189	
Unused overdraft facilities			3 061	1 006	1 025	
Restricted cash			30	42	36	

¹⁾ Investments in property, plant and equipment and intangible assets in the cash flow in 2020 are NOK 460 million lower than investments (excluding investments in shareholdings) shown in the segment reporting. This is due to capitalised borrowing costs of NOK -60 million, decommissioning additions of NOK -7 million, non-cash additions from right-of-use assets of NOK -28 million and timing differences between capitalisation and payment date of NOK -360 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 138 million was paid as Group contribution to Statkraft SF in the second quarter. For the second quarter and full year of 2019 NOK 10 million in Group contribution paid to Statkraft SF is included.

⁵⁾ Included in cash and cash equivalents are NOK 585 million related to joint operations at the end of the second quarter 2020. For 2019 the amounts were NOK 405 million and NOK 328 million at the end of the quarter and at the end of the year, respectively.

⁶⁾ See note 11, "Decision related to previous years' tax" for further information.

⁷⁾ Mainly related to the sale of Fjordkraft shares. See note 12.

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 -30 million for the second quarter 2019 and NOK -843 million for the full year 2019. See note 5 and section Alternative Performance Measures for further details.

SECOND 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 -1673 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 -137 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	Second quarter 2020			Second quarter 2019		
	IFRS	Adjustments	Underlying	IFRS	Adjustments	Underlying
Sales revenues ¹⁾	6 407	-	6 407	8 518	8	8 526
Gains/losses from market activities	-2 037	1 673	-364	500	-247	253
Other operating income ¹⁾	113	-	113	137	-	137
Gross operating revenues and other income	4 483	1 673	6 156	9 155	-238	8 917
Energy purchase	-2 721	-	-2 721	-3 369	-	-3 369
Transmission costs	-229	-	-229	-190	-	-190
Net operating revenues and other income	1 534	1 673	3 207	5 596	-238	5 358
Salaries and payroll costs	-1 015	-	-1 015	-778	-	-778
Depreciations and amortisations	-1 025	-	-1 025	-921	-	-921
Impairments/reversal of impairments	137	-137	-	-7	7	-
Property tax and license fees	-323	-	-323	-269	-	-269
Other operating expenses	-944	-	-944	-801	-	-801
Operating expenses	-3 171	-137	-3 307	-2 777	7	-2 769
Operating profit (EBIT)	-1 636	1 536	-100	2 819	-231	2 588

¹⁾ Figures presented for the second quarter 2019 have been changed with a reclassification of NOK 103 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.

NOK million	Year to date 2020			Year to date 2019		
	IFRS	Adjustments	Underlying	IFRS	Adjustments	Underlying
Sales revenues	15 942	-	15 942	21 328	11	21 338
Gains/losses from market activities	3 212	-1 181	2 032	2 093	263	2 355
Other operating income	217	-0	216	223	-	223
Gross operating revenues and other income	19 371	-1 181	18 190	23 643	273	23 916
Energy purchase	-6 893	-	-6 893	-8 194	-	-8 194
Transmission costs	-498	-	-498	-686	-	-686
Net operating revenues and other income	11 981	-1 181	10 800	14 763	273	15 036
Salaries and payroll costs	-2 187	-	-2 187	-1 740	-	-1 740
Depreciations and amortisations	-2 080	-	-2 080	-1 862	-	-1 862
Impairments/reversal of impairments	-2 422	2 422	-	-15	15	-
Property tax and license fees	-632	-	-632	-575	-	-575
Other operating expenses	-1 911	-	-1 911	-1 508	-	-1 508
Operating expenses	-9 231	2 422	-6 810	-5 701	15	-5 686
Operating profit (EBIT)	2 749	1 241	3 990	9 062	288	9 350

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	-17 165	-	-17 165
Transmission costs	-1 353	-	-1 353
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									
Second quarter 2020									
Gross operating revenues and other income, external	6 156	2 030	2 723	740	52	125	394	78	15
Gross operating revenues and other income, internal	-	35	17	25	43	-	7	290	-417
Gross operating revenues and other income underlying	6 156	2 065	2 740	765	95	125	401	368	-402
Net operating revenues and other income underlying	3 207	1 588	442	621	78	86	372	364	-345
Operating profit (EBIT) underlying	-100	70	23	151	-220	-19	19	-152	28
Unrealised value changes from energy derivatives	-1 673	-1 673	-	-	-	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-	-	-	-	-	-
Impairments/reversal of impairments	137	138	-	2	-0	-3	-	-	-
Operating profit (EBIT) IFRS	-1 636	-1 464	23	-	-220	-22	19	-152	180
Share of profit/loss in equity accounted investments	-322	-	-	-12	-20	-	-248	-41	-
Year to date 2020									
Gross operating revenues and other income, external	18 190	6 893	8 307	1 561	141	368	1 058	170	-308
Gross operating revenues and other income, internal	-	162	9	46	257	1	14	551	-1 040
Gross operating revenues and other income underlying	18 190	7 055	8 316	1 607	398	369	1 072	721	-1 348
Net operating revenues and other income underlying	10 800	5 957	2 222	1 306	363	256	994	711	-1 010
Operating profit (EBIT) underlying	3 990	2 963	1 336	284	-226	34	237	-353	-284
Unrealised value changes from energy derivatives	1 181	1 181	-	-	-	-	-	-	-
Gains/losses from divestments of business activities	0	-	-	-	0	-	-	-	-
Impairments/reversal of impairments	-2 422	138	-	-5	-2 551	-4	-	-	-
Operating profit (EBIT) IFRS	2 749	4 282	1 336	279	-2 777	30	237	-353	-284
Share of profit/loss in equity accounted investments	400	4	1	23	-13	-	442	-56	-
Assets and capital employed 30.06.2020									
Property, plant and equipment and intangible assets	116 924	60 085	173	25 778	9 184	3 518	16 476	1 710	-
Equity accounted investments	12 854	4	-	2 843	871	-	9 103	59	-26
Loans to equity accounted investments	1 618	-	-	1 090	487	-	42	-	-
Other assets	50 369	2 332	20 420	1 266	363	137	1 345	26 618	-2 112
Total assets	181 765	62 421	20 594	30 977	10 905	3 655	26 965	28 387	-2 138
Assets not included in capital employed	-47 522	48	-10 215	-4 117	-1 375	-	-10 064	-21 744	-55
Liabilities included in capital employed	-12 987	-2 213	-5 906	-1 269	-1 189	-152	-1 180	-3 327	2 250
Capital employed	121 256	60 256	4 472	25 591	8 341	3 503	15 721	3 316	57
Return on average capital employed (ROACE)	10.1%	13.5%	74.4%	2.5%	-2.9%	3.1%	6.2%	n/a	n/a
Return on average equity accounted investments (ROAE)	6.7%	n/a	n/a	-2.9%	-0.5%	n/a	11.5%	n/a	n/a
Depreciations, amortisations and impairments	-4 501	-802	-17	-503	-2 739	-94	-246	-99	-
Maintenance investments and other investments	1 237	726	2	44	119	-	267	78	-
Investments in new capacity	1 974	90	2	577	1 014	81	207	4	-
Investments in shareholdings	451	-	-	43	317	-	-	92	-1

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									
Second quarter 2019									
Gross operating revenues and other income, external	8 917	3 877	3 557	728	102	148	654	45	-194
Gross operating revenues and other income, internal	-	64	25	21	114	-	11	220	-455
Gross operating revenues and other income underlying	8 917	3 941	3 582	749	216	148	665	265	-649
Net operating revenues and other income underlying	5 358	3 354	576	656	206	106	667	265	-471
Operating profit (EBIT) underlying	2 588	2 064	347	208	-41	6	316	-153	-158
Unrealised value changes from energy derivatives	238	238	-	-	-	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-	-	-	-	-	-
Impairments/reversal of impairments	-7	-	-	-6	-	-1	-	-	-
Operating profit (EBIT) IFRS	2 819	2 302	347	201	-41	5	316	-153	-158
Share of profit/loss in equity accounted investments	263	-	-0	4	-8	-	276	-8	-
Year to date 2019									
Gross operating revenues and other income, external	23 916	10 362	9 483	1 479	255	499	1 799	84	-45
Gross operating revenues and other income, internal	-	216	28	54	497	1	25	447	-1 268
Gross operating revenues and other income underlying	23 916	10 578	9 511	1 533	752	500	1 824	531	-1 313
Net operating revenues and other income underlying	15 036	9 156	1 926	1 287	725	349	1 704	531	-642
Operating profit (EBIT) underlying	9 350	6 492	1 425	406	250	143	929	-298	4
Unrealised value changes from energy derivatives	-273	-274	0	-	-	-	-	-	-
Gains/losses from divestments of business activities	-	-	-	-	-	-	-	-	-
Impairments/reversal of impairments	-15	-	-	-13	-	-2	-	-	-
Operating profit (EBIT) IFRS	9 062	6 218	1 426	393	250	141	929	-298	4
Share of profit/loss in equity accounted investments	771	-	-	20	3	-	765	-17	-
Assets and capital employed 30.06.2019									
Property, plant and equipment and intangible assets	109 830	56 281	174	24 566	8 172	3 455	15 889	1 293	-
Equity accounted investments	12 806	-	8	2 735	823	-	9 134	106	-
Loans to equity accounted investments	1 483	-	-	941	513	-	29	-	-
Other assets	45 658	2 490	18 831	1 573	442	155	987	21 294	-112
Total assets	169 776	58 771	19 012	29 815	9 950	3 610	26 039	22 692	-112
Assets not included in capital employed	-43 913	-1 549	-7 683	-3 947	-1 349	-	-9 683	-19 585	-118
Liabilities included in capital employed	-15 809	-2 492	-3 528	-1 307	-327	-164	-1 169	-7 149	326
Capital employed	110 054	54 730	7 801	24 561	8 274	3 445	15 188	-4 041	96
Return on average capital employed (ROACE)	16.1%	23.1%	25.7%	3.0%	7.1%	5.9%	11.5%	n/a	n/a
Return on average equity accounted investments (ROAE)	7.7%	n/a	n/a	4.3%	3.2%	n/a	9.1%	n/a	n/a
Depreciations, amortisations and impairments	-1 877	-838	-13	-437	-166	-87	-258	-77	-
Maintenance investments and other investments	1 135	619	49	147	22	2	272	25	-
Investments in new capacity	1 102	80	1	268	520	76	157	-	-
Investments in shareholdings	148	-	3	-	-	-	-	145	-

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	57	-26
Loans to equity accounted investments	1 518	-	-	969	522	-	27	-	-
Other assets	48 896	2 553	18 189	1 429	421	300	1 414	24 555	35
Total assets	177 815	60 564	18 376	29 918	11 819	3 778	27 062	26 290	9
Assets not included in capital employed	-48 282	-1 581	-8 402	-3 909	-1 398	-	-10 288	-22 545	-160
Liabilities included in capital employed	-19 137	-2 702	-5 598	-1 228	-652	-215	-1 277	-7 677	212
Capital employed	110 396	56 281	4 376	24 781	9 768	3 563	15 497	-3 932	61
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 second quarter of 2020, ended 30 June 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.

The impacts of Covid-19 on the power and renewables industry continued to evolve in the second quarter. The magnitude of the effects on Statkraft's financial statements will depend largely on the economic downturn in relevant regions, and Statkraft's management is closely monitoring the development of the pandemic and is evaluating the longer-term consequences for the Group.

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 for 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 events following the Covid-19, which impacts expected economic growth and energy demand, have indicated adverse changes in the value of some of the Group's assets. See note 9 for information on impairments.

Credit risk

Statkraft is facing credit risk when entering into contracts both with financial institutions, when 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 rating and limits have been reassessed. The impact from the pandemic continues to entail increased risk for breach and cancellation of contracts.

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 compared with most other currencies during 2020. Unrealised currency loss on debt denominated in other currencies is 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 30 June 2020, management based its estimates and judgements on historical experience and various other assumptions which are held to be reasonable under the circumstances. The impact from Covid-19 on underlying assumptions is reviewed on an ongoing basis. The judgments, estimates and assumptions made may differ from later assessments and may lead to adjustments to 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 321 million and NOK 267 million for the second 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 1189 million from operating activities to financing activities for the second quarter of 2020. Comparable figures have been restated with NOK -159 million and NOK 101 million for the second 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 -56 million and NOK 39 million for the second quarter and full year of 2019, respectively.

Presentation of customer activities in the UK. Through the segment Market operations, Statkraft is providing green power to end customers in the UK. The contracts entered into with the customers comprise physical delivery of power. The sourcing of the power is handled by and included in Statkraft Germany's balancing circle. Up until the second quarter of 2020 the power sale has been presented under the revenue category Grid and other. In addition the grid costs relating to transportation of the power has been presented under the line item transmission costs. From the second quarter both revenues and energy purchase, including the grid costs, are presented under the revenue category Customers. In the financial statements for year-to-date the changed presentation means that NOK 1182 million is reclassified from the revenue category Grid and other to Customers and NOK 640 million is reclassified from transmission costs to energy purchase under Customers. Comparable figures are restated by NOK 407 million and NOK 281 million for year-to-date 2019, respectively, and by NOK 1080 million and NOK 682 million for the full year 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 and rental of power plants in Norway.

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
Second quarter 2020									
Generation - sales revenues	3 473	2 470	3	693	89	124	114	-	-20
Generation - energy purchase	-309	-229	31	-64	-	-39	-8	-	0
Generation - net	3 164	2 241	34	629	89	85	106	-	-20
Customers - sales revenues	2 356	-	2 406	-3	-	-	-	-	-46
Customers - energy purchase	-2 276	-1	-2 325	-	-	-	-	-	51
Customers - net	80	-1	80	-3	-	-	-	-	4
Grid and other - sales revenues	578	221	2	61	3	-	253	37	1
Grid and other - energy purchase	-136	-78	-3	-55	-	-	-	-3	3
Grid and other - net	442	143	-1	6	3	-	253	34	4
Sales revenues - total	6 407	2 691	2 411	751	92	124	367	37	-66
Energy purchase - total	-2 721	-308	-2 297	-119	-	-39	-8	-3	54
Sales revenues adjusted for energy purchase	3 687	2 383	114	632	92	85	359	34	-12
Year to date 2020									
Generation - sales revenues	8 402	5 903	17	1 435	349	376	400	-	-78
Generation - energy purchase	-712	-488	1	-135	-	-113	-22	-	45
Generation - net	7 690	5 415	18	1 300	349	263	378	-	-33
Customers - sales revenues	6 183	-	6 423	22	-	-	2	-	-264
Customers - energy purchase	-5 811	-1	-6 077	-	-	-	-	-	267
Customers - net	372	-1	346	22	-	-	2	-	3
Grid and other - sales revenues	1 358	562	18	131	3	-9	598	87	-32
Grid and other - energy purchase	-369	-247	-18	-114	-	-	-	-9	19
Grid and other - net	988	315	-	17	3	-9	598	78	-14
Sales revenues - total	15 942	6 465	6 458	1 588	352	367	1 000	87	-375
Energy purchase - total	-6 893	-736	-6 094	-249	-	-113	-22	-9	330
Sales revenues adjusted for energy purchase	9 050	5 729	364	1 339	352	254	978	78	-44

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
Second quarter 2019									
Generation - sales revenues	5 084	3 684	66	678	202	147	400	-	-93
Generation - energy purchase	-339	-250	-63	-40	-	-42	-8	-	64
Generation - net	4 745	3 434	3	638	202	105	392	-	-29
Customers - sales revenues ¹⁾	2 853	-	2 957	-	-	-	-	-	-104
Customers - energy purchase	-2 837	-	-2 930	-	-	-	-	-	93
Customers - net	16	-	27	-	-	-	-	-	-11
Grid and other - sales revenues ¹⁾	581	291	12	61	-	-	227	3	-13
Grid and other - energy purchase	-193	-153	-13	-40	-	-	-	-	13
Grid and other - net	387	138	-1	21	-	-	227	3	-1
Sales revenues - total	8 518	3 975	3 035	739	202	147	627	3	-210
Energy purchase - total	-3 369	-403	-3 006	-80	-	-42	-8	-	170
Sales revenues adjusted for energy purchase	5 149	3 572	29	659	202	105	619	3	-40
Year to date 2019									
Generation - sales revenues	12 864	9 246	98	1 387	716	498	1 139	-	-220
Generation - energy purchase	-816	-552	-98	-116	-	-151	-28	-	129
Generation - net	12 048	8 694	-	1 271	716	347	1 111	-	-91
Customers - sales revenues ¹⁾	7 092	-	7 614	-	-	-	-	-	-522
Customers - energy purchase	-6 954	-	-7 463	-	-	-	-	-	509
Customers - net	137	-	151	-	-	-	-	-	-14
Grid and other - sales revenues ¹⁾	1 372	626	24	129	-	-	611	4	-22
Grid and other - energy purchase	-424	-337	-24	-87	-	-	-	-	24
Grid and other - net	948	289	-	42	-	-	611	4	2
Sales revenues - total	21 328	9 872	7 736	1 516	716	498	1 750	4	-764
Energy purchase - total	-8 194	-889	-7 585	-203	-	-151	-28	-	662
Sales revenues adjusted for energy purchase	13 133	8 983	151	1 313	716	347	1 722	4	-103

¹⁾ NOK 206 million and NOK 407 million have been reclassified from Grid and other to Customers for the second quarter and year to date 2019 respectively. See note 5.

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 ¹⁾	14 668	-	15 655	-	-	-	3	-	-990
Customers - energy purchase	-14 197	-	-15 188	-	-	-	1	-	990
Customers - net	471	-	467	-	-	-	4	-	-
Grid and other - sales revenues ¹⁾	2 644	1 168	47	256	-	13	1 192	18	-50
Grid and other - energy purchase	-829	-642	-47	-187	-	-	-	-	47
Grid and other - net	1 815	526	0	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	-17 165	-2 305	-15 257	-437	-	-266	-50	-	1 150
Sales revenues adjusted for energy purchase	26 285	18 186	467	2 611	1 260	649	3 239	18	-144

¹⁾ NOK 1080 million have been reclassified from Grid and other to Customers for the year 2019. See note 5.

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	Second quarter 2020			Year to date 2020		
	Unrealised	Realised	Total	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN PROFIT AND LOSS						
Generation	-	3 473	3 473	-	8 402	8 402
Customers	-	2 356	2 356	-	6 183	6 183
Grid and other	-	578	578	-	1 358	1 358
Total sales revenues	-	6 407	6 407	-	15 942	15 942
Gains/losses from market activities	-3 036	999	-2 037	1 051	2 162	3 212
Generation	-	-309	-309	-	-712	-712
Customers	-	-2 276	-2 276	-	-5 811	-5 811
Other purchase	-	-136	-136	-	-369	-369
Total energy purchase	-	-2 721	-2 721	-	-6 893	-6 893
Unrealised effects included in Operating profit (EBIT) ¹⁾	-3 036			1 051		
Net currency effects ²⁾	2 348	-21	2 327	-2 682	-706	-3 388
Other financial items	-528	596	68	-700	603	-96
Unrealised effects included in Net financial items	1 821			-3 382		
Total unrealised effects	-1 215			-2 332		

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

²⁾ Losses year to date from internal loans were NOK -529 million, of which NOK -593 million were realised.

NOK million	Second quarter 2019			Year to date 2019			The year 2019		
	Unrealised	Realised	Total	Unrealised	Realised	Total	Unrealised	Realised	Total
UNREALISED EFFECTS REPORTED IN P&L									
Generation	-	5 084	5 084	-	12 864	12 864	-	26 138	26 138
Customers	1	2 852	2 853	-	7 092	7 092	-	14 668	14 668
Grid and other	-	581	581	-	1 372	1 372	-	2 644	2 644
Total sales revenues	1	8 517	8 518	-	21 328	21 328	-	43 450	43 450
Gains/losses from market activities	-338	838	500	512	1 581	2 093	1 250	2 466	3 716
Generation	-	-339	-339	-	-816	-816	-	-2 139	-2 139
Customers	-	-2 837	-2 837	-	-6 954	-6 954	-	-14 197	-14 197
Other purchase	-	-193	-193	-	-424	-424	-	-829	-829
Total energy purchase	-	-3 369	-3 369	-	-8 194	-8 194	-	-17 165	-17 165
Unrealised effects included in operating profit/loss (EBIT) ¹⁾	-336			512			1 250		
Net currency effects ²⁾	151	50	201	905	-15	889	562	-430	132
Other financial items	31	139	170	110	18	128	415	414	829
Unrealised effects included in Net financial items	183			1 015			977		
Total unrealised effects	-154			1 526			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 were 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	19 371	6 717	394	7 105		7 105
Net operating revenues and other income	11 981	6 318	356	6 676		6 676
Operating profit (EBIT)	2 749	4 452	18	4 470		4 470
Share of profit/loss in equity accounted investments	400	-	-	-	440 ¹⁾	440
Net financial items	-3 623	44	-36	8		8
Tax expense	-923	-2 125	11	-2 114		-2 114
Net profit/loss	-1 397	2 371	-6	2 364	440	2 805
Net profit/loss (of which owners of the parent)	-1 579	2 371	-4	2 367	440	2 807
Paid dividend and group contribution to Statkraft		973 ²⁾	185 ³⁾	1 159	539 ³⁾	1 698
Assets 30.06.20						
Equity accounted investments	12 854	2	2	5	8 982 ¹⁾	8 987
Other assets	168 911	37 869	5 429	43 298		43 298
Total assets	181 765	37 871	5 431	43 303	8 982	52 285
EBITDA	7 251	4 984	110	5 094		5 094
Depreciations, amortisations and impairments	-4 502	-532	-91	-624		-624
Maintenance investments and other investments	1 237	536	84	620		620
Investments in new capacity	1 974	90	26	116		116
Investments in shareholdings	451	-	-	-		-

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/loss	11 327	4 523	642	5 164	1 360	6 524
Net profit/loss (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	30.06.2020	30.06.2019	31.12.2019
INTANGIBLE ASSETS			
Balance as of 01.01.	4 633	3 909	3 909
Additions	427	110	940
Reclassifications	-239	-95	72
Disposals	-	-13	-22
Currency translation effects	-124	-49	-64
Amortisations	-81	-65	-159
Impairments/reversal of impairments	-12	-15	-43
Balance as of end of period	4 602	3 783	4 633
PROPERTY, PLANT AND EQUIPMENT			
Balance as of 01.01.	109 852	105 744	105 744
Additions	3 025	2 017	6 399
Additions due to IFRS 16 (implementation)	-	1 585	1 584
Additions due to IFRS 16 (new contracts)	28	72	146
Reclassifications	239	95	-72
Disposals	-16	-46	-72
Capitalised borrowing costs	60	63	123
Currency translation effects	3 492	-1 682	-515
Depreciations ¹⁾	-1 999	-1 797	-3 665
Impairments/reversal of impairments	-2 409	-	179
Remeasurements and other changes (IFRS 16)	51	-2	2
Balance as of end of period	112 321	106 048	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 in the first quarter.

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.

Gas-fired power in Germany In the second quarter an adjustment of the calculated value in use of a gas-fired power plant in Germany was made and a reversal on NOK 138 million of previous impairment loss was recognised in the statement of profit and loss.

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 2400 million as additional payable tax and interest expenses.

Although no provision has been made according to IFRS, Statkraft has paid NOK 2335 million to the Norwegian tax authorities in the second quarter of 2020 related to this case and the period of 2010-2016. Of this NOK 2079 million is presented as an uncertain income tax deposit and NOK 256 million is presented as uncertain interests deposit. Both items are part of the line item "Other non-current assets" in the statement of the financial position.

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. TRANSACTIONS

On May 19, Statkraft's subsidiary Skagerak Energi AS sold its remaining 15.5 million shares in Fjordkraft Holding ASA, representing 14.86% of the share capital in the company. The selling price was NOK 77 per share. The net cash inflow from the sale was NOK 1190 million, and a gain of NOK 134 million was recognised in the second quarter. The total gain in 2020 related to Skagerak's shareholding in Fjordkraft is NOK 289 million, recognised as Other financial items.

In the second quarter Statkraft acquired 100% of several onshore wind projects located in Europe. Individually, the transactions are small, and the information is therefore provided at an aggregate level. The purchase price for the shares was NOK 226 million of which NOK 22 million was contingent. In addition, loans to former shareholders of a total of NOK 70 million were repaid in connection with the transactions.

13. 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 partly 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.

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	Second quarter		Year to date		The year 2019
	2020	2019	2020	2019	
ALTERNATIVE PERFORMANCE MEASURES					
OPERATING PROFIT (EBIT) MARGIN UNDERLYING					
Operating profit (EBIT) underlying	-100	2 588	3 990	9 350	16 744
Gross operating revenues and other income underlying	6 156	8 917	18 190	23 916	47 836
Operating profit (EBIT) margin underlying	-1.6%	29.0%	21.9%	39.1%	35.0%
RECONCILIATION OF OPERATING PROFIT (EBIT) UNDERLYING TO EBITDA UNDERLYING					
Operating profit (EBIT) underlying	-100	2 588	3 990	9 350	16 744
Depreciations and amortisations	1 025	921	2 080	1 862	3 824
EBITDA underlying	925	3 510	6 070	11 212	20 569
FINANCIAL STATEMENT LINE ITEMS INCLUDED IN CAPITAL EMPLOYED					
Intangible assets			4 602	3 782	4 633
Property, plant and equipment			112 321	106 048	109 852
Other non-current assets			5 599	3 129	3 597
- Loans to equity accounted investments ¹⁾			-1 561	-1 431	-1 463
- Bonds and other long-term investments ¹⁾			-97	-196	-203
- Pension assets ¹⁾			-589	-517	-886
- Other shares and shareholdings ¹⁾			-501	-374	-478
Inventories			6 885	7 515	4 468
Receivables			12 429	10 522	13 348
- Receivables related to cash collateral ²⁾			-4 688	-2 497	-3 035
- Current loans to equity accounted investments ²⁾			-57	-51	-55
- Other receivables not part of capital employed ²⁾			-100	-67	-245
Provisions allocated to capital employed			-2 241	-2 222	-2 308
Taxes payable			-2 781	-6 623	-7 109
Interest-free liabilities allocated to capital employed			-7 965	-6 964	-9 720
Capital employed			121 256	110 054	110 396
Average capital employed ³⁾			112 364	104 845	107 997
RECONCILIATION OF CAPITAL EMPLOYED TO TOTAL ASSETS					
Capital employed			121 256	110 054	110 396
Deferred tax assets			1 601	639	614
Equity accounted investments			12 854	12 806	12 917
Other non-current financial assets ¹⁾			2 749	2 518	3 031
Derivatives, non-current			4 456	5 055	2 961
Receivables ²⁾			4 844	2 614	3 335
Current financial investments			561	1 210	1 470
Derivatives, current			10 518	6 024	8 752
Cash and cash equivalents (incl. restricted cash)			9 940	13 046	15 203
Liabilities allocated to capital employed, see table above			12 987	15 809	19 137
Total assets as of the statement of financial position			181 765	169 776	177 815
RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)					
Operating profit (EBIT) underlying, rolling 12 months			11 384	16 913	16 744
Average capital employed			112 364	104 845	107 997
ROACE			10.1%	16.1%	15.5%
RETURN ON AVERAGE EQUITY ACCOUNTED INVESTMENTS (ROAE)					
Share of profit/loss in equity accounted investments, rolling 12 months			878	1 021	1 249
Average equity accounted investments ³⁾			13 124	13 259	13 107
ROAE			6.7%	7.7%	9.5%
NET INTEREST-BEARING DEBT					
Non-current interest-bearing liabilities			30 602	29 178	28 427
Current interest-bearing liabilities			4 983	4 815	4 479
Cash and cash equivalents (incl. restricted cash)			-9 940	-13 046	-15 203
Current financial investments			-561	-1 210	-1 470
Net interest-bearing debt			25 084	19 738	16 232
NET INTEREST-BEARING DEBT-EQUITY RATIO					
Net interest-bearing debt			25 084	19 738	16 232
Equity			96 317	94 332	100 764
Sum of net interest-bearing debt and equity			121 401	114 070	116 996
Net interest-bearing debt - equity ratio			20.7%	17.3%	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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