Annual report 2020

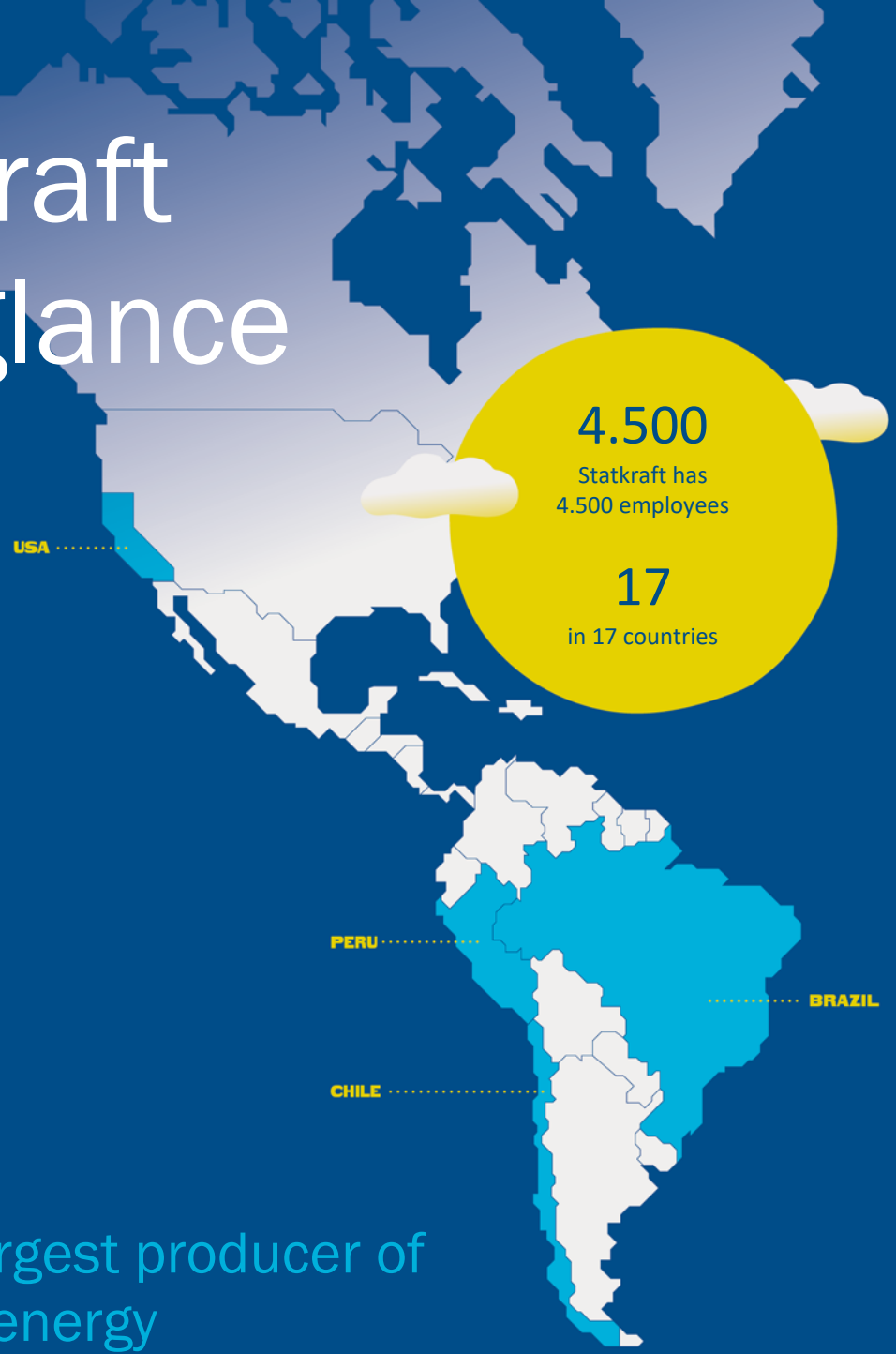
Statkraft AS

Statkraft

CONTENT

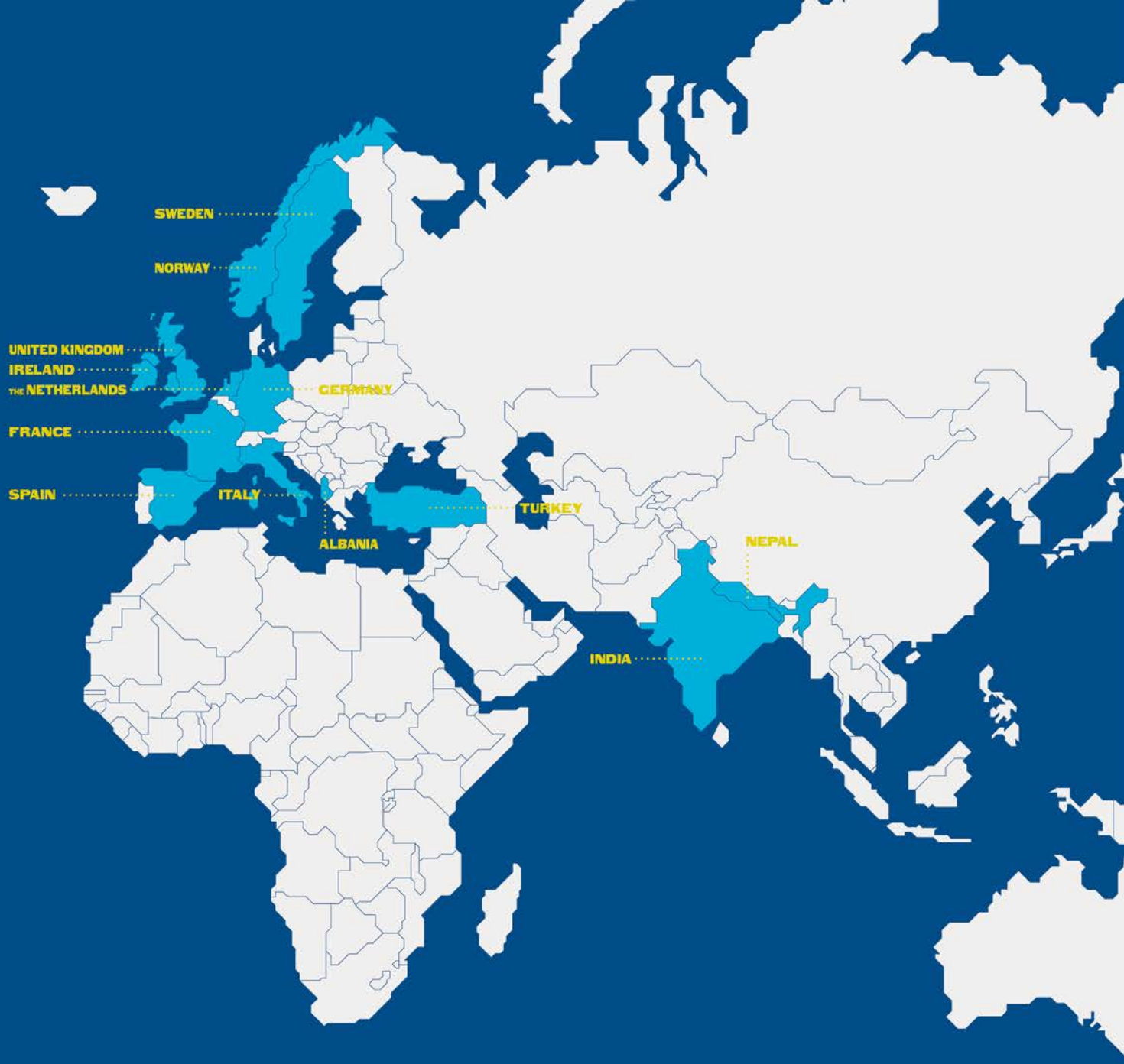
Statkraft is Europe's largest renewable energy producer and a global company in energy market operations. We believe in a renewable future, but what will it look like? According to Statkraft's Low Emissions Scenario, the two-degree target is within reach. Read on for more renewable findings.

Statkraft at a glance



Europe's largest producer of renewable energy

EBIT underlying	Net profit	Cash flow from operations
6.7 NOK BILLION	3.5 NOK BILLION	12.0 NOK BILLION
ROACE	**Net interest-bearing debt**	**Dividend paid in 2020**
5.7 PER CENT	27.4 NOK BILLION	6.5 NOK BILLION



Power generated in 2020

65

TWH

Share renewable energy

92

PER CENT

Investments in 2020

9.9

NOK BILLION

● **50%** Norway ● **26%** Europe ● **24%** Outside Europe

Standard & Poor's long term rating

A-

Fitch Ratings' long term rating

BBB+

Technologies

The Board of Directors

From the left: Vilde Eriksen Bjerknes, Mikael Lundin, Ingelise Arntsen, Asbjørn Sevlejordet, Thorhild Widvey, Peter Mellbye, Bengt Ekenstierna, Marit Salte and Thorbjørn Holøs

Thorhild Widvey
Born 1956, Norwegian

Chair of the board, member since 2016.
Chair of the Compensation Committee
Current board positions: Chair: Antidoping Norway, Concert Hall Stavanger, Bergen International Festival. Board member: Aker Solutions ASA, Solstad ASA.
Experience: Minister of Culture.
Minister of Petroleum and Energy.
The Ministry of Foreign Affairs: State Secretary.
The Minister of Fisheries: State Secretary.

Peter Mellbye
Born 1949, Norwegian

Vice Chair of the board, member since 2016.
Member of the Compensation Committee
Current board positions: Chair: Wellesley petroleum, Otovo, Westgass. Board member: TechnipFMC, Altus Intervention, Competentia, Halfwave, Resoptima.
Experience: Statoil: EVP. Norwegian Export Council, Norwegian Ministry of Trade
and Commerce: various positions.

Marit Salte
Born 1970, Norwegian

Board member, member since 2020.
Member of the Audit Committee
Current board positions: Board member: Green Mountain, Nordic Edge, Cercare Medical, Advisory Board Sparebankstiftelsen and various subsidiaries in the Smedvig Family Office
Experience: CFO the Smedvig Family Office (present). KPMG auditing and management consulting.

Mikael Lundin
Born 1966, Swedish

Board member, member since 2018.
Member of the Audit Committee
Experience: CEO Polhem Infra (present).Nord Pool: CEO. Vattenfall Power Consultant: CEO. Vattenfall Poland: CFO. Vattenfall Europe Trading: CFO. Birka Kraft: Director.

Bengt Ekenstierna
Born 1953, Swedish

Board member, member since 2016.
Experience: Beken Management Consulting AB: Senior advisor in infrastructure business/project (present). Several CEO positions within E.ON Group. Sydkraft Bredband and Baltic Cable. Sydkraft Elnät: COO.

Ingelise Arntsen
Born 1966, Danish

Board member, member since 2017.
Chair of the Audit Committee
Current board positions: Chair of the board: Asplan Viak. Board member: Export Credit Norway, Beerenberg.
Experience: Aibel: EVP. Sway Turbine: CEO. Statkraft: EVP. Arthur Andersen Business Consulting/ Bearing Point: Director: Sogn og Fjordane Energiverk: CEO. Kværner Fjellstrand: CFO.

Vilde Eriksen Bjerknes
Born 1975, Norwegian

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

Thorbjørn Holøs
Born 1957, Norwegian

Employee-elected board member, member since 2002.
Member of the Audit Committee
Employee since: 1976, Skagerak Energi
Current board positions: Chair: EL og IT Forbundet Vestfold/Telemark.
Current work position: Skagerak Energi: Head union representative.

Asbjørn Sevlejordet
Born 1960, Norwegian

Employee-elected board member, member since 2014.
Member of the Compensation Committee
Employee in Statkraft since: 1978
Current work position: Statkraft: Head union representative, Mechanical maintenance worker.

The Corporate Management

From the left: Birgitte Ringstad Vartdal, Anne Harris, Henrik Sætness, Christian Rynning-Tønnesen, Hallvard Granheim, Hilde Bakken and Jürgen Tzschoppe.

Christian Rynning-Tønnesen
Born 1959, Norwegian

Group management since 2010
Position: CEO
With Statkraft in 1992-2005 and since 2010
Education: MSc NTH, Trondheim
Norwegian Army officer education
Former positions: Norske Skog: CEO and CFO.
Statkraft: CFO and other executive positions.
McKinsey: Consultant.
Esso Norge: Refinery commercial coordinator.
Current board positions: Board member: Klaveness, UMOE. Chair: VCOM.

Anne Harris
Born 1960, Norwegian

Group management since 2019
Position: CFO
Education: MSc Finance BI, Oslo.
Former positions: Multiconsult AS: CFO. Entra Eiendom AS: Acting CEO and CFO. Norsk Hydro: EVP HR and Organization, SVP Corporate Financial Reporting and Performance.
Current board positions: Board member IFE (Institutt for energieteknikk)

Hallvard Granheim
Born 1976, Norwegian

Group management since 2014
Position: EVP Markets and IT
With Statkraft since 2012
Education: MSc Finance NHH, Bergen
Former positions: Statkraft: EVP & CFO, SVP Financial Reporting, Accounting and Tax.
Deloitte: Director, Advisory & Auditor.
Norske Skog: VP Energy Sourcing & Trading.

Hilde Bakken
Born 1966, Norwegian

Group management since 2010
Position: EVP Production & Industrial Ownership
With Statkraft since 2000
Education: MSc NTH, Trondheim and TU Delft, Netherlands
Former positions: Statkraft: EVP Corporate Staff and various positions within the Generation and Market business. Norsk Hydro: various mgmt. and engineering positions
Current board positions: Chair: Skagerak Energi. Board member: Agder Energi.

Henrik Sætness
Born 1972, Norwegian

Group management since 2020
Position: EVP Corporate Staff
With Statkraft since 2009
Education: MSc Industrial economics, NTNU Trondheim.
Former positions: Statkraft: SVP Corporate Strategy & Analysis, SVP Strategy & Development Markets. Navita Systems: EVP Products & Consulting. Norsk Hydro: various positions within energy Trading & Origination.
Current board positions: Chair: FME NTRANS. Board Member: BKK.

Jürgen Tzschoppe
Born 1968, German

Group management since 2015
Position: EVP International Power
With Statkraft since 2002
Education: Ph.D. Electrical engineering, RWTH Aachen
Former positions: Statkraft: EVP Market Operations and IT, SVP Continental Energy. MD Statkraft Markets GmbH and Knapsack Power GmbH & Co. KG.
Enron: Power Trading Europe Associate.
IAEW Aachen: Chief engineer.

Birgitte Ringstad Vartdal
Born 1977, Norwegian

Group management since 2020
Position: EVP European Wind and Solar
With Statkraft since 2020
Education: MSc Physics and Mathematics NTNU Trondheim, MSc Financial Mathematics Heriot-Watt, Scotland.
Former positions: Golden Ocean CEO and CFO, various positions in the Torvald Klaveness Group and Norsk Hydro.
Current board positions: Board member: Yara International ASA.

Letter from the CEO

2020 turned out to be a very special year. Strengthened HSSE efforts have top priority following three tragic fatal accidents in India. The pandemic has put the whole Statkraft organisation to a test. Our response to Covid-19 has focused on care for people, complying with local health authorities' advice and directives in all our 17 markets while delivering a stable supply of heat and electricity. Handling the pandemic in a good way continues to be a priority in 2021.

Last year was also different in terms of the hydrological situation in the Nordics, as we recorded one of the warmest and wettest years ever. This challenged the management of our hydropower plants and pushed down power prices to levels not seen in 20 years.

Given the challenging environment and demanding energy markets, Statkraft delivered satisfactory results in 2020 as successful price hedging and solid contributions from market operations offset low prices and impairments. In total Statkraft achieved an underlying operating profit (EBIT) of NOK 6.7 billion and a net profit of NOK 3.5 billion.

Statkraft's strategy is based on four pillars; optimize and expand our hydropower portfolio, ramp up as wind and solar developer, grow our customer business and develop new business initiatives. The company is committed to sustainability and responsible business practices. During 2020 we have updated our sustainability strategy, aligning it more closely with the UN Sustainable Development Goals (SDGs). Our overarching ambition is to contribute to combat climate change (SDG 13), by increasing access to renewable energy (SDG 7) and supporting the development of sustainable communities (SDG 11). Responsible operations are also important, which address topics such as equality, health and safety, biodiversity and human rights (SDGs 5, 8, 15 and 16).

Since our business strategy was adopted, we have progressed well across all pillars – and 2020 was no exception. Within hydropower we have increased our investments in maintenance, upgrades and expansions in Norway and Sweden and successfully completed the Devoll hydropower project in Albania. Constructions are on-going to further strengthen our position in India and Chile with the Tidong and Los Lagos projects.

Last year, construction of the Fosen wind project in mid-Norway was completed on time and budget, and construction started for two more wind farms in Scotland.

In Brazil, we are starting construction of the Ventos de Santa Eugenia wind project. With its 519 MW, this is the biggest wind power project currently being developed by Statkraft.

2020 also marked a breakthrough for our ambitious targets on solar development, with the acquisition of solar pioneer Solarcentury. Later this year, our two organisations will merge and boost our activities in solar power, the world's fastest growing renewable technology. A develop, build and sell business model will be applied to capture values that can be reinvested and further boost growth in the European solar market.

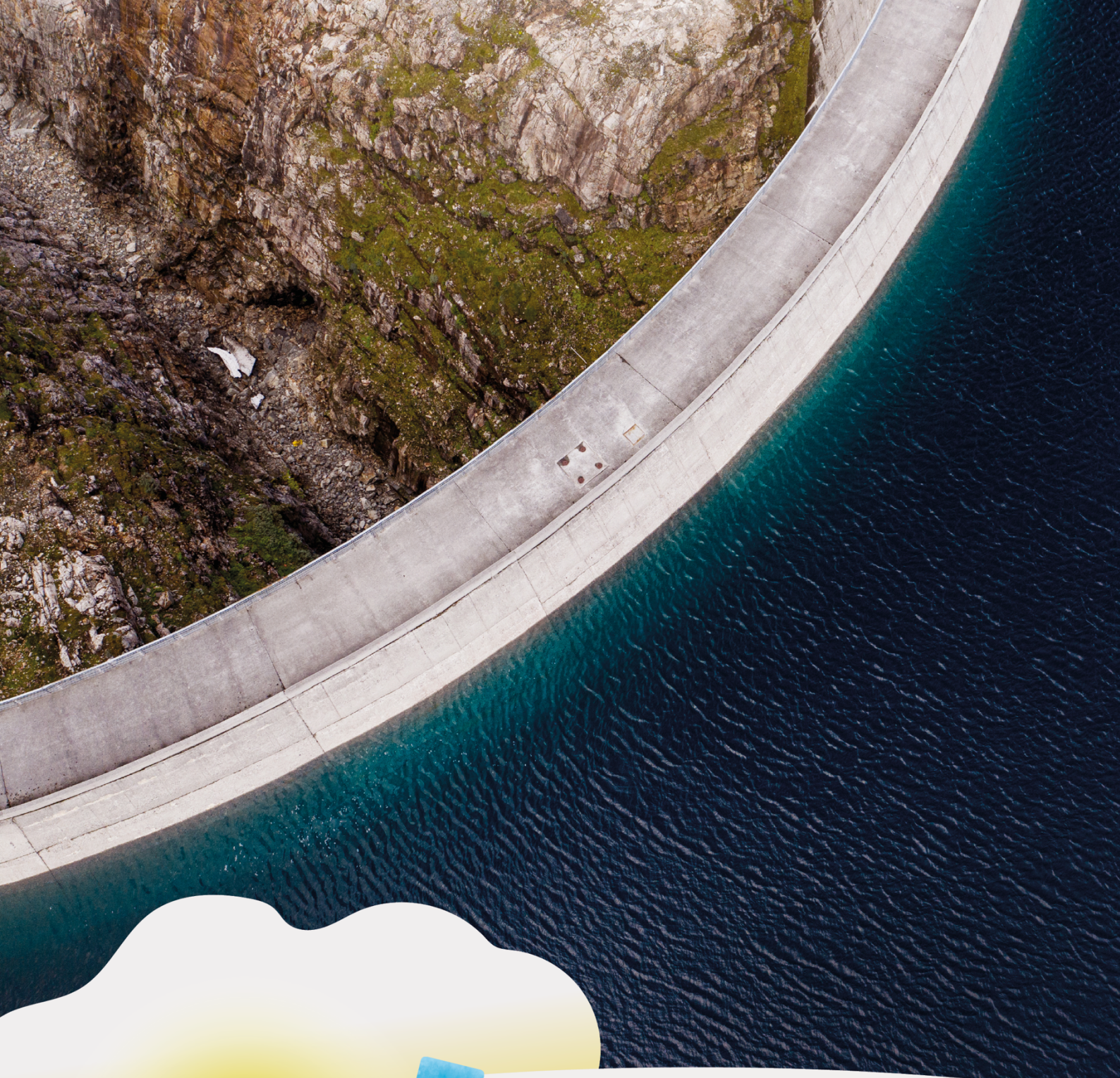
In Ireland, Statkraft won an auction securing contracts for 330 MW of wind and solar, and subsequently principal investment decisions for these projects have been made. To support the huge developments of intermittent production capacity on the British Isles, Statkraft also completed its second battery project in Ireland and started work on our first rotating grid stabiliser in Scotland.

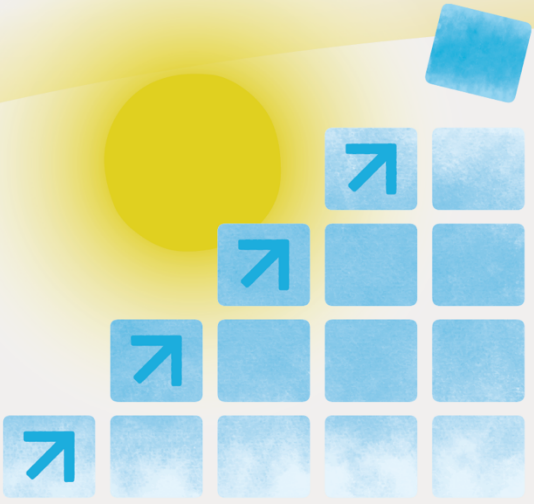
On the market side, Statkraft is one of Europe's largest provider of Power Purchase Agreements (PPAs) with more than 7.000 MW signed across Europe. Being an active wholesale market participant and a developer gives the company access to a large portfolio of own and third-party assets. In the fast-growing global demand for renewable energy solutions, Statkraft has the tools to offer tailor-made solutions for renewable producers as well as industrial consumers and suppliers.

Electrification is key to establish the low emissions that society needs to fight climate change. Hence developing new initiatives are also an essential part of the strategy. Last year several steps were made towards green hydrogen in Norway, Sweden and Germany. Our electric vehicle charging businesses evolved under the newly launched brand Mer. The biofuel demo plant at Tofte south of Oslo will be completed in 2021. Several data centre sites are being developed.

Norway's climate action plan and EU's increased climate targets add up to lots of motivating news in the battle against climate change. Global renewable investments reached record-levels, indicating future opportunities in the renewables business are huge and even increasing in the wake of the pandemic. Statkraft is determined to seize these opportunities and become one of the world's leading renewable energy companies by 2025.

Christian Rynning-Tønnesen
President and CEO

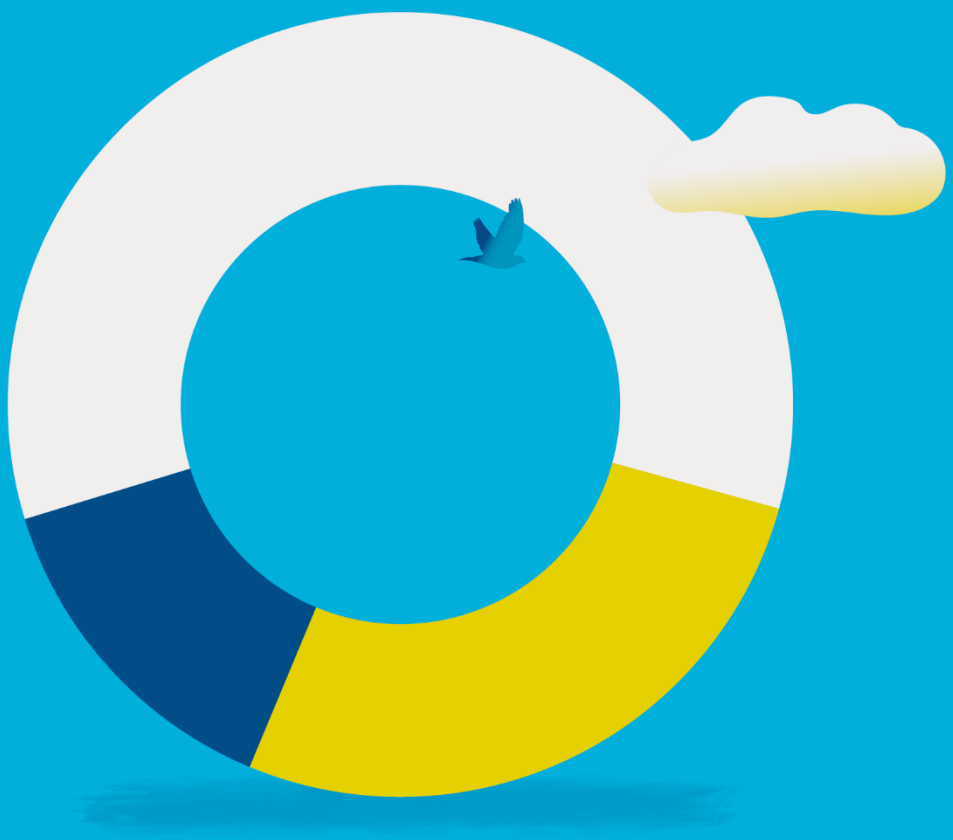




LOW EMISSIONS 2020 SCENARIO

According to Statkraft's Low Emissions Scenario, the capacity in the global power sector will increase three-fold between now and 2050. The entire increase, and more besides, will be covered by renewable energy.

Report from the Board of Directors | 2020



Report from the Board of Directors

Caring for people is at the core of Statkraft's company culture and everyone should return home safely from work for the company. The target is no serious injuries, so Statkraft is not satisfied with three fatal accidents and four serious injuries in 2020. Strengthening the safety culture and the performance - across the organisation and among subcontractors – is the top priority and has high attention throughout the organisation.

Statkraft is closely monitoring the development of Covid-19. The Group has upheld stable operations through 2020 and has taken actions to reduce the spread of the virus in line with advice from national health authorities.

The underlying EBIT of NOK 6.7 billion in 2020 was a substantial decrease from 2019. The decrease was mainly driven by very low Nordic power prices. Profit before tax ended at NOK 5 billion and net profit at NOK 3.5 billion.

Statkraft has a solid financial position to deliver on the growth strategy and invested close to NOK 10 billion in 2020, of which the acquisition of Solarcentury positions the company as a leading developer in the European solar market. The company's commitment to sustainability and responsible business practices continues to be a foundation for all activities.

VALUES

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

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

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

COVID-19

The main priority throughout the Covid-19 pandemic, and going forward, has been the safety and well-being of Statkraft's employees and contractors and the Group has taken actions to reduce the spread of the virus in line with advice from national health authorities. Delivering reliable supply of power and heat to society has been the other main priority. All Statkraft's facilities have been operating satisfactory, but as a result of the pandemic and government decisions on lockdown and restrictions, three construction projects temporarily ceased during 2020. These were gradually restarted in accordance with national guidelines in the respective countries. Two of the projects will have delays and cost overruns.

The pandemic has caused a global economic decline, and this has had an impact on the power and renewables industry. The direct financial effect for Statkraft has so far been limited, but the market risk has increased due to the economic downturn and increased uncertainty related to future power prices. The credit risk towards customers has also increased as the pandemic entail increased risk for breach and cancellation of contracts.

The magnitude of the effects on Statkraft's financial statements going forward will depend largely on the economic downturn in relevant regions, and Statkraft is closely monitoring the development of the pandemic and is evaluating the longer-term consequences for the Group.

On the non-financial side, the main effect for Statkraft has been extensive use of remote working arrangements and taking measures to ensure the health and safety of those that need to be on-site or at offices around the world.

Additional information about the non-financial implications of the pandemic is presented in the sustainability chapter later in the report, while information about the market and credit risk is presented in note 2 and 7 to the consolidated financial statement.

SUSTAINABILITY

Statkraft aims to be one of the world's leading renewables companies by 2025. To achieve this, a clear business strategy has been developed. One of the enablers of the strategy is the way in which Statkraft operates as a company. This is reflected in the company's commitment to sustainability and responsible business practices. Through its activities, Statkraft aims to create shared value for society, the environment and the company.

In 2020, Statkraft has further developed its sustainability strategy, including an updated approach to the United Nations (UN) Sustainable Development Goals (SDGs). The company's overarching ambition is to contribute to combat climate change (SDG 13). This is done by increasing access to renewable energy (SDG 7) and by supporting the development of sustainable communities (SDG 11). Responsible operations are also important, which address topics such as equality, health and safety, biodiversity and human rights (SDGs 5, 8, 15 and 16).

In 2020, Statkraft has redefined its ambition related to climate change. The company commits to a power sector pathway compatible with a 1.5 °C global warming target in line with the Paris Agreement. Statkraft has decided upon the following top-level targets:

- Statkraft shall remain Europe's largest renewable power generator going forward to 2025, and at the same time be among the top three most climate-friendly large European-based power generators.
- The company aims for carbon neutrality by 2040 for direct greenhouse gas (GHG) emissions (scope 1).

Statkraft is also closely following the development of market requirements and expectations, for example the European Union (EU) Taxonomy on Sustainable Finance.

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

In its work on sustainability, Statkraft complies with national requirements and takes guidance from international frameworks addressing anti-corruption, environment, human and labour rights. The company is a member of the UN Global Compact.

Statkraft recognises that there are dilemmas related to sustainability. The company seeks to understand and manage such dilemmas through a risk-based approach, operating in a way that carefully balances various societal needs and integrating such considerations into its business processes.

Other key activities and achievements in 2020 within the sustainability area include:

- Installed renewables capacity increased by 433 MW to 16 488 MW.
- The Group's carbon intensity is among the lowest in the global energy sector. In 2020, it was 28 kg/MWh, which is about 12 per cent of the EU power generation carbon intensity. In 2020, 92 per cent of Statkraft's power generation was based on renewable energy sources.
- Within health, safety, security and environment (HSSE) there was continued focus on key initiatives through the 'Powered by care' programme and the framework for managing HSSE. Sadly, there were three fatal accidents in Statkraft in 2020. The company's clear goal is no serious injuries. Therefore, all serious incidents are being carefully reviewed in order to identify and implement relevant improvement measures.
- Management of hydropower plants in the Nordics has been challenging in 2020 due to more extreme weather conditions. We have had high focus on mitigating floods with significant consequences for local communities and the environment.
- In Norway, Statkraft has actively contributed by providing relevant facts and studies in the ongoing Revision of Concession Terms processes for its existing hydropower assets. This includes potential environmental improvements and their consequences for society (e.g. loss of flexible, renewable power production; and reduced flood mitigating capabilities). In Sweden, Statkraft is preparing for the upcoming revision process of environmental terms for Swedish concessions in accordance with the National Plan.
- In the area of business ethics, work continues to ensure awareness and preparedness in order to manage risks in new growth initiatives, as well as increased fraud risks in the Covid-19 context. Tailored training on business ethics has been provided to all employees throughout 2020.
- In 2020, Statkraft completed a human rights due diligence of its activities, in which it assessed potential risks and impacts. Based on this, Statkraft has identified its salient human rights issues as related to community relations, health and safety, labour conditions in the workplace and labour rights in the supply chain. Work is ongoing to follow these up, especially in large-scale development projects and large or complex merger and acquisition (M&A) processes.
- Statkraft has developed its approach to responsible supply chain management. Several topics are being addressed in an ongoing improvement project, including e.g. a process review and an update of its risk-management approach.
- Within climate change, Statkraft has identified several measures to reduce its GHG emissions, e.g. electrification of its vehicle fleet and an increased renewable share of district heating production. Statkraft has also initiated a project aiming to reduce CO_2 emissions in the supply chain (indirect emissions, scope 3).
- During the Covid-19 pandemic Statkraft has closely monitored how the situation may be affecting the sustainability area, with particular focus on supply chain issues, safety and well-being of employees and contractors, and local community efforts.

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

STRATEGY

Market development

2020 has been an atypical year, with Covid-19 causing a global economic decline. The Nordic power prices dropped significantly, by a mild and unusually wet winter in the Nordics. Nevertheless, 2020 has not dampened the rapid deployment of renewables. Renewable energy was the only energy source that experienced growth in production throughout 2020, and the utility sector has been one of the most resilient sectors so far.

Even though the pandemic has caused disruption in the short term, the long-term macro trends are still valid. Large volumes of renewable energy are being developed, which increases the need for flexible generation. Customers are taking a stronger interest in renewable energy and the access to cheap and clean energy makes electrification the most effective solution to the climate challenge.

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

Statkraft's competitive position

Statkraft has a solid foundation for further growth. From being a supplier of hydropower to Norwegian industry and general consumption, Statkraft has become Europe's largest producer of renewable energy and has a growing presence in other international markets. Statkraft's key competitive advantages emerge from the company's understanding of the market, its industrial competence in development and ownership of power generating assets and the ability to use these strengths across the value chain.

Responsible and long-term asset owner

Statkraft's hydropower portfolio in the Nordics constitutes Europe's largest reservoir capacity. The fleet has long life expectancy, very low CO_2 emissions and high degree of flexibility, which enables optimisation of power generation based on market needs. The strong competence in optimising profitability with an integrated energy management, as well as operation and maintenance processes, makes Statkraft an excellent owner of flexible hydropower.

Operation and Maintenance (O&M)

The long-term ownership has resulted in strong technical competence in operation and maintenance of hydropower assets across several regions. This competence is also applicable for wind power. Statkraft leverages its strengths within asset management and continuous improvement to maintain and increase competitiveness in O&M for hydro, wind and solar power.

Energy management

Through the company's asset ownership, Statkraft has built a deep market understanding. This has created leading energy management capabilities with analytical expertise across markets. Statkraft is able to create value by bringing together complex systems of own and third-party renewable assets and managing the risk. Statkraft provides market access services for third parties where Statkraft manages the generation of an asset for a customer. Statkraft is the market leader for this service in Germany, Europe's largest electricity market, and is one of the largest providers in Europe with growing portfolios across several other European markets.

Development of large-scale renewable assets

Statkraft's industrial competence is built through a history of successful development of large-scale renewable assets, particularly hydropower, but also by significant growth in wind power. The key differentiating factor for Statkraft in the solar and wind space, beyond being cost competitive, is Statkraft's ability to develop projects and to secure the route to market, i.e. how the project sells the energy in the most optimal way.

Market and customer relationship

For decades, Statkraft has had a close relationship with Norwegian power intensive industries that has provided the company with competence in dealing with, particularly large, customers. This has been further developed in the origination business, in district heating and towards smaller power producers in the market access business. Statkraft has strong product and service innovation capabilities to develop new, often complex, products to meet and create customer demand.

Trading

Statkraft has used its market understanding to develop a highly competitive trading business. Trading is a competitive advantage stemming from an analytical based approach that leverages on Statkraft's internal fundamental market analysis. This is supported by an effective trading operating model and a culture balancing a systematic approach to risk management with positioning within clear mandates.

A market-centric approach

To pursue the strategy, Statkraft utilises a market centric approach. The company seeks to find the best solutions and products in each market, based on market needs and customer demands.

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

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

Strategic priorities

Optimise and expand hydropower

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

The Nordic portfolio is a unique and important source of flexible and stable power generation. Given the age of the Nordic hydropower fleet, Statkraft will continue with reinvestments to retain its competitiveness and optimise profitability. Annual reinvestments of around NOK 2 billion are expected for Norwegian and Swedish hydropower in the coming years. Statkraft will also focus on optimising, improving and protecting the value of its hydropower assets outside the Nordics. A significant share of the generation from Nordic hydropower plants is hedged with long-term power purchase agreements (PPAs) with customers. Statkraft will continue to enter into new contracts. In addition to bilateral physical contracts, Statkraft has a financial risk reduction portfolio that enters into financial contracts, normally forwards and futures, in order to hedge prices on a certain volume of future spot sales.

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

Statkraft will seek profitable growth in hydropower through acquisitions/swaps that fit well with the rest of the portfolio. The two projects Los Lagos in Chile and Tidong in India currently under construction are examples of this strategy.

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

Ramp up wind and solar development

Solar and onshore wind power have become the technologies with the lowest cost, and large growth is expected within these technologies in all countries in which Statkraft operates. Statkraft has a strong starting point with a good track record within wind development and strong competence in securing different types of revenue streams. Statkraft also has some experience within solar power, and through the acquisition of the solar developer Solarcentury, the pipeline and competence has been further strengthened. The acquisition added 6 GW of additional projects to Statkraft's development pipeline, the majority in countries where Statkraft is already present, e.g. Spain, the Netherlands, Italy and Chile.

Statkraft will ramp up as a wind and solar asset developer, targeting a developed portfolio of 6 GW of onshore wind and 2 GW of solar power by 2025. Statkraft will take on a developer role and will decide to keep or divest some assets after completion based on market conditions.

Over the last two years, Statkraft has built solid competence and a significant pipeline of greenfield wind and solar projects across its markets, both through acquisitions and organic development. Going forward the focus is on realising the pipeline. Statkraft will seek to secure revenue streams through auctions and PPAs. The recent success in the renewable auctions in Ireland and Brazil are examples of successful project development, awarding Statkraft with contracts of more than 700 MW in total. The company has also entered into agreements to divest wind projects under construction upon completion, e.g. Twentyshilling and Windy Rig, two wind projects in Scotland.

Furthermore, Statkraft has ambitions to develop battery and grid stability services as additions to wind and solar parks. The Kilathmoy hybrid-wind-and-battery (11 MW battery with 23 MW of onshore wind) in Ireland is an example of this.

In January 2021, Statkraft signed a cooperation agreement with Aker Offshore Wind and Aker Horizons to explore the opportunity for an offshore wind project at Sørlige Nordsjø II (Norwegian continental shelf). Statkraft wishes to take a role in the development of offshore wind in Norway sees this as an opportunity to use existing competence (wind development, market knowledge and O&M experience) to further expand renewable energy generation in our markets.

Grow customer business

Energy markets are becoming increasingly complex and customers are taking a stronger interest in renewable energy. Statkraft's customer business is founded on market leading energy management and hedging of revenues from its own assets. Statkraft supplies industrial and commercial consumers with power from own- and third-party assets, matching their individual needs, managing their risk profile and helping them become carbon-neutral. The company's ambition is to become a leading provider of market solutions for renewable energy.

Within market operations, Statkraft will further strengthen its industry leading role in PPAs, market access solutions and trading. The company will grow its customer business by expanding products and services and ramp up market solutions for Statkraft's assets, external power producers and its customers. In 2020, Statkraft has entered into a substantial number of power purchase agreements with several large customers, including Daimler and Bosch in Europe, as well as a range of agreements in South America.

District heating based on renewable energy can contribute to the decarbonisation of heating and cooling in Europe. Statkraft's district heating business amounts to an annual production of around 1 TWh of heating and is well-positioned with good profitability. Statkraft will continue to strengthen its core business and implement new growth initiatives, aiming to be among the top three most profitable and customer-oriented players in Norway and Sweden.

Develop new business

Norway and Europe are early movers in electrification and other ways to reduce carbon emissions outside the power sector. This gives Statkraft testing ground and learnings on new business opportunities. From these, Statkraft aims to create new profitable growth opportunities with international potential.

Currently, the main initiatives are to:

- Develop the Mer EV-charging business into a North-European market leader with attractive services for fast- and slow-charging along road, at destinations, offices, apartments and homes, and explore adjacent energy services.
- Develop attractive sites for data centres and other power-intensive industry in Norway and provide them with wider energy management services.
- Develop biodiesel production from wood residue feedstock through a joint venture with Södra. A pilot plant is currently under construction, with commissioning planned for 2021.
- Produce hydrogen from water electrolysis for use in industry and transport. Statkraft is working on several leads, among others in partnerships with Mo Industripark and Celsa.

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

Statkraft's ambition for 2025

Statkraft aspires to be one of the world's leading renewables companies in 2025, with sustainable, ethical and safe operations. The aim is to be:

- The largest hydropower company in Europe and a significant player in South America and India
- A major wind and solar developer with 8 GW developed capacity
- A leading provider of market solutions for renewable energy
- One of the top three most profitable and customer-oriented district heating players in Norway and Sweden
- A developer of 1-2 new commercial and green business areas

Investments

Statkraft has an ambitious growth strategy within renewable energy. Statkraft manages its exposure to the Nordic markets actively through several strategies. This ranges from owning multi-year storage hydropower reservoirs, actively pursuing our hedging strategy and working to improve framework conditions for hydropower producers. Nevertheless, the severe drop in power prices has impacted cash flows negatively in 2020, resulting in reduced investment capacity in the short term. The company is managing this through prioritisation of the portfolio and is planning annual investments of about NOK 10 billion in renewable energy towards 2025, while maintaining the current rating. The pace and total amount of investments in the strategic period will depend on market opportunities and market development and will be adapted to Statkraft's financial capacity and rating target.

About one third of the net investments until 2023 are planned in the Nordics, and one third is planned in the rest of Europe. Of the gross investments, the European share is even higher, as divesting developed wind and solar projects will recycle significant amounts of capital. There will also be substantial growth in other markets where Statkraft is already present, like South America and India.

The investment programme will be financed through retained earnings from existing and future operations, external financing and divestments of completed solar and wind projects to financial investors. The investment programme has a large degree of flexibility and will be adapted to the company's financial capacity, rating target and market opportunities.

STRATEGIC TARGETS

The Board of Directors has set financial and non-financial targets for the Group. The performance related to several of the targets will be assessed over a longer time horizon. The main targets and the status at the end of 2020 are listed in the table below.

AMBITION	TARGET	STATUS
HSE and sustainability		
Prevent incidents and be committed to a workplace without injury or harm	Zero serious injuries	7
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	5.7%
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	5.0%
Growth		
Grow capacity in renewable energy (hydro-, wind- and solar power)	9 GW growth by 2025	2.2 GW
Organisational enablers		
Improve diversity in background, competence and gender across the company	Long-term target of 40% women in top management positions	29%

HSSE and sustainability

There were three fatal accidents in 2020. The fatal accidents have been investigated according to Statkraft's procedures and all safety measures are followed up. There were also four other serious injuries in 2020. The target is no serious injuries, so Statkraft is not satisfied with this. Strengthening the safety culture and performance across the organisation and among contractors is top priority and has high attention throughout the organisation. See section "Health and safety" in the sustainability chapter of the report for more information.

Statkraft has zero tolerance for corruption and unethical practices in all activities, and there were zero serious compliance incidents in 2020.

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

Financial performance

Statkraft aims to deliver a solid return on capital employed. At the end of 2020, the ROACE was 5.7 per cent. This was below the target but still considered satisfactory considering the very low Nordic power prices. See section "Return on investment" for more information.

Value creation in ongoing business

With Europe's largest portfolio of flexible hydropower plants and reservoir capacity, Statkraft is well positioned to achieve a higher average price for generation from the Nordic hydropower fleet than the average Nordic spot price. In 2020, Statkraft's realised prices were 5 per cent higher than the average spot price in the Nordics.

Growth

The strategy has a growth target of 9 GW by 2025. At the end of 2020 Statkraft has taken final investment decisions for 2.2 GW, up from 1.4 GW at the end of 2019. The increase relates primarily to onshore wind projects, with the 0.5 GW Ventos de Santa Eugenia wind farm in Brazil representing the largest share of the increase.

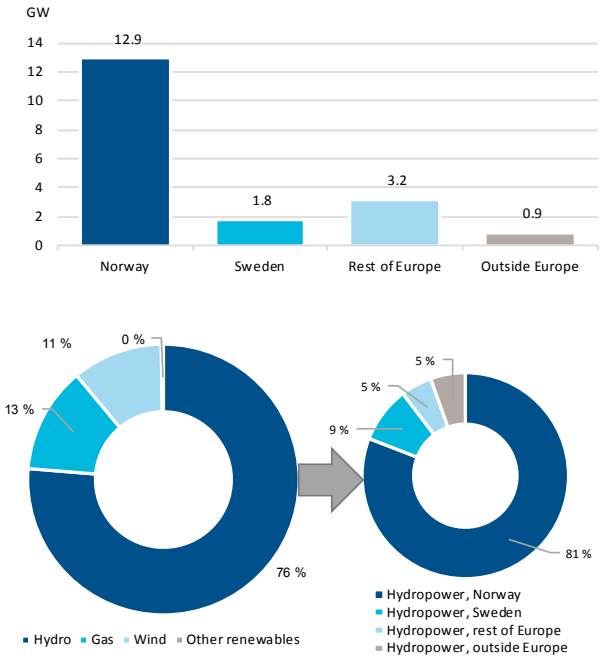
Organisational enablers

Statkraft aims for a diverse workforce and has a long-term ambition of having at least 40 per cent women in top management positions. At the end of 2020 the share was 29 per cent, up from 28 per cent at the end of 2019. The 40 per cent target was reached for the corporate management in 2020. See subsection "Labour practices" in the sustainability chapter of the report for more information.

GENERATION AND POWER PRICES

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.

Generation capacity



Statkraft has a consolidated installed power generation capacity of close to 19 GW. The largest portfolio is hydropower in Norway with a total installed capacity of 11.6 GW. The Norwegian hydropower assets are backed by approximately a quarter of Europe's total reservoir capacity. This makes them very flexible and well suited for a power system with a large share of intermittent power generation from wind and solar.

In addition, Statkraft has ownership in power generation capacity in partly owned companies. Statkraft also has a consolidated installed district heating capacity of close to 0.9 GW.

Power generation

Total power generation was 65.4 TWh, an increase of 7 per cent. The increase was primarily related to hydropower and wind power generation in the Nordic region as well as gas-fired generation in Germany.

In addition, Statkraft delivered 1.0 TWh district heating.

Generation by technology

TWh	2020	2019
Hydropower	55.7	53.4
Wind power	4.3	3.0
Gas power	5.1	4.5
Other (biomass and solar power)	0.3	0.3
Total generation	65.4	61.1

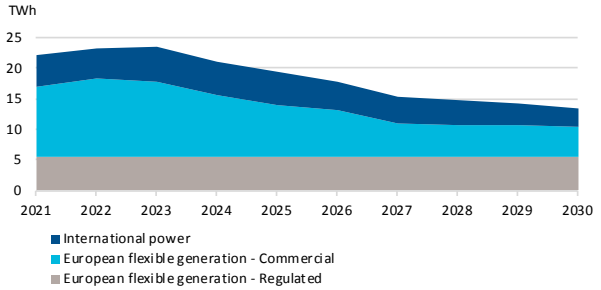
Generation by geography

TWh	2020	2019
Norway	47.5	44.9
Sweden	7.4	6.2
Rest of Europe	6.4	5.6
Rest of the world	4.1	4.4
Total generation	65.4	61.1

Spot and hedged volume

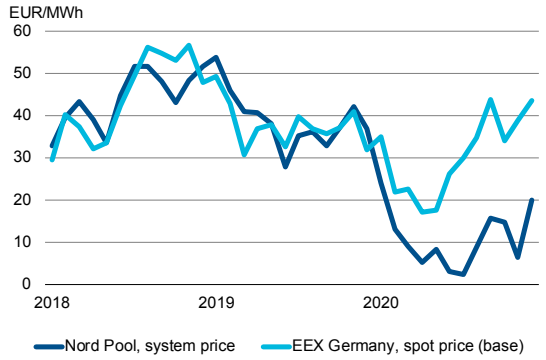
TWh	2020	2019
Net physical spot sales	42.0	36.6
Concessionary sales at statutory prices	3.5	3.3
Long-term commercial contracts	19.9	21.1
Total generation	65.4	61.1

Statkraft continues to work on new contracts to keep the position as a large supplier to the industry in Norway and evaluates additional hedging opportunities. In 2020, Statkraft entered into several new power sales agreements in Norway. The agreements are further described under subsection "Important events in 2020" under segment European flexible generation later in this chapter. There are power sales agreements for a significant part of the generation from the assets in South Europe and on continents outside of Europe. The hedging activities are supplemented with financial power contracts and other risk mitigating activities that reduces the price risk for a significant part of our generation. In sum, the bilateral contracts and other hedging activities have a stabilising effect on the revenues.



Power prices

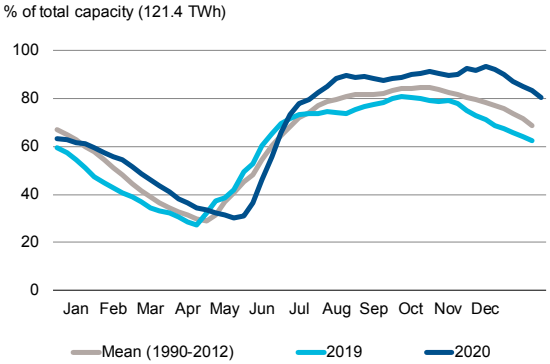
Market prices for power, monthly averages



The average system price in the Nordic region was 10.9 EUR/MWh in 2020, down 72 per cent year-on-year. The average German spot price (base) was 30.4 EUR/MWh, down 19 per cent.

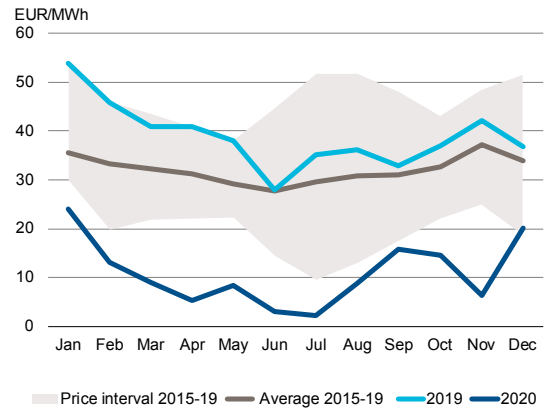
The Nordic market

Reservoir level



As the Nordic generation capacity is mainly hydropower, hydrology and reservoir levels are important price drivers. The reservoir level was significantly above normal level in the second half of 2020, mainly as a result of extraordinary mild and wet weather.

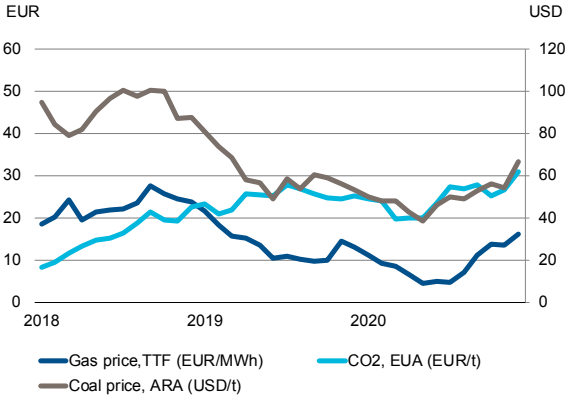
Nordic system price



The Nordic power prices were below the German prices throughout the year. The price level was also at a very low level from a historic perspective.

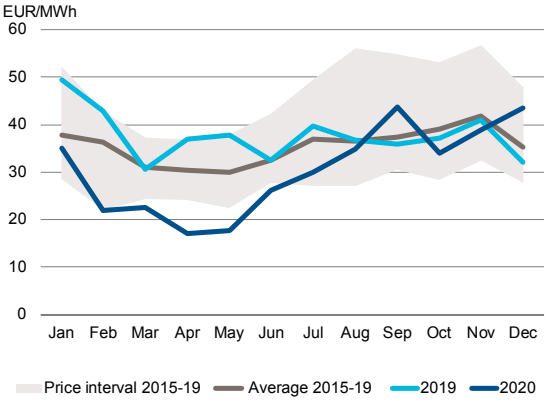
The German market

Price drivers



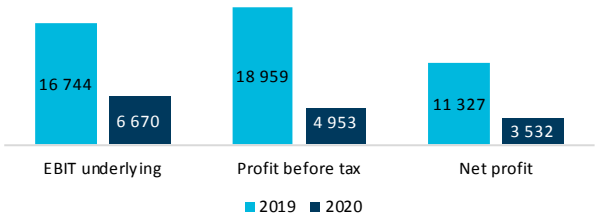
Coal, gas and CO_2 are important price drivers for the German market. The average prices for both coal and gas were lower than in 2019, while the CO_2-prices were on the same level.

German spot price (base)



The German prices were lower than in 2019 for most of the year. The prices were also relatively low in a historic perspective for large parts of the year.

FINANCIAL PERFORMANCE[1]



The Group's underlying operating profit (EBIT) decreased by 60 per cent, mainly due to very low Nordic power prices.

Profit before tax was NOK 4953 million and net profit ended at NOK 3532 million. At the end of 2020, the Group's equity was NOK 98 028 million, corresponding to 54 per cent of total assets. Cash flow from operating activities was at a solid NOK 12 045 million.

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

Net operating revenues and other income underlying

NOK mill.	2020	2019
European flexible generation	11 401	17 184
Market operations	4 304	4 556
International power	2 314	2 702
European wind and solar	659	1330
District heating	488	653
Industrial ownership	1 975	3 159
Other activities	1 574	1252
Group items	-1 754	-1519
Net operating revenues and other income underlying	20 960	29 318

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

Underlying net operating revenues and other income was 29 per cent lower than in 2019.

The Group's largest segment, European flexible generation, was the main contributor to the decrease. This was due to the significantly lower Nordic power prices. The lower Nordic power prices also had a significant effect on the revenues from the segments European wind and solar and Industrial ownership.

For all three segments, the effect of the lower power prices was somewhat offset by higher generation.

The Market operations segment, which had exceptionally good results in 2019, had a slight decrease in net operating revenues and other income year-on-year. Also in 2020 in particular trading, dynamic asset management and origination achieved good results.

The International power segment had a decrease in net operating revenues and other income, primarily due to the deconsolidation of the Khimti hydropower plant in Nepal[2] and lower generation in Peru due to dry hydrology. In addition, 2019 included an insurance settlement for the tunnel collapse at the Kargi hydropower plant in Turkey.

The District heating segment was also impacted by the low Nordic power prices. Additionally, the segment was negatively affected by lower delivered heating volume due to relatively mild winter months.

Operating expenses underlying

NOK mill.	2020	2019
European flexible generation	-6 407	-5 780
Market operations	-1 777	-1428
International power	-1 909	-1946
European wind and solar	-1 452	-1103
District heating	-471	-437
Industrial ownership	-1 592	-1506
Other activities	-2 258	-1778
Group items	1 577	1405
Operating expenses underlying	-14 289	-12 573

In total, the Group's underlying operating expenses increased by 14 per cent year-on-year. The increase was primarily related to a higher number of full-time equivalents, new wind farms coming on stream, acquisition of new businesses and increased business development costs. In addition, Norwegian property tax increased due to a higher tax base, while depreciations increased due to reversal of impairments and new assets.

Items excluded from the underlying operating profit

NOK mill.	2020	2019
Unrealised value changes from embedded EUR derivatives	339	42
Gains/losses from divestments of business activities	119	56
Impairments/reversal of impairments	-1 379	136
Total adjustments	-921	233

The positive unrealised effect from derivatives excluded from the underlying operating profit was primarily driven by a weakening of NOK vs. EUR.

[1] Figures in parentheses show comparable figures for 2019.

[2] See note 5 to the consolidated financial statement for further information.

The gains from divestments of business activities excluded from the underlying operating profit was related to the deconsolidation of the Khimti hydropower plant in Nepal. The gain was mainly related to recycling of accumulated currency translation effects.

Impairments and reversal of previous years' impairments excluded from the underlying operating profit had a net negative effect of NOK 1379 million. This was primarily related to impairments for wind power assets in Norway and Sweden and partly offset by reversal of impairments for gas-fired power assets in Germany.

Financial items

NOK mill.	2020	2019
Interest income	197	440
Interests expenses	-465	-669
Net currency effects	-1 520	132
Other financial items	157	829
Net financial items	-1 631	733

Interest income was lower, due to both lower liquidity and interest rates. Interest expenses were also lower, mainly due to lower interest rates.

Other financial items were reduced, primarily due to positive one-off effects in 2019 related to gain from the sale of shares in BKK and change in the fair value of the shareholding in Fjordkraft.

Net currency effects

NOK mill.	2020	2019
Currency hedging contracts and short term currency positions	20	-16
Debt in foreign currency	-1 186	191
Internal loans, joint ventures and associates	-354	-42
Net currency effects	-1 520	132

The net currency effects in 2020 were predominantly related to debt in foreign currency and was a result of a weakening of NOK against EUR.

Tax expense

NOK mill.	2020	2019
Profit before tax	4 953	18 959
Nominal tax rate in Norway	22 %	22 %
Tax calculated at nominal Norwegian tax rate	1 090	4 171
Tax on share of profit/loss in equity accounted investments	-184	-275
Resource rent tax payable	1 282	3 407
Resource rent tax deferred	-58	262
Other differences from the nominal Norwegian tax rate	-709	67
Tax expense	1 421	7 632
Effective tax rate	29 %	40 %

The recorded tax expense decreased year-on-year. The decrease was mainly due to lower profit before tax subject to income tax. The majority of Statkraft's tax expense was related to Norway.

Resource rent tax payable decreased, mainly due to significantly lower power prices.

Furthermore, changes in unrecognised deferred tax assets in Germany reduced the tax expense in 2020.

Cash flow

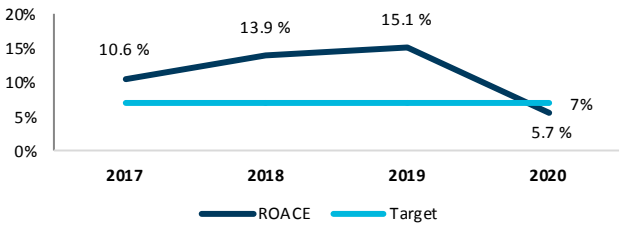
NOK mill.	2020	2019
Operating activities	12 045	11860
Investing activities	-7 639	-4 821
Financing activities	-8 280	-14 938
Net change in cash and cash equivalents	-3 874	-7 901
Currency exchange rate effects	-174	-71
Cash and cash equivalents (incl. restricted cash) at year-end	11 155	15 203

Cash flow from operating activities increased, primarily due to prepayments received from customers related to power sales agreements, cash inflow from cash collaterals and margin calls as well as positive changes in the working capital. The difference between underlying EBIT and cash flow from operating activities was mainly due to the above-mentioned items as well as unrealised effects included in operating profit (EBIT) and depreciations and amortisations.

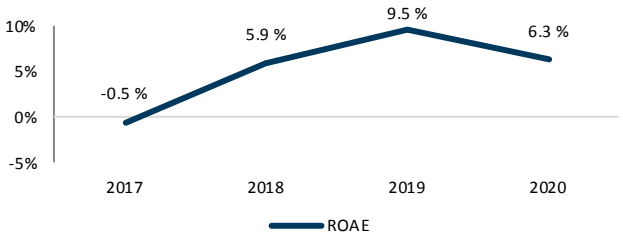
Cash flow from investing activities was mainly related to investments in property, plant and equipment and acquisitions of shares.

Cash flow from financing activities was primarily related to dividend paid and repayment of interest-bearing debt.

Return on investments



The decrease in underlying EBIT following the significant drop in power prices impacted the return on average capital employed (ROACE), which reduced significantly year-on-year and ended below Statkraft's target of minimum 7 per cent. The average capital employed was 6 per cent higher than for 2019.

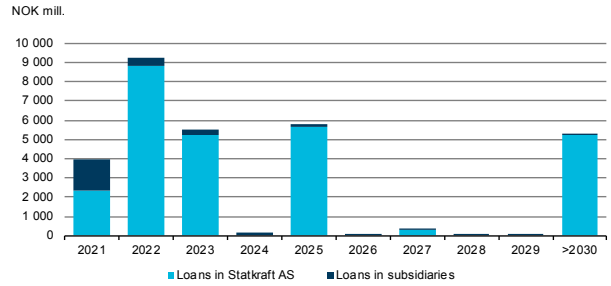


The return on average equity accounted investments (ROAE) also decreased year-on-year. This was primarily due to a lower share of profit/loss in equity accounted investments, which decreased 33

per cent year-on-year to NOK 835 million. The decrease in share of profit/loss in equity accounted investments was mainly due to impairments of NOK 627 million for hydropower assets in Chile and lower contribution from regional Norwegian companies due to significantly lower power prices. This was partly offset by gains from divestments.

Net interest-bearing debt repayment plan

Long-term liabilities, debt redemption profile



The main objectives of the Group's capital structure management are to maintain a reasonable balance between solidity, the ability to invest and to maintain a strong credit rating. When new external financing is considered, Statkraft seeks to ensure an evenly distributed repayment profile.

The most important target for the Group's management of capital structure is the long-term credit rating.

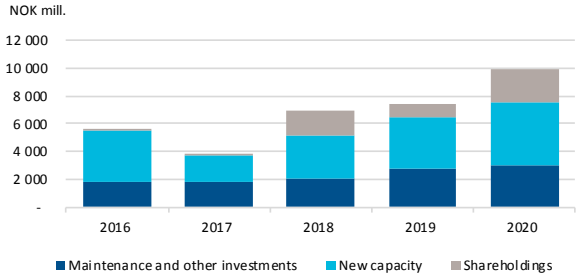
At the end of 2020, net interest-bearing liabilities amounted to NOK 27 393 million (NOK 16 268 million), resulting in a net interest-bearing debt-equity ratio of 21.8 per cent.

At the end of the year, Statkraft's equity totalled NOK 98 028 million, compared with NOK 100 764 million at the start of the year. This corresponds to 54 per cent of total assets (57 per cent).

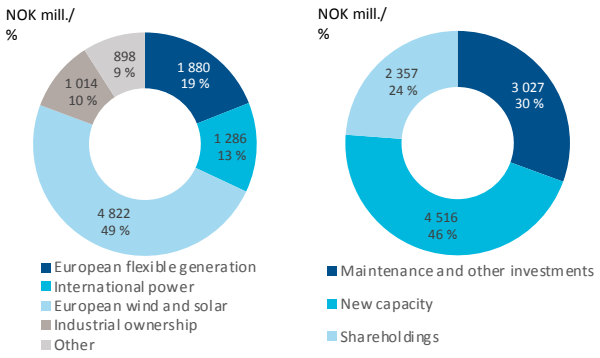
Financial strength and rating

It is important for Statkraft to maintain its credit rating with the two rating agencies Standard & Poor's and Fitch Ratings. Statkraft AS has a current credit rating of A- (stable outlook) from Standard & Poor's and BBB+ (stable outlook) from Fitch Ratings. See note 6 to the consolidated financial statements for further information.

Investments



2020 investments



Statkraft invested NOK 9901 million in 2020 (NOK 7421 million), of which 46 per cent were in new capacity. The largest investments in new capacity were related to the Fosen wind portfolio in Norway, the Moglicë hydropower project in Albania and the Tidong hydropower project in India. Investments in shareholdings were mainly related to the acquisition of Solarcentury and the acquisition of several onshore wind projects in Europe. Maintenance investments and other investments were primarily in hydropower in the Nordic region.

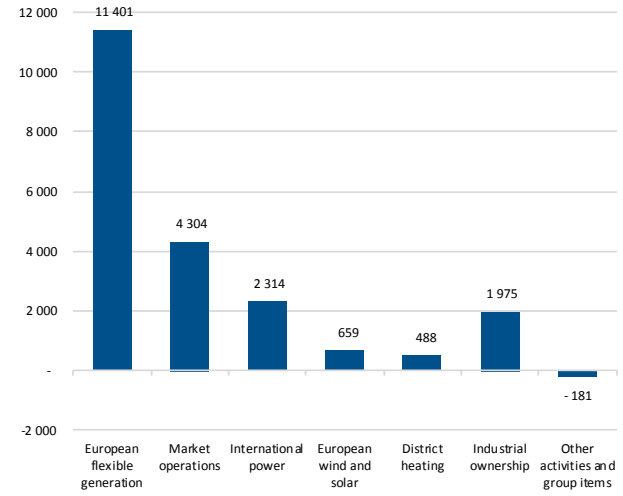
SEGMENTS

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

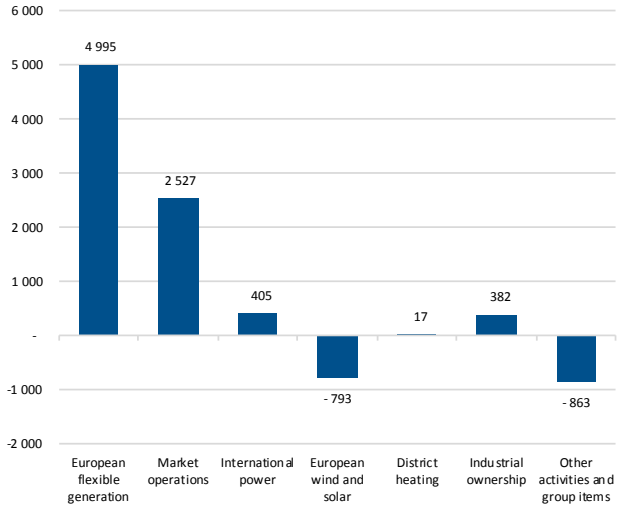
The Group's reportable segments are in accordance with how the Chief Executive Officer makes, follows up and evaluates his decisions. The operating segments have been identified on the basis of internal management information that is periodically reviewed by the Corporate Management and used as a basis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

The reportable segments are defined as European flexible generation, Market operations, International power, European wind and solar, District heating and Industrial ownership. In addition, the group reports Other activities and Group items. Other activities include cost related to governance of the Group, new business within biomass and electric vehicle charging as well as venture capital investments. Unallocated assets are also reported as Other activities. Group items include eliminations.

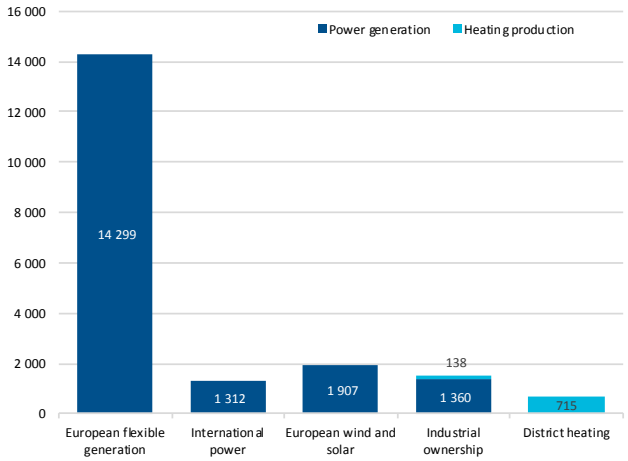
Net operating revenues and other income
(NOK mill.)



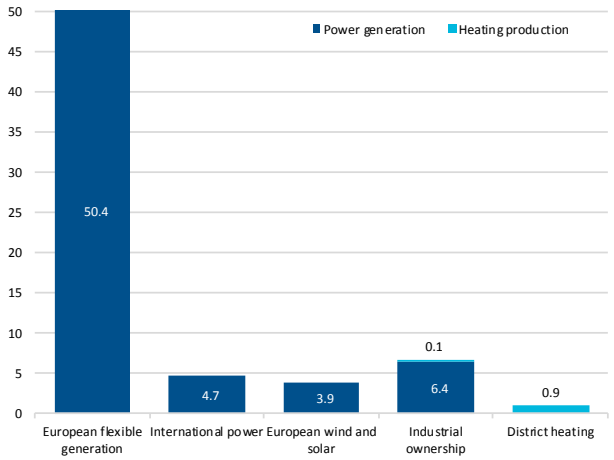
EBIT
(NOK mill.)



Installed capacity
(MW)



Power generation/heating production
(TWh)



European flexible generation

European flexible generation includes most of the Group's hydropower business in Norway, Sweden, Germany and the United Kingdom, as well as gas-fired power plants in Germany, the subsea cable Baltic Cable and the biomass power plants in Germany.

European flexible generation is the largest segment in the Statkraft Group, measured in terms of installed capacity, assets, net operating revenues and results. The assets are mainly flexible with most of the capacity related to hydropower in Norway and Sweden.

Most of the segment's revenues stem from sales in the spot market and from long-term contracts. The segment also delivers concessionary power. The long-term contracts have a stabilising effect on the revenues and profit.

Business model

European flexible generation owns and operates the portfolio of flexible assets in Europe. Multi-year reservoirs in Norway and the flexibility of the power plants enable optimisation of the power generation based on the hydrological situation and the power prices. In addition, the optimisation balances availability, reinvestments and maintenance costs for the assets.

Key risks

Key risks for the segment are risks related to market, HSSE, economic, political and regulatory aspects and compliance.

Inflow and market prices are important external factors affecting the results. Statkraft hedges generation revenues through physical bilateral contracts and financial power trading. The hedged percentage of generation varies with market development expectations and generation volumes.

Regulatory framework on concessions, grid tariffs, and energy related taxes are the main additional financial risks for the segment.

Important events in 2020

- Statkraft entered into two 15-year prepaid power sales agreement for the period 2020-2035. The agreement entails that Statkraft received NOK 4.7 billion in prepayments.
- Statkraft entered into a new long-term power contract with Glencore Nikkelverk for the period 2021-2029 with a total volume of 0.8 TWh.
- Changes in the market outlook led to reversals of previous year's impairments of NOK 1.7 billion, mainly related to German gas-fired power plants.

Financial performance

Key figures

NOK mill.	2020	2019
Gross operating revenues and other income	14 342	20 525
Net operating revenues and other income	11 401	17 184
Operating expenses	-6 407	-5 780
Operating profit (EBIT) underlying	4 995	11 404
Unrealised value changes from embedded EUR derivatives	339	42
Gains/losses from divestments of business activities	-	-
Impairments/reversal of impairments	1 708	1 035
Operating profit (EBIT) IFRS	7 041	12 482
Share of profit/loss in equity accounted investments	16	-
ROACE (%)	8.3	20.0
ROAE (%)	n/a	n/a
Maintenance investments and other investments	1 695	1 532
Investments in new capacity	185	194
Investments in shareholdings	-	-
Generation (TWh)	50.4	48.7

The decrease in net operating revenues and other income was mainly due to significantly lower Nordic power prices, partly offset by improved contribution from risk reducing portfolios and higher generation.

Operating expenses increased primarily due to higher depreciations driven by reversal of impairments in previous periods, higher property tax in Norway due to a higher tax base and currency effects due to a weaker NOK. In addition, there was a positive effect from pension scheme changes in Norway in 2019.

The lower underlying EBIT was reflected in the return on average capital employed (ROACE). The average capital employed increased 6 per cent year-on-year.

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

Market operations

Market operations includes trading, origination, market access for smaller producers of renewable energy, as well as revenue optimisation and risk mitigation activities related to Continental and Nordic power generation.

Business model

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

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

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

Key risks

Key risks for the segment are risks related to market, HSSE, economic, political and regulatory aspects and compliance.

The main focus is the management of market, credit and liquidity risks. These risks are managed through a mandate framework and daily risk reporting by the risk department, which has strict segregation of duties with the Front Office.

Important events in 2020

- Several Power Purchase and Power Sales agreements have been signed in Europe and South America in line with Market Operation's growth ambition.

Financial performance

Key figures

NOK mill.	2020	2019
Gross operating revenues and other income	17 980	19 813
Net operating revenues and other income	4 304	4 556
Operating expenses	-1 777	-1 428
Operating profit (EBIT) underlying	2 527	3 127
Unrealised value changes from embedded EUR derivatives	-	-
Gains/losses from divestments of business activities	-	-
Impairments/reversal of impairments	-	-
Operating profit (EBIT) IFRS	2 527	3 128
Share of profit/loss in equity accounted investments	1	3
ROACE (%)	n/a	n/a
ROAE (%)	n/a	n/a
Maintenance investments and other investments	13	73
Investments in new capacity	-	2
Investments in shareholdings	-	-
Generation (TWh)	n/a	n/a

The underlying EBIT decreased compared with the very high level in 2019, but was still on a very satisfactory level. The main contributors to the decrease were market access activities and long-term contracts. The major contributors to the underlying EBIT were trading, dynamic asset management and origination. Trading and dynamic asset management were both stable compared with 2019, while the contribution from origination improved significantly.

The operating expenses increased, primarily due to new employees and higher performance-related bonus cost due to the good results.

International power

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

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

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

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

Business model

The primary strategy for International power is to develop new generation capacity and integrate it into the existing operational portfolio to achieve efficient management, operations and route to market. International power has a pipeline of attractive investment opportunities beyond Statkraft's investment capacity and it will therefore also be considered to sell entire projects or portfolios before or after construction. Near term priority is to develop and test models for partnerships with customers and financial investors in Chile, India and Brazil.

Key risks

Key risks for the segment are risks related to market, HSSE, economic, political and regulatory aspects and compliance.

HSSE risk mitigation has top priority. All relevant risks are reflected in the valuation of investments and assets on a continuous basis. Market risk is reduced through hedging which for 2020 was above 70 per cent of the produced volume. For all risk areas proactive and appropriate mitigation and handling of risk is covered in the risk and performance management process.

Important events in 2020

- Full 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. Statkraft has signed a three-year power sales agreement for a significant share of the generation.
- Investment decision was made for the Ventos de Santa Eugenia wind power project in Brazil. Estimated project cost is NOK 4.2 billion.
- Following the expiry of the Power Purchase Agreement with Nepal Electricity Authority (NEA), Himal Power Limited (HPL) has transferred equal ownership rights in the Khimti hydropower plant in Nepal via a contractual arrangement jointly controlled by HPL and NEA.
- An expected reduction in future generation for two hydropower plants in Chile led to an impairment of NOK 627 million presented as share of profit/loss in equity accounted investments.

Financial performance

Key figures

NOK mill.	2020	2019
Gross operating revenues and other income	2 902	3 215
Net operating revenues and other income	2 314	2 702
Operating expenses	-1 909	-1 946
Operating profit (EBIT) underlying	405	756
Unrealised value changes from embedded EUR derivatives	-	-
Gains/losses from divestments of business activities	119	-
Impairments/reversal of impairments	45	-564
Operating profit (EBIT) IFRS	569	192
Share of profit/loss in equity accounted investments	-539	-86
ROACE (%)	1.6	3.0
ROAE (%)	-19.8	-3.2
Maintenance investments and other investments	179	214
Investments in new capacity	1 064	808
Investments in shareholdings	43	349
Generation (TWh)	4.7	4.9

The net operating revenues and other income decreased, primarily due to the deconsolidation of the Khimti hydropower plant and lower generation in Peru due to dry hydrology. In addition, 2019 included an insurance settlement for the tunnel collapse at the Kargi hydropower plant in Turkey.

Operating expenses decreased 2 per cent, primarily due to the deconsolidation in Nepal.

The decrease in share of profit/loss in equity accounted investments was mainly due to impairments in Chile.

The decrease in the return on average capital employed (ROACE) was primarily due to a lower underlying EBIT. The capital employed, which increased 3 per cent year-on-year, is relatively high mainly due to newly built and acquired assets leading to high carrying values.

The return on average equity accounted investments (ROAE) was negative in 2020 as a result of the negative share of profit following the impairments.

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

European wind and solar

European wind and solar includes development and construction of onshore wind and solar power plants with the purpose to sell at completion date and/or own and operate itself, as well as potential offshore projects. The segment has operating assets in Norway, Sweden, Ireland and the United Kingdom. In addition, the segment has development activities in several countries in Europe.

The revenues come from power sales and support schemes.

Business model

European wind and solar is the asset owner of several wind farms in operations in Norway, Sweden, Ireland and the UK. In addition, the segment has a large pipeline of development projects that have not yet reached the construction phase as well as projects under construction (work in progress). Statkraft will often seek to divest these projects, either before or at the time of completion. European wind and solar will apply different business models to maximise value creation within the capital available.

Key risks

Key risks for the segment are risks related to market, HSSE, economic, political and regulatory aspects and compliance.

In addition, the fluctuation of power prices leads to significant market risk with financial impact for the wind power generating assets.

Important events in 2020

- The Fosen wind projects were finalised. The six wind farms have an installed capacity of more than 1000 MW and will generate 3.6 GWh renewable energy annually.
- Statkraft acquired Solarcentury, a global solar developer headquartered in London. Solarcentury's 6 GW pipeline (gross) in Europe and South America positions Statkraft as a leading developer in the European solar market.
- The Kilathmoy wind farm (23 MW) entered into operation. This was Statkraft's first asset in operation in Ireland.
- Statkraft acquired several onshore wind projects in Europe.
- Statkraft secured 15-year contracts for two wind and two solar farms in Ireland's first auction for renewable energy. The contracts have a combined capacity of 333 MW. Investment decision was made for the two wind farms - Cloghan (37.8 MW) and Taghart (25.2 MW). In addition, it was agreed to sell the wind farms while retaining responsibility for the construction and the long-term operation and management.
- In January 2021, Statkraft signed a cooperation agreement with Aker Offshore Wind and Aker Horizons to explore the opportunity for an offshore wind project at Sørlige Nordsjø II (Norwegian continental shelf).
- 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 3126 million were recognised in the statement of profit and loss.

Financial performance

Key figures

NOK mill.	2020	2019
Gross operating revenues and other income	767	1 388
Net operating revenues and other income	659	1 330
Operating expenses	-1 452	-1 103
Operating profit (EBIT) underlying	-793	227
Unrealised value changes from embedded EUR derivatives	-	-
Gains/losses from divestments of business activities	-	55
Impairments/reversal of impairments	-3 126	-333
Operating profit (EBIT) IFRS	-3 919	-50
Share of profit/loss in equity accounted investments	8	12
ROACE (%)	-8.3	2.6
ROAE (%)	0.9	1.4
Maintenance investments and other investments	297	231
Investments in new capacity	2 676	2 215
Investments in shareholdings	1 850	188
Generation (TWh)	3.9	2.6

Net operating revenues and other income dropped 50 per cent compared with 2019 due to significantly lower Nordic power prices. This was partly offset by higher generation from existing wind farms and generation from new wind farms in operation.

Operating expenses increased due to new employees, higher business development costs in line with the growth strategy, costs from new wind farms in operations and costs related to inverter faults in Sweden.

The negative return on average capital employed (ROACE) was due to a negative underlying EBIT. Average capital employed increased by 11 per cent. The capital employed is relatively high mainly due to newly built and acquired assets leading to high carrying values.

The return on average equity accounted investments (ROAE) decreased as a result of the lower share of profit.

The investments in new capacity were mainly related to the Fosen project in Norway and wind power projects in the UK.

The investments in shareholdings were related to the Solarcentury acquisition and the acquisition of onshore wind projects in Europe.

District heating

Statkraft owns and operate 13 facilities and concessions divided in sub-areas Trondheim and Bio Norden.

Trondheim is based on a waste-to-energy plant at Heimdal in Trondheim with mainly electricity and gas to cover peak load. Bio Norden consists of twelve plants in different locations in Norway and Sweden, all based on biomass with some bio-oil and electricity for peak load.

District heating has a distribution grid of approximately 500 km, 40 000 end-users and the segment delivers 0.9 TWh of heating and cooling based on waste incineration and biofuels.

Business model

Statkraft's district heating activities include the full value chain, from sourcing and production to end-user sales of heating and cooling.

Key risks

Key risks for the segment are risks related to market, HSSE, economic, political and regulatory aspects and compliance.

The segment is exposed to financial risk through Norwegian power prices and grid tariffs, price on waste handling and other energy sources. Production volume is affected by temperatures during the heating season.

Important events in 2020

- New electric boilers were installed in Trondheim/Dragvoll (25 MW) and Namsos (2 MW). The boilers will contribute to increase the renewable share and optimise the fuel mix.

Financial performance

Key figures

NOK mill.	2020	2019
Gross operating revenues and other income	686	919
Net operating revenues and other income	488	653
Operating expenses	-471	-437
Operating profit (EBIT) underlying	17	216
Unrealised value changes from embedded EUR derivatives	-	-
Gains/losses from divestments of business activities	-	-
Impairments/reversal of impairments	-6	-3
Operating profit (EBIT) IFRS	10	213
Share of profit/loss in equity accounted investments	-	-
ROACE (%)	0.5	6.2
ROAE (%)	n/a	n/a
Maintenance investments and other investments	13	6
Investments in new capacity	203	168
Investments in shareholdings	-	-
Delivered volume (TWh)	0.9	1.0

Net operating revenues and other income decreased year-on-year due to both lower heating prices and delivered volume. The decrease in achieved heating prices was primarily a result of the low power prices in Norway, while the decrease in delivered heating volume was a result of relatively mild weather during the winter months. The revenues from waste handling increased due to higher achieved prices.

Operating expenses increased 7 per cent, primarily related to an increase in the number of full-time equivalents and higher depreciations due to new pipelines and reinvestments. In addition, there was a positive effect from pension scheme changes in Norway in 2019.

The lower EBIT was reflected in the return on average capital employed (ROACE), which decreased significantly year-on-year. The ROACE was mainly driven by district heating activities in Trondheim. The average capital employed was stable compared with 2019.

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

Industrial ownership

Industrial ownership includes management and development of Norwegian shareholdings within the Group's core business and includes the shareholdings in Skagerak Energi, Agder Energi and BKK. Statkraft is the majority shareholder in Skagerak Energi, which is included in the consolidated financial statements and holds large minority shareholdings in Agder Energi and BKK which are reported as equity accounted investments.

The companies' revenues primarily come from power generation, distribution grid and district heating. In addition, Agder Energi has a significant power sales and energy service business and BKK has operations in entrepreneur and telecom. All companies are actively working on solutions to develop environmentally friendly energy and infrastructure solutions and drive the transition to more electrification of the society.

Business model

As an owner, Statkraft focuses on optimizing the industrial development of the companies to increase the shareholder value and the companies' competitive positions. The work is founded on Statkraft's ownership strategy, which has clear views on the development of each business as well as structural development of the industry. Statkraft aims at good relations with the co-shareholders and at contributing to professional board work in the companies.

Key risks

The key risks for the segment are operational risk, financial risk, market risk and regulatory risk. Statkraft works through board representation in the companies to reduce the risk to health, safety and environment. A strong financial foundation is essential, and Statkraft requires that the companies' financial solidity corresponds to investment-grade rating. The risk from the volatility of the power market is handled differently in the companies. Skagerak Energi has limited hedging of power prices, while Agder Energi and BKK have significant market operations to reduce the fluctuations in the financial results. The relevant regulatory risks are in particular income regulations for the grid business and hydropower tax rules.

Important events in 2020

- Skagerak Energi and BKK sold shares in Fjordkraft Holding ASA. In total, these transactions resulted in a recognised gain of NOK 739 million for Statkraft, of which NOK 450 million as share of profit/loss in equity accounted investments.
- Agder Energi sold its 67 per cent shareholding in the Swedish entrepreneur company Craftor, leading to a recognised gain for Statkraft of NOK 268 million as share of profit/loss in equity accounted investments.

Financial performance

Key figures

NOK mill.	2020	2019
Gross operating revenues and other income	2 120	3 408
Net operating revenues and other income	1 975	3 159
Operating expenses	-1 592	-1 506
Operating profit (EBIT) underlying	382	1 653
Unrealised value changes from embedded EUR derivatives	-	-
Gains/losses from divestments of business activities	-	-
Impairments/reversal of impairments	-	-
Operating profit (EBIT) IFRS	382	1 653
Share of profit/loss in equity accounted investments	1 472	1 396
ROACE (%)	2.3	10.4
ROAE (%)	15.4	14.7
Maintenance investments and other investments	626	603
Investments in new capacity	388	351
Investments in shareholdings	-	53
Generation (TWh)	6.4	4.9

Net operating revenues and other income decreased, primarily due to significantly lower power prices, partly offset by higher generation.

Operating expenses increased, mainly due to a positive effect from pension scheme changes in Norway in 2019.

The share of profit/loss in equity accounted investments increased, primarily due to the Agder Energi's divestments of Craftor and BKK's divestment of shares in Fjordkraft. This was partly offset by lower power prices.

The decrease in the return on average capital employed (ROACE) was due to the lower underlying EBIT. The average capital employed increased 4 per cent year-on-year.

The increase in the share of profit/loss in equity accounted investments was reflected in an increase also in return on average equity accounted investments (ROAE).

The investments were primarily related to grid activities in Skagerak Energi.

Other Activities

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

Financial performance

Key figures

NOK mill.	2020	2019
Gross operating revenues and other income	1 594	1 252
Net operating revenues and other income	1 574	1 252
Operating expenses	-2 258	-1 778
Operating profit (EBIT) underlying	-685	-526
Unrealised value changes from embedded EUR derivatives	-	-
Gains/losses from divestments of business activities	-	-
Impairments/reversal of impairments	-	-
Operating profit (EBIT) IFRS	-685	-526
Share of profit/loss in equity accounted investments	-123	-50
ROACE (%)	n/a	n/a
ROAE (%)	n/a	n/a
Maintenance investments and other investments	206	54
Investments in new capacity	-	-
Investments in shareholdings	465	381
Generation (TWh)	n/a	n/a

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

PROFIT ALLOCATION

The parent company Statkraft AS had a net loss of NOK 833 million in 2020.

Statkraft AS is fully owned by Statkraft SF. The Board of Directors of Statkraft SF proposes a dividend of NOK 3673 million to its owner. The Board of Directors of Statkraft AS proposes the following allocation of the annual profit in Statkraft AS:

Amounts in NOK mill.	
Net annual profit in Statkraft AS' company accounts	-833
Appropriation of profit for the year and equity transfers:	
Allocated dividend from Statkraft AS to Statkraft SF	3 673
Allocated to(+)/from(-) other equity	-4 506

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

GOING CONCERN

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

RESEARCH AND DEVELOPMENT (R&D)

Statkraft is a knowledge-based company that participates in research projects with the aim of securing a competitive, sustainable and knowledge-based future for the renewable sector. In 2019 the R&D strategy was revised and broadened in accordance with the direction set in Statkraft's corporate strategy. Throughout 2020, high efforts have been made to realize the R&D strategy. This has led to a shift in the R&D portfolio towards growth initiatives as well as strengthened international activity and network. Furthermore, the internal and external visibility of the R&D priorities and activities has been raised.

R&D contributes to Statkraft's growth activity

Statkraft's Corporate R&D portfolio currently consists of 68 projects within hydropower, wind power, solar energy, market operation and customer business as well as new business initiatives. As of today, the R&D projects are divided about 50/50 between growth and operations, where the share of growth projects is increasing.

Statkraft sees the value of increasing its use of pilot plants and demonstration activities as risk-reducing steps towards commercialization of new solutions. This is relevant in areas where Statkraft currently does not possess enough knowledge and experience. R&D activities are adding significant contributions in this field. This is valid for hydrogen, that is a key topic both in EU and Norway and where challenges must be solved before hydrogen can be considered as an integrated solution in an energy value chain.

A pilot project has been initiated with the intention of making Statkraft a supplier of green hydrogen to Mo Industrial park, initially for the production of reinforcing steel. Experience and knowledge will be gained through the construction of a hydrogen system and the delivery of green hydrogen to the customer. The pilot project will interact with R&D activities through all steps, amongst others with MoZEES, a centre for environment-friendly research (FME). The centre has contributed to breakthroughs in electrolysis technology that might be rapidly implemented in commercial electrolysers, improving performance and reducing cost.

Another demonstration activity is the 2 MWp floating solar plant that is now being installed at the Banja reservoir in Albania. This is a collaboration between Statkraft and Ocean Sun, a Norwegian R&D-based company, that is responsible for the design and delivery of the floating PV system. The research component lies in understanding the technical feasibility and system performance of floating solar energy as well as operational and environmental challenges. The Banja pilot will be Ocean Sun's full-scale proof of concept. With this activity, Statkraft can contribute to the market introduction of a solution that might become a cost leader in its sector.

In 2020 there has been high activity to share Statkraft's R&D activities with external media, such as regional newspapers and local broadcasting news as well as for the national broadcasting (NRK Klimaredaksjonen).

Internationalization of the R&D activity

Statkraft's R&D activities have previously been focused mainly on the Nordic countries. With reference to the Corporate strategy, the majority of Statkraft's growth towards 2025 will take place internationally. The revised R&D strategy, therefore, aims to increase the share of international R&D projects and network.

One international project in the current R&D portfolio is related to sedimentation and challenges with the loss off storage volumes and tear on equipment. In many of Statkraft's plants, cost related to sediments represents a noticeable share of the operating costs. In the R&D project, solutions have been identified that can reduce the sediment-related costs with simple measures. By implementing these, Statkraft's total R&D costs related to sediments will be repaid within a year.

Internationally, Statkraft has ambitions for strong growth in wind. The results from the R&D project "Wind Farm blockage effect" can be utilized in project development worldwide. As the wind approaches a wind farm, it tends to bend off and move around the turbines, resulting in a reduced wind speed upfront the wind farm. This blockage effect is well known, but there are currently no commercially available models for calculating it correctly. Such a model has now been developed, and the first results show that the blockage effect is significant. Further development remains before a model will be commercially available.

Statkraft sets direction for joint research

Statkraft is actively optimizing the returns from its research activities by seeking public funding, co-funding and R&D partnerships when appropriate. When applying such an approach, Statkraft gets access to a broader and higher research value. In addition, both in the Norwegian and European research arenas, it is important that Statkraft actively contributes with problem definitions, direction and content. Realizing this, Statkraft has taken on chair positions with senior personnel in several research centres' boards. This applies to HydroCen, a Norwegian research collaboration for hydropower, Bio4Fuels, focusing on converting biomass to sustainable fuels and energy as well as for NTRANS, the Centre for Energy Transition Strategies giving policy input to decision makers.

All centres have broad and heavy participation from Norwegian research partners and industry and are funded by the Norwegian Research Council's FME scheme.

In addition, Statkraft now holds the chair position in the Energy21, a strategic body appointed by the Ministry of Oil and Energy, with mandate to develop the Norwegian national strategy for research, development and commercialisation of new, climate-friendly energy technology.

Statkraft actively participates in regulatory processes and hearings through research policy developments and prioritizations. The company is represented in the Norwegian research council's shadow group for the Horizon Europe program, as well as taking part in the expert panel of the European collaborative research advisory project "Hydropower Europe". In addition, Statkraft is involved in IEA and IHA working groups.

Value creation through R&D

Through participation in R&D projects both on the Norwegian, European, and international arena, Statkraft strengthens its position as a leading player within renewable energy. This is emphasised by the close alignment between Statkraft's corporate strategy and the R&D strategy. The mode of operation is to pursue clear business cases owned by the business line, preferably through joint industry projects and in collaboration with research institutions. Statkraft encourages open discussions and cooperation and pursues competitive advantages through optimal use of knowledge.

Statkraft has historically achieved good value creation through its research efforts, both concerning incremental R&D and new growth activity. An external national study concerning effects of energy research, where many of Statkraft's R&D projects were part of the substrate, showed a documented and realized economic effect of four times the project costs. An internal evaluation of Statkraft's previous R&D portfolio indicated a potential value creation of five times the research effort, which also is a goal in the revised R&D strategy 2019-2025.

RISK MANAGEMENT

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

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

Statkraft's response to the Covid-19 pandemic focuses on protecting its employees and contractors as well as ensuring business continuity. Business continuity is handled by the line organisation to ensure sufficient operational capacity while at the same time preventing exposure to Covid-19.

Operational risk

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

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

Statkraft's first priority is to avoid injuries, act in a sustainable, ethical and socially responsible manner and to be compliant with legal requirements where the company operates. Statkraft has high attention on executing development activities and operations in a responsible manner and to prevent financial loss. A solid business culture is the foundation of continuously improving a robust system of prevention and control. Ensuring that business development activities are in accordance with international standards has high priority.

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

Large and complex construction projects in emerging markets have a higher inherent safety risk. Statkraft has experienced serious accidents in connection with execution of activities with high risk potential. Systematic work to continually improve HSSE culture, capabilities and performance based on care, clear requirements and effective systems and tools is fundamental with continuous improvement.

Statkraft's infrastructure and applications are exposed to cybercrime and other external threats and the company's procedures, competencies and systems are continuously improved to strengthen the resilience against such incidents. Several measures have been put in place in order to reduce the heightened risk following Covid-19.

All construction projects in Statkraft carry out systematic risk assessments. Larger investments have allocated a risk-based project contingency and reserve. Major attention is devoted to HSSE, ensuring compliance, avoid delays, cost overruns and undesirable incidents during project delivery. The Covid-19 pandemic has led to some reprioritisations and suspensions in the project portfolio.

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

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

Market risk

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

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

The economic outlook due to the pandemic and how this impact the power prices are assessed through development of scenarios and update of price forecasts.

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

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

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

Financial risk

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

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

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

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

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

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

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

Climate risk

Statkraft is impacted by climate change directly, as the average output of renewable power plants can change and the probability of extreme weather events that challenge the physical integrity of the plants will increase. Statkraft is also exposed to market changes that are driven by political measures to reduce emissions from the power sector and other industrial sectors. This exposure comes primarily from measures that impact the power price and thus Statkraft's income streams. Subsidies for renewable capacity may lead to overcapacity and lower prices, while increased cost of emissions will lead to higher power prices. Direct measures to phase out fossil fuels will also have a price impact, as the market balance will be changed. There is also risk associated with Statkraft's own emissions, as regulations may increase the cost of these emissions. Changed customer preferences driven by increased public awareness of the climate challenge can also impact Statkraft. See section "Climate change" in the sustainability chapter of the report for more information.

Regulatory and country risk

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

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

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

CORPORATE GOVERNANCE

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

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

OUTLOOK

The medium to long-term effects from Covid-19 on the energy markets remain uncertain. The large hydrological surplus put pressure on the Nordic power prices in 2020. The hydrological situation in the Nordics normalised early in 2021, leading to an increase in the power prices.

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

Statkraft has Europe's largest portfolio of flexible hydropower plants and reservoir capacity. The operations of the assets are continuously optimised according to the hydrological situation and expected power prices. Statkraft has a large volume 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 a significant player in South America and India by contributing 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. The strategic growth target of developing 9 GW by 2025 remains, and the acquisition of Solarcentury has provided the company with a strong platform for growth within solar energy. Statkraft has a solid financial foundation to deliver on the growth strategy.

Statkraft's commitment to sustainability and responsible business practices will continue to be a foundation for all activities. Strengthening the safety culture and performance – across the organisation and among subcontractors – is a top priority and has high attention throughout the organisation.

The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future. Statkraft contributes to fulfill the SDGs by providing renewable energy to businesses, communities and homes around the world.

Sustainability | 2020

Sustainability

SUSTAINABILITY MANAGEMENT

Our approach to sustainability

Statkraft aims to be one of the world's leading renewable energy companies by 2025. To achieve this, we have developed a clear business strategy. The way we operate as a company is one of the enablers of the strategy. This is reflected in our commitment to sustainability and responsible business practices. Through our activities we aim to create shared value for society, the environment, and the company.

Statkraft is committed to combatting climate change. We do this through our core business. Statkraft provides renewable energy, with the majority coming from hydro, and we are ramping up our activities in wind and solar. We are also exploring new energy solutions that enable cities and communities to become more sustainable and resilient. Equally important is the way Statkraft does business, understanding our impacts – positive and negative - on people, the environment and the societies where we operate. This is reflected in a strong health and safety culture, focus on gender equality, high ethical standards and zero tolerance for corruption. Statkraft also continuously works to understand and address environmental and human rights risks and impacts.

Statkraft's core business and strategy represent a significant positive contribution to climate change mitigation, and the company aims to maximise this contribution through its 2025 growth targets. Greenhouse gas emissions from Statkraft's business activities comprise both direct and indirect emissions that we aim to reduce. As an overall climate ambition, Statkraft is committed to a power sector pathway compatible with a 1.5-degree global warming target, and carbon neutrality by 2040. A set of climate targets has been established to achieve this. Among other things, Statkraft aims to electrify its vehicle fleet, increase the District Heating renewable share to at least 98% by 2030, and engage with its suppliers to reduce supply chain emissions. Statkraft also has comprehensive activities under way to understand climate change risks and how to mitigate potential impacts, e.g. through flood mitigation and prevention activities.

Statkraft has a long history of focusing on sustainability. At the same time there are legislative developments and evolving stakeholder expectations related to sustainability. Against this backdrop we have reviewed and further developed our sustainability strategy throughout 2020. A balanced approach has been applied, addressing both positive and negative impacts of the business. The review has strengthened Statkraft's approach through detailed assessments of the status of our activities as well as external trends and requirements. An update of our approach to the UN Sustainable Development Goals (SDGs) and new climate targets are results of this process. Further work is ongoing, covering emissions in the supply chain, human rights, and biodiversity.

Governance

Statkraft continuously develops its approach to sustainability, which is an integral part of its business activities and is reflected in its management system, The Statkraft Way. This system governs how Statkraft conducts its business, and provides direction for the company's work on sustainability.

Statkraft's fundamental principles for responsible behaviour are described in our Code of Conduct approved by the Board of Directors. The Code of Conduct applies to all companies in the Statkraft Group and all individuals who work for them. Our business partners are expected to adhere to standards consistent with Statkraft's Supplier Code of Conduct. These principles are further detailed in policies and governing documents covering our key activities, including acquisition and construction projects. There is also a system for registration and follow-up of non-compliance with external and internal requirements. The system facilitates handling of cases, analysis of incidents, identification of improvements, and subsequent learning across the group.

In our work, we are also guided by relevant international frameworks and guidelines, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The IFC Performance Standards on Environmental and Social Sustainability are taken into consideration for new business activities.

The company has also identified Key Performance Indicators (KPIs) that cover sustainability topics, such as health and safety, business ethics and the environment. Group KPIs are regularly reviewed by Corporate Management and the Board of Directors as part of the quarterly corporate scorecard. Sustainability topics are also included in Corporate Audit's annual plan and work.

Covid-19 and sustainability

The Covid-19 pandemic impacted all Statkraft markets and increased certain risks related to our operations. We have initiated several activities in order to understand and mitigate these risks. The primary focus has been to ensure the health and safety of our employees across our operations. Another aspect of particular importance has been the follow up of our suppliers.

There has also been a focus on understanding if and how the pandemic might affect our community engagement, such as local community programs. Actions taken include strengthening already existing partnerships, to address needs arising from the pandemic.

Sustainability reporting

Statkraft's sustainability reporting is based on the Global Reporting Initiative Standards (GRI-core option). In 2020 we finalised an update of our materiality analysis. It was facilitated by external experts and including cross-functional input, and anchored at Corporate Management level. It identifies the sustainability topics that are most material, such as:

- Occupational health and safety
- Human rights
- Water management
- Biodiversity
- Contribution to climate change mitigation
- Business ethics and compliance
- Responsible supply chain

The topic 'responsible supply chain' has taken on greater importance compared with our previous materiality analysis. It will, therefore, be covered in a dedicated section in this report.

Sustainability figures are collected from activities where Statkraft is the majority owner, and 100% of the figures are included in the Sustainability Statement. References to relevant GRI Standards are included in the GRI table at the end of this report.

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

Stakeholder dialogue

Statkraft aims to have an open dialogue on sustainability issues both with stakeholders that significantly impact Statkraft's activities, and with those that are significantly impacted by our activities. Such stakeholders include government officials, local and regional authorities, local communities, employees, customers, suppliers, research institutions, non-governmental organisations, voluntary organisations and the media.

Stakeholder dialogue forms part of daily operations, ranging from regular stakeholder interaction at our project sites, through participation in sustainability forums like the UN Global Compact local networks. Examples of stakeholder dialogue related to material issues are included in the relevant sections of this report. Due to Covid-19 the nature and frequency of some interaction has been changed, e.g. to more digital interaction.

Reported concerns

The Head of Corporate Audit is responsible for handling all reported concerns in Statkraft and a dedicated function within the unit is responsible for handling such reports on a day-to-day basis.

There are several channels where employees can report their concerns, including the whistleblower channel, the line management, email, phone etc. The whistleblower channel, which is also available to external users via Statkraft's public website, has a built-in function to safeguard anonymity for those who want to report their concerns anonymously.

All reported concerns are assessed by Corporate Audit within 72 hours after they are received. Based on the initial assessment each case is classified as a high, medium, or low risk case. Some cases are closed after the initial assessment while others are followed up by management or Corporate Audit. If an investigation is deemed necessary, Corporate Audit is responsible for its execution. Investigations shall be conducted in an objective and efficient manner, and in accordance with Statkraft's established procedures. The Head of Corporate Audit reports regularly to the Audit Committee on the processing of ongoing and closed cases.

In 2020, a total of 46 cases were reported to Corporate Audit through the dedicated whistleblower channel (18 cases) or in other ways. Eight of the reported cases were registered by externals. Of the total number of reported cases, eight were classified as high-risk cases and five investigations were launched. The investigations concluded in 2020 did not identify material violations.

STATKRAFT'S CONTRIBUTION

The majority of global greenhouse gas emissions are energy-related. This means that it is critical to increase the production of energy from climate-friendly renewable sources in order to reach global emissions targets. Furthermore, electrification based on renewable energy is a key element to combat climate change.

At Statkraft, we believe renewables are the solution for a clean energy world. The company is committed to growing solely within renewable energy technologies. Statkraft's activities contribute in different ways to global, national and local economies through dividends to our shareholder, taxes paid to governments, direct employment, our global and local procurement activities, Research & Development (R&D) and social investments.

Our core business contributes to the societies where we are present through e.g. responsible management of critical infrastructure and flood mitigation. Our approach to responsible business conduct therefore contributes to the promotion of sound business practices among our suppliers and business partners. We also seek to share knowledge about renewable energy, energy systems, climate change and environmental issues.

Statkraft is closely monitoring the ways in which the Covid-19 pandemic may impact our sustainability efforts and will continue to prioritise the good health and well-being of all employees in 2021 and beyond.

Statkraft's business

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

Hydropower has many advantages, including high efficiency, low operating costs, longevity, high flexibility and low carbon intensity. The large Norwegian water reservoirs enable storage and electricity production even in drier periods. This allows us to adjust production to meet demand variation and provides flexibility to our energy production. This is increasingly important as there is a need to balance the increasing amounts of intermittent electricity generation from wind and solar power.

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

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

Statkraft's CO_2 emissions are amongst the lowest in the global energy sector. In 2020, 92.2% of Statkraft's power generation was based on renewable energy sources and 85.2%, or 55.7 TWh, came from hydropower. The average carbon intensity of Statkraft's power generation was 28 kg CO_2/MWh in 2020, which is about 12% of the EU power generation carbon intensity.

Statkraft's non-renewable energy generation includes gas-fired power plants, and fossil-based peak and reserve capacity in district heating plants. The utilisation of coal-fired plants was reduced in the European power markets in 2020, while gas-fired generation has increased. Statkraft's increased carbon intensity reflects this. Overall the shift from coal to gas has led to a significant drop in the total emissions from the power sector, as gas-fired generation has lower CO_2 intensity than generation based on coal. The gas fired plants in our portfolio are covered by the EU Emission Trading Systems (ETS).

In order to maximise our contribution to the climate in terms of reducing global emissions, Statkraft has committed to reducing direct (scope 1) and indirect emissions (scope 3) that result from our business activities, as defined in the GHG Protocol Corporate Standard, with a view to achieving climate neutrality by 2040. By taking a holistic approach to reducing the total footprint of our products and services, we remain steadfast in our commitment to a power sector pathway compatible with a 1.5-degree global warming target.

We are continuously developing our approach to sustainability, and we believe that this applies not only to efforts to manage our environmental, social and human rights impact, but is also reflected in our focus on responsible business practices. High ethical standards, a strong emphasis on the health, safety, and security of our employees, and our responsibility in terms of diversity and gender equality form an inherent part of Statkraft's strategy and core activities.

Statkraft is following the European Union's process for defining the Taxonomy for Sustainable Finance. This aspires to be an important framework for classifying sustainable activities. A classification system for sustainable activities through the Taxonomy is important in order to prioritise low-carbon investments in a transparent and fair manner.

Statkraft and the UN Sustainable Development Goals

Statkraft recognises the important role that business can play in realising the UN's Sustainable Development Goals (SDGs) and has committed to supporting the goals in all our business activities and through our membership in the United Nations Global Compact.

We recognise that the SDGs are highly interconnected, and that a direct impact on one goal can create indirect impacts on other goals. This interconnectedness creates synergies between SDGs for extending positive impacts, but also gives rise to trade-offs that must be managed to minimise negative impacts. We strive to extend the positives and minimise the negatives in all business decisions, policies and activities.

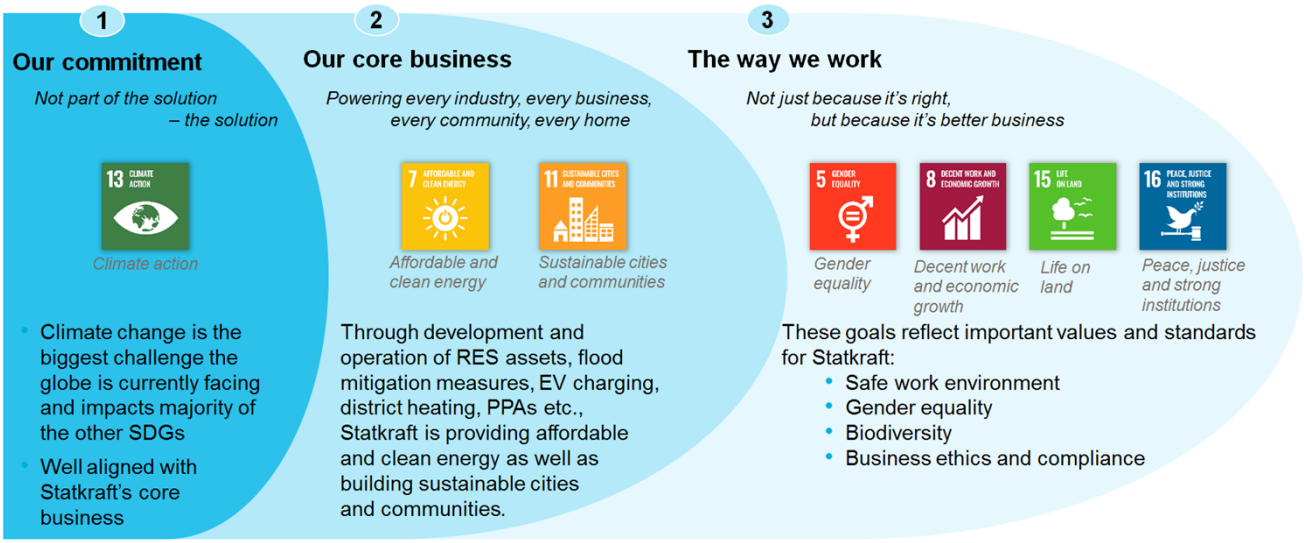
As part of the sustainability strategy process in 2020, we have assessed our impact on all 17 SDGs. The process was based on international best practice, including workshops with key stakeholders, as well as discussions with Corporate Management. Based on Statkraft's group risk matrix, the new materiality analysis, the corporate strategy, and the company's value chain, a decision was made to have a particular focus on seven goals, categorised into three groups. These goals represent areas where Statkraft is either well positioned to make a larger difference or they reflect important values related to how Statkraft conducts its business.

1. *Climate action* (SDG 13) is directly linked to Statkraft's commitment and overarching ambition. This is the paramount global challenge and the one Statkraft wants to contribute to solving through its business activities.

2. The goals *Affordable and Clean Energy* (SDG 7) and *Sustainable Cities and Communities* (SDG 11) are directly linked to Statkraft's core business. Statkraft has a significant positive contribution to these two goals, through activities like developing and operating renewable energy assets, flood mitigation measures and installing electric vehicle chargers.

3. The goals *Gender Equality* (SDG 5), *Decent Work and Economic Growth* (SDG 8), *Life on Land* (SDG 15) and *Peace, Justice and Strong Institutions* (SDG 16) reflect important values and standards related to the way Statkraft does business.

An overview of our contribution and trade-offs related to these goals is presented on the next page.



Source: Sustainability strategy team. Framework developed based on analyses and discussions with key stakeholders.

Group 1: Our commitment

Climate Action (SDG 13)

Statkraft is Europe's largest renewable energy producer and a global company in energy market operations. Statkraft develops and operates energy assets within hydropower, wind, solar, gas and biomass, supplies district heating and buys and sells energy. Through our core business and strategic targets, we provide a large positive contribution with regards to mitigating climate change, which will positively benefit the remaining 16 SDGs. In 2020, we redefined our ambitions as they relate to climate change. Statkraft has committed to a power sector pathway compatible with a 1.5-degree global warming target and worked to classify our emissions into three scopes, as defined in the GHG Protocol Corporate Standard.

Synergies: Statkraft contributes positively to a number of SDGs by providing access to modern energy systems (SDG target 7.1), increasing the share of renewable energy in the global energy mix (7.2) and providing green job opportunities (8.5). Our efforts to identify and reduce our direct and indirect emissions of greenhouse gases, contribute to the provision of cleaner air for cities and communities (3.9, 11.6). This year, we have increasingly focused on addressing emissions from our entire supply chain, with the aim of reducing supply chain emissions by engaging with our suppliers (12.6).

Trade-offs: Statkraft expects to see an increase in its carbon intensity (though, still low compared to other European power companies) in the short- to medium-term (3.9, 11.6), reflecting the increase in gas-fired power generation in European markets; around 90% of our direct emissions come from these plants in Germany. This shift is part of the larger move away from coal-fired plants, meaning that in the long-term our direct emissions will decrease, allowing us to continue on a path compatible with carbon neutrality. Although this may seem like a step back, the move to gas-powered plants is an essential part of Europe's energy transition, and this will allow Europe to explore cleaner avenues in the years to come (9.4). As part of this process, we also have district heating facilities at 13 locations in Norway and Sweden. The district heating systems contribute to the energy transition by utilising renewable energy and excess heat from local sources (i.e. waste and biomass) (12.2), and the share of renewables was 95% in 2020. We will work with phasing out fossil CO_2 emissions meaning at least 98% renewables in 2030. Statkraft will continue to modernise the district heating distribution grid and investments into new capacity will be based on renewable sources. The aim is to be carbon neutral in 2040.

Group 2: Our core business

Affordable and Clean Energy (SDG 7)

Statkraft makes a significant contribution to raising the share of renewable energy in the global energy mix (7.2) and increasing access to affordable, reliable, and clean energy sources (7.1) in 18 countries. With climate action increasingly intertwined with the economy and policies like the European Green Deal, countries have set out to establish new, ambitious targets for reducing greenhouse gas emissions. This will require a substantial shift in energy systems around the world and subsequently increase demand for renewable energy. Given that in 2020, 92.2% of our power generation was based on renewable energy sources, Statkraft is well-placed to meet the growing demand, and by embedding sustainability in our activities we aim to be a leading renewable energy company by 2025.

Synergies: Part of Statkraft's efforts to develop renewable energy solutions by responsibly utilising hydro, wind, and solar power, includes contributing to sustainably manage the world's natural resources by decoupling the use of fossil fuels from economic growth (12.2). As a player with 25% of hydropower reservoir capacity in Europe and unique flexibility, we are committed to protect and manage this renewable source in an energy system increasingly reliant on electricity supply. Additionally, through our Power Purchasing Agreements (PPAs) we are helping corporations reduce their environmental impact while simultaneously saving on energy costs, effectively providing support for economic development and the adoption of sustainable practices (9.1, 12.6).

Trade-offs: While the provision of clean energy has the potential to contribute to climate action in a myriad of positive ways, it can also disrupt the landscape and have negative consequences for the plants and animals that inhabit surrounding ecosystems. Wind turbines can pose a danger to migrating birds (15.5), and hydropower can negatively impact freshwater ecosystems and disturb aquatic species (15.1). Given the particular importance of wild salmon in Norway, we have worked closely with the Norwegian Environment Authority to preserve genetic diversity, restock rivers, and improve fish habitat and spawning areas. In operations, we pay attention to flow variations resulting from our water discharge (6.6) balanced with delivering on energy market needs.

Sustainable Cities and Communities (SDG 11)

Statkraft's business activities seek to help make cities and communities more inclusive, safe, resilient and sustainable. By developing and sustainably operating our hydropower projects, we are helping to mitigate climate change, considering biodiversity, river ecology and hydrology, sediment transport, local livelihoods, and greenhouse gas emissions. Our district heating plants help in the transition to a more circular economy by transforming waste into energy, making use of resources that would otherwise be wasted. We are also continuously developing new business activities that deliver sustainable infrastructure and services to cities and communities, such as expanding our electrical vehicles (EV) charging business, developing biofuels and green hydrogen for transport and industry, and enabling data centres powered by renewable energy (11.5, 11.6).

Synergies: By continuing to develop sustainable infrastructure and services that reduce greenhouse gas emissions and dependence on fossil fuels, our business activities with respect to cities and communities have a positive impact on removing hazardous chemicals from the environment (3.9). Our hydropower plants provide flood and drought mitigation, protecting local livelihoods in the face of a changing climate (6.4). In 2020, we continued developing and upgrading our hydropower assets (9.1, 9.4).

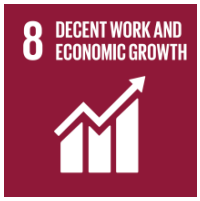
Trade-offs: While our new business activities deliver sustainable infrastructure and services, there can be negative trade-offs. Electric vehicles are generally better alternatives to fossil fuel-based ones. In Norway, more than 95% of the electricity comes from renewable sources, but most electricity to power these vehicles comes in many countries from non-renewable sources. In 2020, Statkraft joined the EV100 initiative, committing to electrify the company's passenger and light commercial vehicles by 2030. The use of biofuels can have a positive impact on climate emissions. However, the net impact depends on the feedstock used which can lead to habitat loss through land-use change (2.4, 15.5). Our biomass facilities in Germany focus on burning scrap wood to help alleviate this concern.

Group 3: The way we work

Gender equality (SDG 5)

Statkraft places special emphasis on gender diversity, with equal opportunities for leadership. Our goal is to have female representation in at least 40% of top management positions (5.5); with our current status in 2020 at 29%, we recognise that improvement is still needed. In addition to strong global policies on labour practices (8.8), we have several country-specific initiatives aimed at improving our work culture through greater equality, diversity, and inclusiveness (5.C). Further measures, like unconscious bias training for senior management and improved recruitment processes, aimed at attracting a more diverse workforce were also implemented in 2020 (5.1, 5.4). Moving forward, we will continue to develop these diversity and inclusion (D&I) measures, and the attraction and development of a diverse and highly competent workforce will continue to be a key priority in 2021 (10.3).

Decent Work and Economic Growth (SDG 8)



Commercial-scale renewable power plants can expose Statkraft personnel and contractors to significant risk, both in the construction phase and during operations. A strong commitment to health, safety and security is thus imperative in order to provide safe working conditions (8.8). Caring for people is at the core of our work culture, and we are continuously working towards our commitment to a workplace without injury or harm through our "Powered by Care" programme (16.6). Initiatives are centred on high-risk activities and preventive measures, as well as relevant training and employee engagement. Unfortunately, Statkraft experienced three fatal accidents in 2020, highlighting the need to further bolster efforts moving forward. We are also committed to providing an equitable and fair working environment, and to that end have conducted a living wage study in 2020 (8.5, 10.4). Our trainee and internship programmes also exemplify our dedication to educating and preparing the next generation of renewable energy workers (4.4, 8.6). Ensuring the health and well-being of all employees during the Covid-19 pandemic will be a key priority going forward.

Life on Land (SDG 15)

All energy generation has an environmental impact due to land use changes and landscape modification when infrastructure is built and operated. We work to reduce and mitigate these impacts through environmentally friendly designs and appropriate location choices, as well as by protecting soil, air and water from pollution and waste. Our key risks related to biodiversity and life on land arise mainly from hydro and wind power production which affect freshwater ecosystems, flying and grazing animals as well as migrating animals and aquatic species. Infrastructure related to both technologies can fragment habitats and spread alien invasive species (15.8). To manage our impact in a responsible manner we pay special attention to red-listed, highly valued or vulnerable species (15.5). For our Norwegian hydropower plants discharging into rivers (6.6, 15.1), we reviewed, in 2020, the implemented mitigation measures and the plants' *modus operandi*. We continuously seek to reduce our potential negative impact through initiatives which include improving fish habitats and spawning areas, establishing no-work zones during construction and operation of wind farms, and instituting revegetation projects (15.9).

Peace, Justice and Strong Institutions (SDG 16)

Statkraft believes that high ethical standards are beneficial for both society and business. We are committed to high ethical standards in our business culture and in all business activities. Our Code of Conduct sets out key expectations for all employees. Our suppliers are expected to meet the requirements of our Supplier Code of Conduct. Our comprehensive compliance programme covers the areas of corruption, fraud, money-laundering, sanctions and export control, as well as personal data protection and competition law (16.5, 16.6, 16.b).

Our aim is to prevent corruption and unethical practices in all our activities. Our achievements in 2020 include conducting an in-depth, group-wide Business Ethics and Compliance risk assessment across all locations and rolling out a new round of mandatory e-learning (4.4). We will continue to work to ensure awareness and preparedness to manage risks in new growth initiatives, as well as increased fraud risks in the context of Covid-19, and to train our employees to develop the competences to act within our values.

SOCIAL DISCLOSURES

Health and Safety

AMBITION	TARGET		STATUS
To prevent incidents and be committed to a workplace without injury or harm	Zero serious injuries	7	●
To protect the health and well-being of staff	Sick leave < 3.5%	2.4%	●

Comments on performance

- There were three fatal accidents in India related to projects and operations in Statkraft in 2020.
- Statkraft did not reach its target of zero serious injuries. Five contractors and two Statkraft employees suffered serious injuries in work-related accidents, and the serious injury rate was 0.4.
- The Powered by Care programme and efforts to continually improve our health and safety performance and culture will remain high priorities going forward.

Key initiatives

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

Our approach

Caring for people is at the core of Statkraft's culture and we work continuously towards our goal of zero injuries. The HSSE policy and management system applies to everyone working in or for Statkraft. We have a programme to implement improvements within health and safety across the organisation, called "Powered by Care". Statkraft's Corporate Management clearly demonstrates their commitment to a workplace without injury and harm through our "Powered by Care" commitment statement.

Key risks

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

Status 2020

Fatal accidents

There were three fatal accidents in Statkraft in 2020.

On 6 January, a contractor's employee at the Tidong hydropower project (India) died following a fall while doing construction work on site.

On 28 April, a contractor employee at our Allain Duhangan Joint-Venture company (India) fell 150 meters down a slope during repair work on a transmission line and later died due to the severity of the injuries sustained. On 10 August, a contractor employee at the Tidong hydropower project (India) died in a tipper truck accident. As a result of the fatal accidents, Statkraft decided to suspend all work at the Tidong project and perform an investigation, and a thorough reassessment of the safety risks and measures to enable a safer execution going forward. An action plan has been established, and safe restart of the project ensured. The fatal accidents have been investigated and the applicable measures are being followed up.

Accidents

In addition to the three fatal accidents, two contractor's employees and two Statkraft employees suffered serious injuries. A total of 21 accidents and observations were classified with high risk potential. Serious injuries and high-risk potential incidents are defined as incidents causing or potentially causing serious health consequences. The accidents were investigated, and mitigating actions were implemented at the project level and across the Group to ensure learning and to prevent recurrence.

The Lost Time Injury rate (LTI rate) was 2.2 among Statkraft's employees while the LTI rate among Statkraft's contractors was 2.9. Correspondingly the Total Recordable Injury Rate (TRI rate) among Statkraft's employees was 3.7 and 5.0 among Statkraft's contractors. In total, 84 injuries were recorded for Statkraft's employees and contractors, of which 49 were LTIs.

Sick leave

Sick leave in Statkraft is at a stable low level, at 2.4% in 2020, which is below the target of 3.5%.

Health and Safety Improvement Programme

In 2020, the 'Powered by Care' programme focused on:

Leadership and commitment
In 2020, management throughout Statkraft was actively engaged and participated in local activities in the Powered by Care programme. Workshops have been held to address health and safety leadership and culture at various levels of the organisation.

Serious injury mitigation
Serious incidents, those with serious consequences or high potential, are analysed to identify measures to prevent recurrence and lessons learned are shared across the organisation. Utilisation of the 'life saving rules' aimed at preventing serious and fatal injuries remains a focus area, in addition to further improving the quality of investigations and learning from them.

Training
Modular e-learning and training is available to effectively reach out and provide fit-for-purpose training to various target groups. This includes a 'Powered by Care' module providing basic training for all and modules to support the Life Saving Rules.

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

CEO's HSSE Award
An HSSE award scheme is in place to encourage activities that contribute to improved HSSE awareness, results and engagement across the organisation. The award for 2020 was given to International Power for their targeted efforts managing the covid-19 situation, and putting special focus in the staff's mental health, which resulted in a positive and safe work environment over the last year.

Continuous improvement
An annual management review of Statkraft's performance and activities related to HSSE has been performed and the recommendations have been integrated in HSSE plans. A toolkit to support further development of the health and safety culture has been developed to complement the HSSE management framework introduced in 2019. Collaboration takes place within and across business areas to share and learn from incidents, health and safety programmes and best practices.

Health
A dedicated task force has been established to elevate the focus on health and well-being, and address challenges arising from the Covid-19 pandemic. Some of the initiatives have been working from home for everyone who can, pulse surveys to check in, measures to improve health in home offices and webinars focusing on mental and physical health.

Public safety
Statkraft's activities have significant interaction with third parties and we are focused on ensuring their safety. Dam and water course safety is one key focus area. Statkraft performs maintenance on dams and associated structures within a strict and controlled system. Measures are carried out according to legal and regulatory requirements, as well as Statkraft's detailed procedures and plans to protect life, the environment and property.

In 2020, we faced a number of situations in the Nordics where management of hydropower plants was challenging due to more extreme weather conditions. In these situations our first priority is to mitigate floods that may have significant and serious consequences for local communities and the environment. It is anticipated that the number of such situations will increase in the future.

Priorities 2021

We will maintain and improve ongoing initiatives and programmes and introduce complementary activities to meet our ambitions. We aim to further strengthen our continuous improvement process across the organisation, utilising:

- HSSE management framework to set expectations
- HSSE plans to define annual activities
- Audits and learning reviews to verify compliance and enable the sharing of lessons learned
- Management reviews to assess where we are and what to adjust
- Competence development and training

We will support the development of the HSSE culture with:

- An employee survey to understand attitudes in the organisation
- Team culture workshops as an assessment tool to understand our culture and possible next steps
- Leadership workshop to anchor, engage and commit

We will prioritise the following HSSE program elements:

Leadership
Develop and offer leadership development formats that can be used across the organisation to help leaders and teams to develop their role and drive the change to achieve the desired HSSE culture across Statkraft.

Health and safety in the supply chain
Further integrate health and safety in all stages of the supply chain and develop a best practice toolbox for contractor culture development and engagement on site.

Training
Complement the existing offering with modules related to managing HSSE and offer the entire suite of health and safety training on the new user-friendly e-learning platform.

System support
Procure and implement an improved digital HSSE solution with the objective of further motivating our employees and contractors to engage in a proactive HSSE culture in Statkraft.

Security

AMBITION	TARGET	STATUS
To actively prevent harm to people and assets by implementing a systematic approach	Implementation of identified supporting initiatives	●

Comments on performance

- The response to Covid-19 has been the main effort in 2020. This response has been coordinated globally and in accordance with local health authorities' guidelines.
- A new organisational structure for cyber security has been implemented.

Key initiatives

- The focus on the Covid-19 response is expected to continue into 2021.
- A global travel assistance solution for travel risk mitigation will be fully implemented in the organisation in 2021.

Our approach

Security refers to the ability to keep people, operations, information and systems secure from intentional harm or damage. Statkraft has a comprehensive approach and follows international good practice for security management. Security matters are addressed through a risk-based approach aligned with standards such as ISO 31000, ISO27001, NS-5814 and NS-5832. Statkraft has well established relationships with both local and global security companies and participates in national and international networks to ensure an up to date understanding of security and risk management. Examples of these networks are ASIS International, The Norwegian Business and Industry Security Council, ISACA, KraftCERT and Norwegian Cyber Security Centre.

Statkraft actively and systematically addresses cyber security risks, utilising own resources and contractors to handle attempted cyber attacks. We interact regularly with government entities to ensure up to date knowledge of incidents across sectors. Statkraft is conscious of the challenges posed by cyber security risks and mitigation of such risks is considered strategically important by corporate management.

Information security is a high priority and Statkraft follows international good practice for information security management. The aim is to build and continually improve a strong information security culture that ensures the confidentiality, integrity and availability of Statkraft's information.

Key risks

Statkraft assesses security risks by analysing threats, vulnerabilities and consequences in accordance with recognised standards. The threat analyses are based on national threat reports, open-source information and risk analyses from external vendors. Conducting security risk assessments is a line responsibility, supported by the Corporate Security & Emergency Response department and the Cyber Security Department. Statkraft utilises a wide range of human, organisational and technical measures to proactively reduce security risks. Sudden changes in a security situation will trigger immediate measures. Statkraft generally uses unarmed security guards to enforce local security, but in some countries where national regulations or the security situation dictates this, armed security is used.

Statkraft's security work is impacted by changes in national regulations that aim at safeguarding national infrastructure. These changes influence the full spectrum of security disciplines: physical, personnel, information and IT-security. Statkraft is working with the various national energy and security authorities on this matter.

Emergency preparedness

Statkraft's ability to handle serious and unwanted emergency events is a constant priority. Statkraft's emergency response is based on the use of dedicated and temporary teams and in accordance with best practice. This approach aims to enable Statkraft to simultaneously handle emergencies at the local, regional/national and strategic level.

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

Status 2020

Handling Covid-19

The response to Covid-19 has been the main effort in 2020. The response is coordinated globally to ensure harmonised duty of care while complying with local health authorities' advice and directives. Statkraft's pandemic response strategy has evolved around the following priorities:

- Preventing spread and protecting employees in line with national plans
- Maintaining and managing processes critical for society – production, heating and water management

Specific actions include:

- Appropriate communication to employees
- Establishing and maintaining policy and guidance for travel and events
- Establishing and maintaining policy for home office
- Expat handling
- Business continuity verification
- Pandemic scenarios and strategic implications
- Common planning assumptions
- Surveys to understand employees' situations
- Task force on health and wellbeing
- Support for home office equipment
- Return-to-office plans
- Lessons learned from handling Covid-19

Security incidents

Statkraft has revised and strengthened its cyber security capabilities and a new organisational structure has been implemented.

In 2020, in total 359 security incidents were reported. 332 of these were IT incidents, including 22 high potential incidents that were detected and efficiently handled at an early stage.

Priorities 2021

Statkraft is expected to continue its response to the Covid-19 pandemic into 2021.

Statkraft has procured a travel assistance solution to mitigate global travel risks. The solution will be fully implemented into the organisation within 2021.

Human rights

AMBITION	TARGET	STATUS
To act according to the United Nations Guiding Principles on Business and Human Rights	Zero confirmed breaches of internationally recognised human rights	●

Comments on performance

- In the Fosen wind project, it has not yet been possible to reach agreements with the affected groups regarding measures and compensation for the operational phase.
- In the Los Lagos hydropower project under construction and the Rucatayo hydropower plant, both along the Pilmaiquen river in southern Chile, we have proactively engaged with local stakeholders.

Key Initiatives

- Updated corporate-level human rights risks and impact assessments, engagement with corporate management on salient issues and dilemma discussions, integrated human rights considerations in decision-making processes, particularly related to new significant investments and mergers and acquisitions (M&As).
- Implementation of human rights aspects identified as part pf the sustainability strategy work
- Increased internal awareness and communications activities, including expanded content on external company website, and internal webinars on labour rights in the supply chain.

Our approach

Human rights management is a material aspect for Statkraft given the potential impacts on people from its business activities and the increasing expectations and requirements from external stakeholders regarding these matters. As a renewable energy producer Statkraft builds and refurbishes facilities and operates existing ones. Statkraft is a company with varied and extensive business relations; including the procurement of goods and services. It is therefore important to understand how these activities may impact human rights and whether we cause, contribute to, or are directly linked to such impacts.

Statkraft's approach to human rights is based on the United Nations' Guiding Principles on Business and Human Rights. Statkraft's policy commitment on human rights is reflected in Statkraft's Code of Conduct, Supplier Code of Conduct and the Group Sustainability and HSSE Policy. This commitment is publicly available and communicated internally and externally to personnel, business partners and other relevant parties.

In order to meet our responsibility to respect human rights, we have established a human rights due diligence process to identify, prevent and mitigate our potential negative impacts on human rights. Where we are causing such impacts, we are implementing actions to remediate them and discuss them with our stakeholders.

We have an integrated approach to the management of human rights issues in Statkraft. This integrated approach leads to managing human rights issues through the existing functional areas and management systems. Our general management system, The Statkraft Way, contains the main policies and procedures for all the relevant functional areas.

Procedures are in place to identify and assess potential impacts on human rights arising from our key activities, such as in the development of new greenfield projects, in our transactions and supply chain. Through specific risk and impact assessments of our key activities we are able to prevent, when possible, or mitigate, if necessary, human rights impacts. Human rights screening is required for our significant investment agreements. This includes those governed by our internal decision-making framework for new investments.

We regularly review the implementation and results of the agreed or planned measures through internal reporting and quality control and assurance routines, in an effort to address human rights risks and impacts in our main processes.

Key risks

Our updated human rights impact assessment has identified four key priority areas with the highest risks. This is where we should focus our human rights efforts:

- Community relations and social licence
- Health, safety and security
- Labour conditions in the workplace
- Decent work in our supply chain

Human rights continue to be a salient issue in large-scale development projects such as Tidong (India), Los Lagos (Chile) and large or complex M&A processes.

Status 2020

Projects, programs and initiatives

During the second quarter of 2020 and amid the Covid-19 pandemic a mapping exercise was conducted in all our country offices to assess the risks and challenges arising from the public health emergency and its possible consequences for our employees and their families, neighbour communities and suppliers. As part of this effort we studied the responses from our peers in our key markets and proceeded to plan and implement Covid-19 emergency response plans and initiatives. We have also followed internationally recognised guidelines, such as the one established by the UN Global Compact. More information on supplier follow up during the pandemic is presented in the Supply chain management section. As part of our human rights due diligence process, we conducted a “living wage” deep dive study in some of our key markets (including Brazil, Chile, India, Ireland, the Netherlands, Norway, Spain and the UK).This study has highlighted the relevance of this issue in our supply chain and we are working to identify the next steps to address this challenge.

As part of the ongoing sustainability strategy work, Corporate Management reviewed the human rights due diligence process in 2020, and the salient issues identified, and also engaged in dilemma discussions on relevant human rights challenges.

In addition to corporate level activities, there are activities at the local level. For example, a social management review process was conducted in 2020 on the Los Lagos hydropower (project under construction in Chile) to review procedures and strengthen the handling of social and human rights challenges.

Statkraft also provided input to the public consultation for a new law on business and human rights in Norway and joined a multi-stakeholder coalition on human rights due diligence. Statkraft is also a member of the Nordic Business Network on Human Rights.

Community relations and social licence

Statkraft is engaged in a broad range of community development initiatives in the different countries of operation, a few of which are presented below.

UK

In the UK we are developing the Ackron Wind Farm project (app. 50 MW) with 12 turbines, and the concession application was submitted in January 2021. This project, if approved, will supply electricity to more than 28,000 homes and will deliver annual contributions to a community development fund.

The Ackron Wind Farm team met (virtually) with the Community Council in October 2020 and conducted a “virtual exhibition” through a dedicated web page providing relevant information about the project and inviting all local stakeholders to engage in dialogue with the project development team.

Norway

In relation to the Fosen wind farm projects in Norway, agreements on mitigating measures and compensation for extra costs during the construction phase have previously been entered into with the two reindeer herding groups. It has not been possible to reach agreements with the groups regarding measures and compensation for the operational phase. The High court determined the compensation for the herding groups related to the operational phase of the wind farms in June 2020. The ruling was appealed to and has been allowed for hearing by the Supreme Court. A date has not yet been set for hearing of the case.

Peru

As part of our commitment to establish and maintain good relations with our neighbouring communities, Statkraft set out to promote more sustainable water use by improving the efficiency of irrigation systems used in the rural communities of Cahua, Tongos, Quintay and Huacar near Statkraft’s Pichupampa reservoir. In 2018 we launched a project to install modern irrigation infrastructure in the four districts close to our operations. These systems are still being implemented with the aim of finalisation by 2021. Early indications are that better irrigation is already yielding positive results.

Chile

The Los Lagos hydropower project with an installed capacity of approximately 50 MW is under construction in southern Chile. Several consultations and activities have taken place to engage with the surrounding communities as part of the social management and community relations programs.

Ongoing consultations and engagement with representatives of indigenous communities in the Pilmaiquen river area have taken place during the reporting year. A grievance mechanism in our project and operations in the area registers and manages claims and concerns from neighbours and the affected population.

In the context of Covid-19, Statkraft engaged and provided support to local organisations and local health services in the influence areas of our projects. Such support was provided both in the neighbouring municipalities to our Los Lagos project and Rucatayo power plant (Puyehue and Rio Bueno), as well as in our Torsa wind project (Litueche) which is in an early phase of development.

Health, safety and security
Health, safety and security issues are a priority for Statkraft. There is a clear link between these factors and our commitment to respect human rights. More detailed information about this topic can be found in the health and safety chapter.

Labour conditions in the workplace
Fundamental human rights are closely linked to the management of human resources and ensuring adequate working conditions for our more than 4000 employees. More detailed information about this topic can be found in the labour practices chapter.

Decent working conditions in the supply chain
Our commitment to respect human rights encompasses our activities to follow up our suppliers.

We expect all our suppliers to abide by our sustainability and ethical standards as stated in our Supplier Code of Conduct. More detailed information about this topic can be found in the responsible supply chain chapter.

In our Fosen project, we established a close dialogue with the workers unions during the construction process. Statkraft followed up and ensured improvements in the working conditions of our contractors and subcontractors. We also provided remedies in the cases as necessary, including ensuring living wages. Through ongoing efforts to ensure 'decent work' practices in our supply chain, we engaged in a proactive manner with our sub-contractors to promote workers' rights in our supply chain.

Statkraft has established a systematic approach and method to prevent control and identify potential issues that affect our suppliers' working conditions throughout the construction phase of all six projects at Fosen.

Priorities 2021

Our human rights efforts in 2021 will focus on the implementation of the human rights aspects identified as part of the sustainability strategy work. Emphasis will be placed on our commitments towards our license to operate and in our supply chain. Particular focus will continue in the form of following up and engaging with projects and activities considered having potentially high human rights risks.

Labour practices

AMBITION	TARGET	STATUS
To improve diversity of background, competence and gender across the company	Long-term target of 40% women in group top management positions[1]	29%

Comments on performance

- Gender balance has been a focus area as we work towards the overall ambition for diversity and inclusion (D&I), and there has been a rising number of women in leadership positions. Currently, there are 29% women in group top management positions[1], up from 28% in 2019. 26% of all leaders in Statkraft are women, up from 23% in 2019.

Key initiatives
Several measures were undertaken in 2020 to improve diversity and inclusion:

- Targets for female representation in management positions continued
- Unconscious bias training conducted for senior management teams
- Metrics to track progress, including a D&I dimension in the annual organisational survey
- Target to have at least 40% female participation in leadership development programmes

[1] Group top management positions include CEO, EVPs and SVPs.

Our approach

In Statkraft, all employees have an important role to play in achieving our ambition to lead the transition to renewable energy. Statkraft is committed to a working environment characterised by equality, diversity and mutual respect.

Statkraft supports and respects internationally recognised labour rights, including freedom of association and effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the effective abolition of child labour, and the elimination of discrimination with respect to employment and occupation. Statkraft also works towards the

realisation of these rights as part of our supply chain management.

Key risks

Responsibility is one of Statkraft's core values. A key focus in 2020 has been to ensure the health and safety of our people during the Covid-19 pandemic.

Both in 2020 and moving forward it is critical for Statkraft to attract, develop and retain the workforce needed to deliver on our strategy and to lead the transition to renewable energy.

Status 2020

Attracting and developing people

Attracting and developing people has been a key focus in 2020 to ensure a workforce that is both engaged and highly qualified. Learning and development opportunities have been improved by offering LinkedIn Learning to all employees, and by the launch of a new learning platform to make learning more accessible, including from home offices. Leadership is key when it comes to both maintaining and developing a strong organisational culture, and a new leadership development programme gathering top leaders from across Statkraft has been initiated in 2020, amongst other initiatives. The Human Resources (HR) function has also been strengthened to enable more focus on and efforts within attraction, mobility, people development and organisational development.

Workforce diversity and inclusion

Statkraft continued its focus on strengthening diversity and inclusion (D&I) in 2020, including specific measures to improve the gender balance. The percentage of female leaders in all management positions increased to 26% in 2020, up from 23% in 2019. Unconscious bias training has been conducted for senior management teams, and offered to all employees as part of the new learning platform. In 2020, 29% of all participants in our internal leadership development programs were women.

Employee satisfaction and wellbeing

The annual Statkraft employee engagement survey was conducted in October/November 2020 with a response rate of 94%. The employee engagement score was 91%, up from 84% in 2019.

Two pulse surveys were introduced in 2020 to enable Statkraft to continuously listen to and act faster on feedback from employees. The overall results show high engagement and productivity across Statkraft, although work-life balance and general well-being have been reduced for some employees as a result of the Covid-19 pandemic. Both global and local activities have been implemented to support employees during this time. Examples include Covid-19 information pages, support for home office equipment, virtual exercise groups, mental and physical health awareness campaigns and webinars, and virtual learning opportunities.

Employee relations

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

Statkraft supports and respects internationally recognised labour rights in all countries where we are present. Relevant International Labour Organisation (ILO) conventions and European Union (EU) directives have been included in the SEWC agreement with EPSU (European Federation of Public Service Unions), the federation for European unions within the energy sector. In countries not covered by SEWC, Statkraft respects the employees' freedom of association and collaborates with union representatives in accordance with collective bargaining agreements, legal requirements, international standards and prevailing industry best-practice for each location.

Priorities 2021

Ensuring the health and safety of all employees during the Covid-19 pandemic will continue to be a key priority in 2021.

In the years to come, and with a surge in 2021, it will be critical for Statkraft to continue to attract, develop and retain a diverse and highly competent workforce. D&I targets will be followed up and broadened, and measures continued and developed. People development will continue to be a key priority in 2021.

Supply chain management

AMBITION	TARGET	STATUS
Improvement of supply chain sustainability processes	Implementation of identified measures	●

Comments on performance

- During 2020, Statkraft strengthened its efforts related to its supply chain, including a new unit for supply chain follow-up, increased understanding of risks and opportunities, outlined a model for monitoring and follow-up during contract execution, and increased awareness in the organisation related to critical issues.
- The Covid-19 pandemic brought the need for new measures to enable suppliers to deliver in a safe and responsible way, and several measures were put in place, e.g. renegotiations of terms and conditions, remuneration and delivery time.

Key initiatives

- Dedicated follow-up of suppliers in light of Covid-19
- Further implementation of the UN Guiding Principles for Business and Human Rights, and the expectations under the OECD Due Diligence Guide on Responsible Business Conduct into processes and activities such as contract award and supplier follow-up

Our approach

Statkraft has a strong commitment to responsible business practices and this commitment extends to our supply chain. Our Supplier Code of Conduct is a part of all contracts. It is based on internationally recognised standards, including requirements to respect human rights, health and safety, labour rights, working conditions, environment, privacy and freedom of expression, and prohibited business practices.

Statkraft believes that partnership and cooperation with suppliers is key to achieving a responsible global supply chain. That means that we want to procure from suppliers that are conscious of their obligations to respect people and the environment.

We believe we can add value through our supplier strategy and sustainability assessments, as well as through collaboration and dialogue with suppliers. Our ambition is to contribute to improve the sustainability performance of our suppliers and their sub-suppliers.

Statkraft has approximately 11,000 suppliers world-wide. Procurement is handled by approximately 100 procurement officers in ten different countries. Our supply chains are diverse, and we have several different purchasing streams, including goods and services for construction and rehabilitation of power plants, commodities and maintenance for power plants in operation, and indirect goods and services for our general business operations and new businesses.

Key risks

Statkraft's main risks in the supply chain are health and safety risks for workers, general working and labour conditions related to hours and wages, risks related to biodiversity and ecosystem, and risks related to business ethics (e.g. risk of bribery and corruption in regulatory approval and licensing processes).

Status 2020

Increased focus on supply chain risk management in 2020

Risk profiles vary significantly between the various procurement streams and for the different countries. Hence, a key focus area in 2020 has been to continuously improve our sourcing and purchasing methods. The objective has been to increase consistency and implementation of a sustainable supply chain approach across all our functions and business areas. This includes tailored risk assessment of human and labour rights, environment and climate, business ethics, and health and safety for key procurement categories. With an enhanced understanding of risk and opportunities we will be better positioned to award contracts for strategic projects to contractors that treat people and the environment with respect, and to source equipment in a responsible way.

In 2020, we examined labour rights in the supply chain at several ongoing project sites in Norway.

All new members of procurement teams receive sustainability training and an introduction to our tools.

Dialogue and cooperation with suppliers during the Covid-19 pandemic

The Covid-19 pandemic is a force majeure situation that has had a significant impact on procurement activities. Statkraft has worked together with suppliers since the start of the pandemic to manage the risks and ensure the safety of personnel in the supply chain, in response to the situation. It was recognised early on that one of the best ways to support suppliers is to keep projects running while ensuring safe working conditions. Three greenfield projects are delayed but only four of Statkraft's 140 world-wide operations and maintenance projects have been suspended due to Covid-19. Most projects in Statkraft's portfolio have continued as planned during the pandemic, except sites in countries which introduce national lockdowns was introduced. A taskforce to coordinate the consequences of the pandemic in the supply chain was established in mid-March 2020. It aimed at ensuring a continuous and open dialogue with our suppliers in an effort to find

solutions together. Guiding principles were established which included the possibility of e.g. adjusting deadlines for the suppliers, early payment for work performed (even if contractual milestones were not achieved), renegotiation of payment terms and payment in a different currency than agreed, fair cost recovery for measures implemented to mitigate the consequences of the pandemic, and assistance and support related to delivery and logistics.

Labour rights compliance

Risks related to labour rights compliance have been identified as a key focus area for overall responsible supply chain follow-up. Continuous improvement work is taking place across our portfolio. Examples include addressing dilemmas at the Fosen (Norway) and Tidong (India) projects related to payment terms and working hours. At the Fosen wind project, several foreign workers in the supply chain experienced violation of their employee rights related to salary, as they were paid considerably below minimum wage. The findings were identified in the period from 2018-2019 and remedies, including a compensation, were provided in 2020. Verification of employment contracts for the remaining project activities confirmed that wages are now set according to the minimum standard. Transparency has been important in the process (for example, Statkraft held a webinar in 2020 about the issue), and has facilitated learning and exchange of experience.

Priorities 2021

Key activities planned for 2021 related to supply chain management include:

- Continue to build awareness and capacity among procurement personnel and roll-out new sustainability training programme
- Establish share-and-learn sessions together with our strategic suppliers to improve transparency and share best practice in identifying sustainability risks throughout the supply chain
- Continue the improvement of supplier risk assessments and supporting tools
- Expand integration of sustainability requirements in tenders and before a contract is awarded

ENVIRONMENTAL DISCLOSURES

Biodiversity

AMBITION	TARGET	STATUS
Deliver climate-friendly, renewable power while implementing responsible environmental measures	Zero serious environmental incidents on biodiversity	●

Comments on performance

- Statkraft had no serious environmental incidents in 2020. One less serious incident related to biodiversity was investigated and followed up with the competent authorities in Norway. It concerned a virus infection in one of our fish hatcheries.
- Assessing environmental risks is part of Statkraft's risk management procedures and practices. Some mitigating activities have been delayed in certain areas due to Covid-19.
- Key achievements for 2020 include mapping and improvement of habitats for specific species of particular concern. During the revision of terms processes in Norway, several studies have been completed to evaluate environmental enhancement measures.
- Employee awareness initiatives have been carried out.

Key initiatives

- For Statkraft's Norwegian hydropower plants discharging into rivers, a review of our *modus operandi* and of the previously implemented mitigation measures has been completed.
- Assessment of biodiversity impact and management has been initiated for international assets. The outcome of the assessment will determine potential additional mitigation and monitoring.

Our approach

Statkraft manages biodiversity within the framework of its responsibilities, in close collaboration with the relevant authorities. Statkraft provides expertise and resources to perform necessary monitoring studies and research projects. We also implement suitable mitigation measures and follow them up systematically.

Biodiversity challenges and cumulative impacts often extend beyond the reach of a single player and ecosystems are typically affected by many factors and activities. In cases where conflicting biodiversity conservation interests may arise, we establish priorities based on scientific studies and according to guidance provided by the authorities. Decisions on priorities between impact on nature, climate and the social value of power production are made by relevant public authorities in an independent and transparent way.

Key risks

Internationally recognised reports show that global biodiversity is rapidly declining, and species are disappearing at a fast pace. The main reasons include changes in land use (deforestation, mono-cropping and urbanisation), over-exploitation of natural resources, climate change, pollution and invasive alien species. From a Statkraft perspective, these risks are especially relevant as we continue to grow and build more business-related infrastructure which may impact biodiversity. Understanding these risks early on in development and construction processes is important to avoid and minimise negative impacts.

Currently, Statkraft's key risks related to biodiversity arise mainly from hydropower and wind power production. Each power generating technology has a specific risk profile. Hydropower's key risks are related to changes introduced into freshwater ecosystems and migrating aquatic species. Wind power's key risks are related to flying, grazing and migrating animals. Infrastructure related to both technologies, such as access roads, can contribute to fragmentation of habitats and to the spread of invasive alien species.

Status 2020

Throughout the year we have continued to work on reducing and mitigating impacts through environmentally friendly designs, appropriate location choices, and implementing improvement measures, as well as on protecting ground, air and water from pollution and waste. Below are some examples.

Hydro

Holistic management of migrating species

Wild salmon is a species for which Norway has a special responsibility (more than 25% of the European population), and national salmon rivers have been established for its protection. Statkraft is impacting 13 out of 52 national salmon rivers. Our impact on salmon varies depending on whether the power station discharges water into a river stretch where salmon live and whether our installations reduce the flow of a river. Other factors that also affect the salmon population include parasite infestations (gyrodactylus salaris) and escaped hatched salmon.

To preserve the genetic variety of wild salmon, Statkraft operates a gene bank in collaboration with the Norwegian Environment Agency, which conserves genetic material from five different wild salmon families. To sustain salmon and other important migratory fish species, Statkraft has worked in Norway during 2020 to restock over one million salmon, sea trout and inland trout from its five hatcheries. In addition, approx. 850 000 fish eggs were placed in Norway. In Sweden, a total of 86 400 eel juveniles were collected in Laholm (Lagan river) in 2020.

In addition, trap and transport of grown eel was carried out in the Lagan and Nissan rivers in Sweden.

For our Norwegian hydropower plants discharging into rivers, a review of our *modus operandi* and of the previously implemented mitigation measures was conducted in 2020. The most common mitigation measures in addition to monitoring studies are ecological flow regimes and special operating rules allowing only gradual changes in flow regimes.

In Vestfold and Telemark (Norway), a complete restoration of the Tokkeåi river downstream from the Lio power plant has been accomplished. Measures include rebuilding rock weirs to natural falls, placement of 5-600 tonnes of spawning gravel, ripping spawning gravel areas, opening side streams and securing free passages for trout at low water levels.

In the Fulda river (Germany), the design of an innovative fish passage at the Wahnhausen hydropower plant has been approved by the authorities. A fish-friendly Kaplan runner design to protect migrating fish from injury and mortality is being developed as part of an R&D project.

Landscape Restoration
A substantial number of our hydropower installations in Norway are due to conduct major refurbishment work. In Høyanger, for example, several dams are being refurbished and a four km long tunnel will be built through the mountain. We will also expand and reinforce 10 km of road. Good planning to minimise our impact on nature is key. Some of our measures include reusing part of the tunnel excavation material to refurbish the road and the dams, as well as the use of best practices in ecological restoration. Similar soil and revegetation measures are being performed for the rehabilitation work on the Songa and Trolldalen dam in Vestfold and Telemark.

Construction projects
Statkraft is building a new hydropower plant in Los Lagos (Chile). Before starting construction, a wildlife rescue (small mammals, amphibians and reptiles) was carried out, relocating 685 individuals into places with a similar habitat. The relocation sites are monitored to assess the individuals' adaptation. Protected species have been identified and documented and there is an ongoing process of training site workers to avoid harm or injury.

Fish monitoring is carried out seasonally in the Pilmaiquén River and the 2020 monitoring will be the baseline to determine if additional measures will be required in the future. Quarterly water quality follow-up for the Pilmaiquén River and tributaries is also conducted, to evaluate the conditions for aquatic life. The results are shared with the local communities. Three hectares of native forest have also been planted as compensation for the felling in the project work area.

Statkraft is currently constructing the 150 MW Tidong hydropower project in Himachal Pradesh (India). The project area impacts a critical habitat with red-listed species locally known as chilgoza, a type of tree-like fern. The establishment of access roads, transmission line corridors, power house and camp areas have necessitated some clearance of trees. The approach is to actively avoid and minimise impacts on critical habitats, and where this is unavoidable to restore the numbers through reforestation in collaboration with local forest authorities. The chilgoza is an important source of income for the local population which harvests high-value pine nuts annually. Through consultations and agreements with the households and communities affected by the project, Statkraft is providing compensation for the loss of income.

Wind
In the Fosen (Norway) wind power programme, all six wind farms are now completed. Approximately 250 km of new roads and 270 crane pads have been built. Restoration of road embankments, quarries and landfills through natural revegetation and caretaking of local topsoil has ensured that the natural vegetation is recovered and that the risk of introducing invasive species has been reduced to a minimum.

During construction, active breeding sites for some specific bird species were protected from construction activities. As part of the concession, Fosen Vind is also required to conduct post-construction monitoring of breeding locations, one and five years after each wind farm starts operations. The first round of post-construction monitoring of Roan wind farm in 2020 showed no sign of negative impacts. Monitoring possible effects on bird breeding success will follow for the other wind farms in the Fosen programme in the coming years.

At Smøla wind farm (Norway), Statkraft annually registers several dead white-tailed eagles due to collisions with wind turbines. A new three-year R&D project has been established to assess possible long-term impacts on the white-tailed eagle population. It will document the number of active territories and breeding pairs and their reproduction success and include DNA analysis of the chicks and their parents. So far, it appears that the Smøla population is healthy and growing despite the increased mortality caused by wind turbine collisions.

Priorities 2021

As the number of land-intensive renewable energy projects increases, we work continuously to address biodiversity challenges in projects and as part of our daily operations and seek to minimise potential negative impacts.

As part of the sustainability strategy, a dedicated workstream on biodiversity is planned.

Climate change

AMBITION	TARGET	STATUS
Statkraft commits to a power sector pathway compatible with a 1.5°C global warming target. Through its business activities, Statkraft will strive to bring society along in this ambitious journey.	By 2025, Statkraft will remain Europe's largest renewable power generator and among the top three most climate-friendly large European-based power generators	●
	Statkraft aims for the following emission targets globally: <50 g CO_2e/kWh by 2025, <35 g CO_2e/kWh by 2030 and climate neutrality by 2040	●
	Statkraft will maximise its positive climate impact by 2025, by delivering 100% renewable growth, +8 GW of wind and solar and expanding its hydropower capacity	●
	Statkraft will reduce its negative climate impact through electrifying the car fleet, renewable initiatives in its district heating business and offsetting non-ETS emissions. Further, Statkraft aims to reduce its supply chain emissions by engaging with its suppliers.	●

Comments on performance

- In 2020, the installed power generation capacity based on renewables was increased by 433 MW, to a total of 16 488 MW, in line with the growth strategy.
- Statkraft's total GHG emissions in 2020 were 1.57 million tonnes of CO_2, and most of the GHG emissions came from gas-fired generation in Germany. As Statkraft's portfolio is dominated by renewable and low-carbon assets, the average GHG emissions from the company's electricity generation are still low, in 2020 28 g CO_2/kWh.

Key initiatives

- Supporting EU policies that contribute to decarbonisation and improved market conditions in Europe
- Assessment of GHG emissions in the supply chain with focus on consumption of materials and products in ongoing and future construction projects

Our approach

Climate change is one of the greatest challenges the world is currently facing. Statkraft contributes to alleviating climate change, through its core business. We provide renewable energy, with the majority coming from hydropower, and we also develop new hydro, wind and solar power.

The Paris Agreement sets ambitious targets for reducing greenhouse gas emissions to a level which limits global warming to 2 degrees, and to pursue efforts to limit the increase to 1.5 degrees. This will require significant changes in the energy sector. Statkraft's current portfolio and strategy are consistent with an energy sector development path that will make it possible to reach the Paris Agreement targets. As all Statkraft's investments are focused towards renewable energy, we will be a leading contributor to decarbonising the energy system. Statkraft's ambition is to remain Europe's largest renewable power generator and to be among the top three most climate-friendly large European based power generators. Statkraft supports policy measures that contribute to reduced greenhouse gas emissions by adopting market mechanisms. Statkraft has an ambition to reduce emissions from its supply chain and will encourage its suppliers to also contribute to these.

Key risks

Physical risks

Physical risks resulting from climate change will materialise as both events and long-term shifts in weather patterns.

Statkraft is directly exposed to climate change, as changes in precipitation patterns will change the average output from hydropower plants, as well as the variations. In the Nordics, where most of Statkraft's hydropower plants are located, climate change is expected to lead to more precipitation, and extreme weather events may occur more frequently. In other regions, precipitation will decrease. However, large reservoirs do act as a safeguard enabling us to cope with the increasing imbalanced precipitation pattern, as they allow storing of excessive rainfall and retain more fresh water for dry periods.

For existing power plants, this will represent a change in the power production and thus also a change in the value of the assets.Increased probability of extreme weather is taken into account in assessments of the robustness of dams and waterways, in accordance with regulations and international standards for best practice. In Norway and Sweden, NOK 750 million is invested annually in Statkraft's dams and waterways to

increase the robustness of dams and meet regulators' updated safety standards. The risk of major accidents related to climate change is thus considered to be low. The probability of damage to local infrastructure, such as roads and power lines, is expected to increase. However, this does not represent a major long-term risk for Statkraft's operations.

When making investment decisions related to hydropower, the optimal size of the dam and the capacity of the power plant will depend on both the expected precipitation level and the variations from year to year. To ensure that Statkraft's production facilities are as well adapted to future market opportunities as possible, projections of precipitation conditions and inflows based on climate models are used when assessing such investments. The risk of stranded assets due to climate change is thus considered to be low.

Transition risks

The transition to a low-carbon economy will entail extensive policy, legal, technology, and market changes, with the potential to have a significant impact on Statkraft's revenues. Even if Statkraft's portfolio and strategy are well adapted to a low-carbon future, the company still has significant exposure to various climate-driven transition risks.

Climate change will impact power markets, and thus also Statkraft's revenues. Changes in output from hydropower plants and other renewable power plants may impact power prices, and changes in temperatures may impact the demand for electricity for heating and cooling. However, changes in the physical climate are expected to be slow compared to the investment cycles in the electricity industry, and investors will thus be able to adapt to these market changes. The long-term direct impact of a warmer climate is thus considered to be low.

All countries where Statkraft operates have signed the Paris Agreement, which will require substantial changes in their energy systems such as reducing the use of fossil fuels, increasing the use of renewable/low-carbon energy sources as well as increasing the overall energy efficiency of the economy. In general, this is expected to increase the long-term value of Statkraft's assets and competence. However, the transition will also carry risks both on the upside and downside.

The European Union (EU) has established ambitious targets for reducing greenhouse gas emissions. These targets are a key part of the European Green Deal and will be supported by a broad set of regulatory measures. For the energy sector, the emission reduction targets will be reached through a combination of a cap-and-trade system for emission allowances, direct regulations and subsidies. It is too early to assess the full consequences of the European Green Deal, but it is likely to increase both the production capacity of renewable/low-carbon energy and the demand for electricity.

The EU cap-and-trade system, known as the EU Emissions Trading System (EU ETS), puts a price tag on emissions and will thus impact power prices by influencing the cost of generating power from fossil fuels. The ambition level of the EU ETS will impact the cost of allowances and thus also have an impact on power prices. The price of emission allowances in the EU ETS is also sensitive to general macroeconomic trends. For Statkraft, this introduces uncertainty related to future revenues, which could be both higher and lower than the company's expectations. Subsidies, including governmental auctions for new renewable capacity, will impact the supply side and thus also the long-term power price level. In general, a high level of subsidies will be negative for Statkraft, as it can lead to oversupply and put negative pressure on power prices. However, subsidies may also create investment possibilities.

Statkraft bases its investment decisions on internal projections of future power prices. These projections are based, among other variables, on expectations for overall future climate and environmental targets, as well as a view of the balance between different regulatory measures. The uncertainties related to both overall targets, the path chosen towards these targets and the actual measures, will result in significant uncertainties for Statkraft's future revenues. This will also impact new investment decisions, but this will partly be offset through geographical diversification.

The European energy sector is also impacted by regulations with a broader scope. A key part of the European Green Deal process is the Sustainable Finance process, which introduces a taxonomy based on environmental criteria. This is expected to impact the power markets, making it more attractive to invest in renewable/low-carbon capacity compared with capacity based on fossil fuels. However, the actual impact on the markets and thus on Statkraft's business position is still uncertain.

In order to understand and manage uncertainties driven by climate policies, Statkraft regularly performs systematic analyses of the European power markets. These studies make it possible to understand how current assets and future investments will be impacted by environmental politics and provide both power price forecasts and a framework to quantify business risks.

Status 2020

Statkraft's greenhouse gas emissions

In 2020, Statkraft's own GHG emissions were estimated at 1.57 million tonnes of CO_2.

Statkraft's own GHG emissions are dominated by emissions from the company's gas-fired power plants. In addition, there are also emissions from company-wide combustion of fossil fuels and from the combustion of plastics in district heating plants. As Statkraft's portfolio is dominated by renewable assets, the average GHG emissions from the company's electricity generation are still low. In 2020 it was 28 g CO_2/kWh, which is about 12% of the EU power generation carbon intensity (IEA, 2020).

Statkraft's gas-fired capacity is regulated under the EU ETS. As the total GHG emissions under this system are gradually decreased, gas-fired capacity will be more competitive relative to coal-fired plants. The increase seen in Statkraft's GHG emissions in recent years thus reflects the fact that emissions from the total European power sector have been reduced.

The primary source of indirect emissions is the company's use of materials and products (i.e. concrete and steel) and the use of fossil fuels in ongoing construction projects. In 2020, Statkraft initiated a central project to assess GHG emissions in construction projects. High-level estimates indicate total scope 3 emissions in 2020 to be minimum 2 million tonnes of CO_2.

Renewable energy

In 2025, Statkraft aims to remain Europe's largest renewable power generator, and among the top three most climate-friendly large European based power generators. In addition, Statkraft aims for the following emission targets[3] globally: <50 g CO_2e/kWh by 2025, <35 g CO_2e/kWh by 2030 and climate neutrality by 2040.

Statkraft will increase the renewable share of district heating to a level of at least 98% renewable in 2030, and will continue to modernise the district heating distribution grid. Investments in new capacity will be based on renewable sources.

Supporting decarbonisation of society

In February 2020, research company BloombergNEF in partnership with Statkraft and the technology company Eaton published the report "Sector Coupling in Europe: Powering Decarbonization" which demonstrated that electrification of the transport, buildings and industrial sectors in Europe could reduce greenhouse-gas emissions by 60% between 2020 and 2050. The report outlines a plausible pathway for electrification, considering current levels of policy ambition in countries like the UK and Germany. Electrification, or 'sector coupling', could make a huge contribution toward achieving governments' emission-reduction targets by exploiting the low-carbon transition already underway in the power generation sector.

In June 2020, Statkraft signed up for the Climate Group's electric vehicles initiative EV100, an agreement aiming to transition its commercial vehicle fleet to fully electric.

In September 2020, Statkraft launched its Low Emissions Scenario 2020. This is the fifth consecutive annually updated report and demonstrates Statkrafts's own analyses on how the energy world can develop towards 2050. The report states that the energy transition is progressing, and renewable energy is growing across the world. The report also assumes that even though the Covid-19 crisis slowed down this development, the focus and drive related to resolving the climate crisis will continue. At the same time, the costs of green technologies will continue to decline.

In October 2020, the CEOs of Fortum, Statkraft and Vattenfall, the three largest Nordic utilities, sent a letter to the EU Council of Ministers, calling for swift agreement on a more ambitious 2030 climate target of at least 55% emission reductions compared to 1990 levels and reinforced emission pricing. In the letter, Fortum, Statkraft and Vattenfall fully endorse the EU's overarching goal of making the EU economy climate neutral by 2050.

Priorities 2021

In 2021, Statkraft will prioritise:

- Establishing a set of pilot projects across the company to assess GHG emissions in the supply chain in refurbishment and construction projects
- Continuing to minimise negative climate impact through initiatives such as transitioning its commercial vehicle fleet to electric vehicles, limiting the use of business flights and offsetting non-ETS direct emissions
- Continuing to support policies that contribute to decarbonisation through the use of market mechanisms
- Aligning the company's climate reporting to the TCFD (Task Force on Climate-related Financial Disclosures) reporting framework, start reporting to the global climate disclosure system CDP and assessing alignment with the new EU Taxonomy
    - Continue the feasibility study to develop CCS (Carbon Capture and Storage) for waste combustion at Trondheim

ECONOMIC DISCLOSURES

Water management

AMBITION	TARGET	STATUS
Statkraft to be recognised as a company with a responsible water management practice	Implementation of identified supporting initiatives	●

Comments on performance

- Statkraft's mandate is to maximise value creation and to optimise the value of the water we manage in the energy market, while respecting agreed environmental requirements. In the event of a potential flood episode our focus shifts from financial optimisation and compliance to civil protection.
- In the context of climate change, the important water storage capacity of our hydropower reservoirs contributes to reducing floods and droughts in regulated river basins.
- Key achievements in 2020 include responsible operations every day and particularly in extreme situations, where we contribute to reducing the impacts of major flood events in Norway. Knowledge and efficiency in integrated water resource management has evolved.

Key initiatives

- Ensure adequate handling and systematic follow-up of water levels, flow limits and specific operating rules put forth in concessions
- Demonstrate responsible water management under shifting climate conditions. This implies planning for potential extreme situations in both wet and dry years, and still be able to fulfil our concessional requirements.

Our approach

Responsible and optimal water resource management requires the capacity to analyse significant volumes of data, and to predict weather conditions as accurately as possible in order to create value for society in a sustainable manner. These complex tasks require close collaboration between different experts in hydrology, meteorology, market analysis and production planning. Our activities cover four areas: increasing resource use efficiency, maintaining flexibility, operational water management and water quality management.

The International Hydropower Association recognises that multipurpose hydropower reservoirs contribute to flow regulation, flood control and availability of water for irrigation. To maximise their role in mitigating climate change, hydropower projects need to be developed and operated sustainably, hence considering river ecology, hydrology, sediment transport, local livelihoods, and their role in reducing greenhouse gas emissions.

Key risks

Climate change increases the variability of precipitation and uncertainties related to weather prediction. In addition, we face challenges in predicting future trends accurately, as modelling based on historic data is no longer reliable.

More extreme weather conditions will impact how Statkraft operates its hydropower assets. In wet regions, like the Nordics, we will have to cope with more floods but also dryer periods than we have had historically. In warmer climatic zones water periodically becomes a scarce commodity, which may trigger user conflict issues.

Status 2020

There are more than 1,000 reservoirs in Norway, with a total capacity corresponding to about 70% of Norway's power consumption. According to the Norwegian Water Resources and Energy Directorate, Norway has half of Europe's reservoir capacity of which Statkraft operates roughly 50%. More than 75% of our hydropower production capacity is adjustable. This means that hydropower generation, unlike solar and wind power, can be adjusted by turning the 'tap' on or off as required to maintain balance between electricity production and supply. This important reservoir capacity also provides a sufficient 'buffer' to safeguard the regional security of supply given the increasingly variable precipitation patterns. Water inflows to Norwegian hydropower plants can vary by 60 TWh per year: from 160 TWh in wet years to 100 TWh in dry years.

Maintaining flexibility

Most of Statkraft's hydropower assets are in Norway and Sweden. Public revision processes for our concessions are ongoing in both countries. For the plants with reservoir capacity, it will be key to preserve flexibility in order to ensure adaptation to climate change, as well as to remain responsive to an increasingly variable power supply side.

This year, Statkraft has joined an R&D project initiated by Energy Norway in collaboration with SINTEF and supported by the Norwegian Research Council. The project aims to assess how environmental measures will affect the flexibility of the national power system.

In 2020, the Swedish authorities presented a national plan for how to update the operating schemes for existing hydropower over the

next 20 years. The public revision process for environmental terms processes will be used as a tool here. Statkraft's first concession to be revised is in the Ljungan catchment. The application should be submitted by February 2023.

Operational water management
Climate change leads to more extreme weather with large amounts of precipitation over a short period. Sudden floods can cause major damage, yet hydropower reservoirs can play an important role in mitigating floods. Recently, Statkraft has had to manage its reservoirs more frequently due to changing and extreme weather conditions. For example, when the weather forecast indicates intensive precipitation ahead, our focus shifts from financial optimisation to civil protection. We try to reduce reservoirs water levels in advance, regardless of the power market situation, to enable our reservoirs to absorb the large expected volumes of rain. Reservoirs do not necessarily have the capacity to collect all the rainwater during unpredictable and intense rainfalls.

Under these circumstances, the excess water cannot be used for power generation and will inundate the rivers downstream. To manage water according to several, often diverging, purposes such as power production, flood mitigation and environmental protection is especially challenging in areas where we must keep reservoir levels high to ensure minimum flow regimes as is the case in Høyanger and Trollheim among others.

Resource use efficiency and climate change uncertainty
Getting more out of existing infrastructure is part of our continuous improvement ambition and is also beneficial for the environment, as fewer new interventions in nature will be needed. The output of our hydropower assets can often be improved by a few per cent either through modernisation or upgrade.

Statkraft has 88 years of weather data. However, we have never before registered the combinations of weather types seen in the past few years. Our models put the real observations outside the spectrum of possible results, which indicates that we can't use historical data to predict future trends. For this reason, we are developing new flexible modelling tools which can integrate several types of changes related to climate, the market and also accessible data and globalisation. In order to address these uncertainties, Statkraft has invested in several R&D projects to refine inflow forecasts over the short and long-term and to achieve better performance.

Water quality management
The following examples illustrate various water management issues related to water quality.

At our Çakit hydropower plant (Turkey) a special device has been implemented upstream of the power plant to filter floating debris.

A nitrogen supersaturation phenomenon has been observed in a few of Norway's high-head hydropower schemes. Build up happens due to high pressure, and this has a negative impact on water quality. An R&D project has been initiated in cooperation with NTNU and SINTEF to find more refined detection methods and to reduce gas supersaturation to levels tolerated by aquatic fauna.

Statkraft's hydropower plant in Rheidol (Wales) is equipped with a special decantation basin to reduce pollutants such as heavy metals from old abandoned silver and ore mines which are released during heavy rain episodes.

An R&D program (STRIVAN) was initiated in 2020 with the aim of monitoring sediments in large-scale hydropower reservoirs in order to identify methods and long-term management strategies to optimise sediment management.

Priorities 2021

A key priority for 2021 will be to preserve a maximum of flexibility, both for energy services as well as water management services. We will address climate change uncertainties through increased R&D activity, improving weather forecast capabilities as well as increasing analysis capacity through innovative use of new technologies (drones, satellites, robots) and improved modelling.

Business ethics

AMBITION	TARGET	STATUS
To prevent corruption and unethical practices in all activities	Zero serious compliance incidents	●
	On schedule implementation of compliance measures	●

Comments on performance

- A comprehensive compliance programme is being implemented, including new measures related to training, culture building and risk mitigation in critical business processes.
- Key achievements in 2020 include an in-depth group-wide Business Ethics and Compliance risk assessment conducted across all locations, rolling out a new round of mandatory e-learning, a fraud awareness campaign in light of increased risks arising in the context of Covid-19, rolling out a digital compliance tool for personal data protection.

Key initiatives

- Regular communication and culture building activities, and rolling out training on business ethics
- Regular review of internal controls in key business processes to ensure adequate handling of business ethics risks
- Compliance programme rolled out to new entities in the group
- Strengthening compliance resources centrally and in the line

Our approach

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

The Board of Directors exercise oversight of the compliance work through regular discussions on the programme's development. This includes reviewing results from risk assessments and audits and the follow-up plans presented by the administration to address identified improvement areas.

Key risks

Assessments of business ethics and compliance risks are undertaken regularly at the business and staff area level and for the entire Group, which feed into the annual risk reporting to the Board. The risk management process is more extensive for high-risk locations and projects, and always involves a combination of local expertise and central compliance resources. Every three to five years a more in-depth group-wide assessment is conducted, and in 2020 such an assessment took place. The process and methodology for risk assessments is regularly reviewed, and further improvements were introduced in 2020.

The primary corruption risks are related to business development, construction projects and M&A activities, procurement and payment processes, the use of agents and intermediaries, government permit processes, and local stakeholder management. Risks related to personal data protection and competition law were also identified. The risks typically vary depending on the geographical location, technology and type of business activity. These nuances are reflected in the risk maps and action plans for the different business units. New business models, markets and partners, and rapid organisational changes with new offices and new staff have followed as a result of our business development and growth activities. Continuous efforts to maintain a strong business ethics culture are therefore required. The corporate compliance programme is updated annually and on an ongoing basis to ensure continuous mitigation of the risks identified and to reflect lessons from concrete cases and investigations and from audit and reviews.

Status 2020

Training and communication

Statkraft ensures that all employees are familiar with the principles set out in the Code of Conduct and in internal business ethics rules. Digital classroom training sessions were conducted in all major locations in 2020, and e-learning was rolled out to all employees. Tailored training sessions are given to employees according to their risk exposure. In addition, specialised training sessions were organised for the Board of Directors, Corporate Management, high level managers, and staff members in different functions. Business ethics topics have been included in leadership and group events throughout the year.

Our Business Ethics Toolkit is a key enabler for strengthening management engagement and culture building. We regularly update it with new dilemma discussions, success stories and videos and promote it through our training activities and communication. Targets have been set for the frequency of dilemma discussions and other similar initiatives. The performance against these targets is monitored, and efforts are made to promote managers' continued use of the toolkit.

Fraud awareness
Statkraft recognises the increased risk of fraud resulting from the Covid-19 pandemic and launched a fraud awareness initiative aimed at strengthening the resilience of the first line of defence and empowering managers to control risk. The campaign consisted of communication to all employees, new fraud awareness materials and targeted training and communication.

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

Over the course of the year, compliance concerns were identified in some acquisition processes, and concrete measures were decided for how to handle such concerns. Examples of how this was handled include terminating certain processes and proceeding with others but with an adjusted scope and approach.

Independent reviews were undertaken of the approach to compliance due diligence in merger and acquisitions, in both 2019 and 2020, to review our approach and integrate lessons from external practice. The reviews confirmed that Statkraft's approach is in line with market practice and relevant standards. A new mitigation strategy was developed in 2020 for new business processes and models, such as co-development activities in Europe in the wind and solar sector.

Internal controls
Several initiatives were taken in 2020 to further strengthen internal procedures and controls related to compliance. These include initiating a review of the business ethics and compliance reporting, monitoring and review framework. There were also further developments in the Fraud Prevention System, including adjustment to existing controls in financial processes. Corporate-wide projects focusing on fraud prevention were executed and strengthened controls will be implemented in 2021.

Personal data protection
Following completion of the personal data protection project in 2019, we have further strengthened the process by rolling out a support tool and aligning with IT security and IT governance, risk and control, making the process more efficient and moving towards a one-stop-shop-solution for risk assessments for the line.

Tax
Statkraft pursues a tax strategy that is principled, transparent and sustainable, and which is aligned with Statkraft's Code of Conduct. Statkraft's global tax strategy is approved by the Board of Directors and published on the company's website.

Statkraft is committed to ensuring full compliance with statutory obligations and full disclosure to tax authorities. We believe that a responsible approach to tax is essential for the long-term sustainability of the societies where we are active and our business across the globe.

Statkraft approaches tax in a way that is aligned with our business strategy and which aims at reducing business complexity and cost. We do not engage in artificial tax arrangements and actively consider all implications of tax planning. Moreover, all tax planning is subject to robust review and approval processes and shall:

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

We apply the arm's length principle to intragroup transactions, in line with best practice guidelines, unless legally required in order to apply other pricing mechanisms. We do not use tax havens to avoid tax and we pay tax according to where value is created within the normal course of our commercial activities.

Statkraft has established procedures for tax risk management that facilitate appropriate identification, measurement, management and reporting of tax risks.

Priorities 2021
Key priorities planned for 2021 include:

- development of new e-learning materials tailored to the identified risks and target groups' needs for training
- implementation of a new digital tool for integrity due diligence reviews of business partners
- continuing efforts to empower line resources to move forward with compliance work
- work to strengthen the reporting, monitoring and review framework, including fraud prevention initiatives

In the Low Emissions Scenario, the world's energy-related **CO_2 emissions will fall** by 47% towards 2050 and follow a 2-degree pathway.

LOW EMISSIONS 2020 SCENARIO

Corporate Governance | 2020

Corporate Governance

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

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

CORPORATE GOVERNANCE STATEMENT

Statkraft is organised through a state enterprise, Statkraft SF. The activity in Statkraft SF is, for all practical purposes, restricted to owning all shares in Statkraft AS. Statkraft SF and Statkraft AS have an identical board of directors and management. Statkraft AS is the parent company for an underlying Group structure. Statkraft adheres to the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company's organisation and ownership. Statkraft follows the Norwegian state's principles for sound corporate governance, described in the White Paper, Meld. St. 8 (2019-2020) "Statens direkte eierskap i selskaper – Bærekraftig verdiskaping" ("The state's direct ownership of companies – sustainable value creation") and is subject to reporting requirements relating to corporate governance according to Section 3-3b of the Accounting Act.

ACTIVITIES

The objective of Statkraft AS, alone, or through participation in, or cooperation with other companies, is to plan, engineer, construct and operate energy facilities, conduct physical and financial energy trading, and perform naturally related operations. Statkraft AS is registered in Norway and its management structure is based on Norwegian company legislation. Statkraft is also subject to the Norwegian Securities Trading Act and stock exchange regulations associated with the company's debt obligations.
Objectives and framework for the activities in Statkraft are set out in parliamentary documents and resolutions by the Parliament (Stortinget), see www.regjeringen.no and www.stortinget.no.

EQUITY AND DIVIDENDS

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

Capital increases are processed through the enterprise meeting of Statkraft SF and the general meeting of shareholders in Statkraft AS.
The State as the shareholder is free to set the dividend in its wholly owned companies. The provision of the Limited Liability Companies Act stating that the general meeting cannot adopt a higher dividend than that proposed or accepted by the Board of Directors, does not apply to wholly owned state companies in Norway.

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

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

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

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

FREELY NEGOTIABLE SHARES

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

ENTERPRISE MEETINGS AND GENERAL MEETINGS

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

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

NOMINATION COMMITTEE

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

CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

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

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

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

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

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

THE WORK OF THE BOARD OF DIRECTORS

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

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

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

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

The board's Audit Committee comprises four of the Board of Director's members. The committee functions as a preparatory body for the board's management and supervision work, and at least one member of the Audit Committee shall have experience in accounts management, financial management or auditing.

An overview of the members' participation in board meetings is available in Note 37 of the annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

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

Corporate Audit

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

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

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

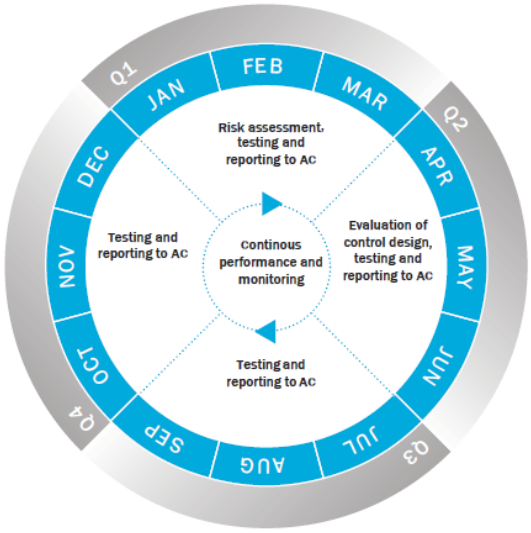
Internal control of financial reporting

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

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

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

Annual process for internal control over finanical reporting



The main elements of the ICFR system are:

- **Risk assessment**
  The Group's ICFR Network performs an annual risk assessment where the financial reporting risks are identified and assessed. The purpose is to verify whether Statkraft has appropriate controls to mitigate the identified risks sufficiently.
- **Evaluation of control design**
  Process to ensure that the internal controls are designed efficient and mitigate identified risks to an acceptable level.
- **Test of control performance**
  Quarterly, and on a sample basis, quality of control performance and compliance with control descriptions are tested to ensure operational effectiveness and continuous improvement.
- **Reporting of ICFR to the Audit Committee**
  As a part of the quarterly reporting, a status on internal control is presented to the Audit Committee. In addition, the result of the yearly assessment of control design and operational effectiveness is reported to the Audit Committee in Q1. The conclusion of the financial reporting risk assessment is presented in Q2. If material breaches are detected in the ICFR system, this will be reported to the Audit Committee.
- **Continuous performance and monitoring**
  Managers are responsible for compliance with control descriptions and ICFR requirements. Responsible managers perform an annual assessment of design and operational effectiveness of all controls.

Fraud Prevention System

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

REMUNERATION OF THE BOARD OF DIRECTORS

The owner stipulates the remuneration for the Board of Directors. The remuneration is not related to the company's results.

Shareholder-elected board members normally do not perform any additional tasks for the company. To the extent that the members of the board perform tasks for the company, this must be clarified with the other board members in advance. Board of Directors remuneration is described in Note 37 in the annual report.

REMUNERATION OF EXECUTIVE PERSONNEL

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

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

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

INFORMATION AND COMMUNICATION

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

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

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

TAKE-OVERS

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

AUDITOR

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

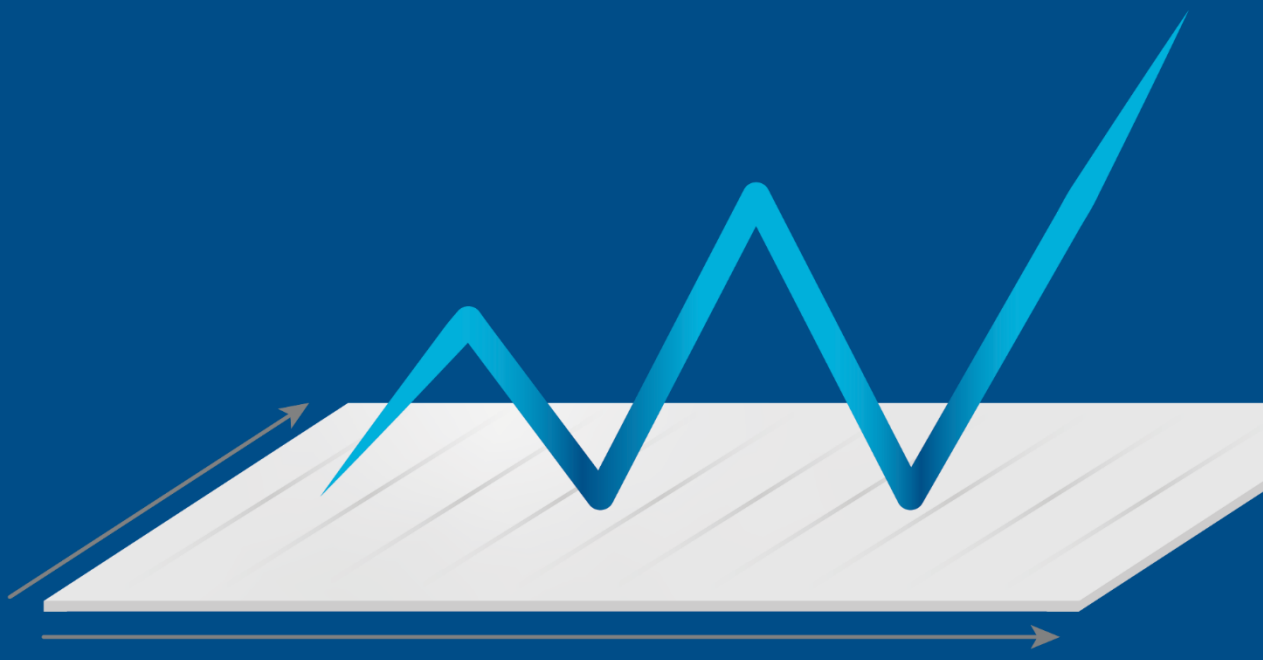
The Board of Directors and the auditor hold at least one meeting annually where the President and CEO and other Group executives are not present. The Audit Committee evaluates the external auditor’s independence and reviews the overall use of the external auditor for consultancy purposes.

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

Solar power will be the largest source of power generation from 2035, according to Statkraft's Low Emissions Scenario.

LOW EMISSIONS 2020 SCENARIO

Statements | 2020



Group Financial Statements

Statement of Comprehensive Income
Statkraft AS Group

NOK million	Note	2020	2019
Profit and loss			
Sales revenues	4, 12, 21	33 875	43 450
Gains/losses from market activities	13, 21	3 958	3 716
Other operating income	14	685	767
Gross operating revenues and other income	4	**38 518**	**47 933**
Energy purchase	12, 21	-16 060	-17 165
Transmission costs		-1 040	-1 353
Net operating revenues and other income	4	**21 418**	**29 415**
Salaries and payroll costs	16, 17	-4 627	-3 971
Depreciations and amortisations	23, 24, 25	-4 066	-3 824
Impairments/reversal of impairments	15, 23, 24	-1 379	136
Property tax and licence fees	18	-1 264	-1 139
Other operating expenses	19	-4 334	-3 638
Operating expenses		**-15 669**	**-12 438**
Operating profit/loss (EBIT)		**5 749**	**16 978**
Share of profit/loss in equity accounted investments	15, 26	**835**	**1 249**
Net currency effects	21	-1 520	132
Interest and other financial items	5, 20, 21	-111	600
Net financial items		**-1 631**	**733**
Profit/loss before tax		**4 953**	**18 959**
Income tax expense	22	-1 421	-7 632
Net profit/loss		**3 532**	**11 327**
Of which non-controlling interest		213	417
Of which owners of the parent		3 319	10 910
OTHER COMPREHENSIVE INCOME (OCI)			
Items in other comprehensive income that recycle over profit/loss:			
Changes in fair value of financial instruments, net of tax		-	-16
Items recorded in other comprehensive income in equity accounted investments		-13	-60
Recycling of financial instruments related to cash flow hedges, net of tax		-	-6
Recycling of currency translation effects related to foreign operations disposed		-132	-
Currency translation effects		1 092	-475
Total		**947**	**-557**
Items in other comprehensive income that will not recycle over profit/loss:			
Changes in fair value of equity instruments, net of tax		-4	17
Estimate deviation pensions in equity accounted investments		-14	76
Estimate deviation pensions, net of tax		-475	88
Total		**-492**	**182**
Other comprehensive income		**456**	**-375**
Total comprehensive income		**3 988**	**10 952**
Of which non-controlling interest		29	474
Of which owners of the parent		3 959	10 478

Statement of Financial Position
Statkraft AS Group

NOK million	Note	31.12.2020	31.12.2019
ASSETS			
Deferred tax assets	22	1 658	614
Intangible assets	23	4 113	4 633
Property, plant and equipment	24, 25	112 057	109 852
Equity accounted investments	4, 26	13 492	12 917
Derivatives	10	7 406	5 207
Other non-current assets	17, 27	6 338	3 597
Non-current assets		**145 064**	**136 819**
Inventories	28	6 363	4 468
Receivables	29	13 659	13 348
Financial investments	10	606	1 470
Derivatives	10	4 410	6 506
Cash and cash equivalents (incl. restricted cash)	30	11 155	15 203
Current assets		**36 193**	**40 996**
Assets		**181 257**	**177 815**
EQUITY AND LIABILITIES			
Paid-in capital		59 219	59 219
Other reserves		4 733	3 627
Retained earnings		29 888	33 537
Total equity attributable to owners of the parent		**93 840**	**96 383**
Non-controlling interest		4 188	4 382
Equity		**98 028**	**100 764**
Deferred tax	22	10 596	10 792
Pension liability	17	3 357	2 685
Interest-bearing liabilities	25, 32	32 664	28 427
Derivatives	10	7 778	4 033
Other non-current liabilities	31	3 207	3 033
Non-current liabilities		**57 604**	**48 970**
Interest-bearing liabilities	25, 32	6 459	4 479
Taxes payable	22	3 412	7 109
Derivatives	10	5 639	6 446
Other interest-free liabilities	33	10 115	10 049
Current liabilities		**25 625**	**28 081**
Equity and liabilities		**181 257**	**177 815**

Statement of Changes in Equity

Statkraft AS Group

NOK million	Paid-in capital	Hedging reserves and profit and loss reserves other shares [1]	Currency translation effects	Total other reserves	Retained earnings	Attributable to owners of parent	Non-controlling interests	Total equity
Balance as of 31.12.2018	**59 219**	-119	4 275	**4 156**	**30 660**	**94 035**	**3 970**	**98 004**
Implementation of IFRS 16	**-**	-	-	**-**	**380**	**380**	**-**	**380**
Balance as of 01.01.2019	**59 219**	-119	4 275	**4 156**	**31 040**	**94 415**	**3 970**	**98 384**
Net profit/loss	**-**	-	-	**-**	**10 910**	**10 910**	**417**	**11 327**
Total other comprehensive income	**-**	-68	-461	**-529**	**96**	**-432**	**57**	**-375**
Dividend and group contribution	**-**	-	-	**-**	**-8 510**	**-8 510**	**-83**	**-8 593**
Business combinations/divestments	**-**	-	-	**-**	**-**	**-**	**20**	**20**
Balance as of 31.12.2019	**59 219**	-187	3 814	**3 627**	**33 537**	**96 383**	**4 382**	**100 764**
Net profit/loss	**-**	-	-		**3 319**	**3 319**	**213**	**3 532**
Total other comprehensive income	**-**	-16	1 122	**1 107**	**-467**	**640**	**-184**	**456**
Dividend and group contribution	**-**	-	-	**-**	**-6 500**	**-6 500**	**-217**	**-6 718**
Business combinations/divestments	**-**	-	-	**-**	**-**	**-**	**-6**	**-6**
Balance as of 31.12.2020	**59 219**	-203	4 936	**4 733**	**29 888**	**93 840**	**4 188**	**98 028**

[1] Mainly related to net investment hedges.

GENERAL INFORMATION

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

On 26 June 2020 Statkraft's General Assembly approved a disbursement of NOK 6500 million as dividend and group contribution to Statkraft SF. For the current year the Board of Directors has proposed to pay a dividend and group contribution of NOK 3673 million.

SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Cash Flow

Statkraft AS Group

NOK million	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit/loss (EBIT)		5 749	16 978
Depreciations, amortisations and impairments	23, 24, 25	5 445	3 689
Gains/losses from divestments and disposal of assets [1]		-64	-50
Unrealised effects included in operating profit (EBIT)	21	1 431	-1 250
Dividends from equity accounted investments	26	597	736
Changes in working capital		1 794	528
Cash collateral, margin calls and option prepayments [2]		659	-1 339
Cash effects from foreign exchange derivatives related to operations		-49	30
Prepayments in relation to power sales agreements [3]	12, 32	4 733	-
Income taxes paid [4]		-8 421	-6 900
Other changes		170	-562
Cash flow from operating activities (A)		12 045	**11 861**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment and intangible assets		-7 537	-5 786
Business divestments, net liquidity inflow	5	7	1 578
Acquisition of shares in subsidiaries, net liquidity outflow	5	-1 308	-841
Loans and interest related to equity accounted investments		136	123
Other investments [5]		1 062	105
Cash flow from investing activities (B)		-7 639	**-4 821**
CASH FLOW FROM FINANCING ACTIVITIES			
New debt	32	4 092	261
Repayment of debt [6]	32	-4 759	-5 963
Cash collateral related to financing [2]		-266	101
Interests paid [4]		-765	-958
Interest rate derivatives realised before maturity		-	-220
Interests received from cash and other assets		136	434
Dividend and group contribution paid to Statkraft SF [6], [7]		-6 500	-8 510
Transactions with non-controlling interests		-218	-83
Cash flow from financing activities (C)		-8 280	**-14 938**
Net change in cash and cash equivalents (A)+(B)+(C)		-3 874	**-7 900**
Currency exchange rate effects on cash and cash equivalents		-174	-71
Cash and cash equivalents 01.01	30	15 203	23 175
Cash and cash equivalents 31.12	30	11 155	15 203
- Of which cash and cash equivalents in joint operations		194	*328*
Unused committed credit lines		9 194	9 189
Unused overdraft facilities		2 023	1 025
Restricted cash	30	31	36

[1] Mainly due to the deconsolidation related to the Khimti hydropower plant, see note 5.

[2] Cash collateral related to financing activities has been reclassified from operating activities to financing activities. Comparable figures have been restated. See note 1.

[3] See note 12 and 32.

[4] Includes payment related to an uncertain tax position in Norway, see note 34.

[5] Mainly related to the sale of shares in Fjordkraft, see note 5.

[6] Parts of dividend paid to Statkraft SF have been reclassified in 2020 compared to previous years, and comparable figures have been restated. See note 1.

[7] NOK 138 million was paid as group contribution to Statkraft SF in 2020. For 2019, NOK 10 million in Group contribution paid to Statkraft SF is included.

Statement of Cash Flow continued

Reconciliation of investments in property, plant and equipment in the statement of cash flow against investments in note 4:

	2020	2019
Investments in property, plant and equipment and intangible assets in the statement of cash flow	**7 537**	**5 786**
Capitalised borrowing costs	113	123
Capitalised decommissioning provisions	42	54
Non-cash additions from right-of-use assets	78	146
Timing differences between capitalisation and payment date	-225	341
Investments in maintenance, other and new capacity in note 4	**7 544**	**6 450**

Reconciliation of acquisition of shares in subsidiaries in the statement of cash flow against total acquisition cost in note 5:

	2020	2019
Acquisition of shares in subsidiaries in the statement of cash flow	**1 308**	**841**
Contingent considerations related to acquisitions that have not been paid the same year	26	117
Fair value uplift from existing ownership related to acquisitions (non-cash)	-	139
Shareholder loans paid in connection with acquisitions	-70	-
Other payments related to previous acquisitions	-	-162
Cash and cash equivalents in acquired companies	518	32
Total acquisition cost in note 5	**1 782**	**967**

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Financing activities Interest payments from interest rate derivatives, which are used to manage the Group's debt portfolio, are presented as a part of interest paid. Cash effects from foreign exchange derivatives related to debt are presented as a part of repayment of debt. Both the principal portion and the interest portion of payments of lease liabilities are included in financing activities as repayment of debt and interest paid respectively.

Notes
Statkraft AS Group

Index of notes to the consolidated financial statements

Note 1 General information and summary of significant accounting policies

GENERAL INFORMATION

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

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

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

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

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

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

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

• Statement of cash flow	
• Statement of changes in equity	
• Segment information	Note 4
• Business combinations and other transactions	Note 5
• Financial instruments	Note 10
• Hedge accounting	Note 11
• Sales revenues and energy purchase	Note 12
• Gains/losses from market activities	Note 13
• Impairments/reversal of impairments	Note 15
• Pensions	Note 17
• Income taxes	Note 22
• Intangible assets	Note 23
• Property, plant and equipment	Note 24
• Leases	Note 25
• Associates and joint arrangements	Note 26
• Other non-current financial assets	Note 27
• Inventories	Note 28
• Cash and cash equivalents	Note 30
• Other non-current liabilities	Note 31

CONSOLIDATION PRINCIPLES

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

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

Investments in joint arrangements and associates

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

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

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

Note 1 continued

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

COMPARABLE FIGURES AND RECLASSIFICATIONS

The consolidated statements of comprehensive income, financial position, equity, cash flow and notes provide comparable information in respect of the previous period. The following changes in comparable figures have been made for 2020:

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 267 million. There is an opposite effect on the derivatives.

The definition of operating profit/loss (EBIT) underlying. 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 and other 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 underlying operating profit of 2019 has decreased with NOK 843 million. Underlying figures are described in the Alternative Performance Measure section.

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. Comparable figures have been restated with NOK 101 million.

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 are now presented as repayment of debt/new debt. Net cash flow from financing activities is unchanged. Comparable figures have been restated with NOK 39 million.

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 2019 the power sale has been presented under the revenue category Grid and other. In addition, the grid costs relating to transportation of the power have been presented under the line item transmission costs. From 2020, both revenues and energy purchase, including the grid costs, are presented under the revenue category Customers. Comparable figures are restated from Grid and other revenues to Customers with NOK 1080 million and from transmission costs to energy purchase with NOK 682 million.

Presentation of energy derivatives in the statement of financial position. The practice for determining whether an energy derivative is current or non-current has been revised. After the revision, current assets and liabilities comprise of derivatives that will be realised or settled within twelve months after the reporting date. Previously, all derivatives within risk reduction, origination and market access portfolios have been presented as current regardless of maturity date. Comparable figures have been restated as follows: Non-current assets NOK 2246 million, current assets NOK -2246 million, non-current liabilities NOK 3050 million and current liabilities NOK -3050 million.

FOREIGN CURRENCY

Subsidiaries prepare their accounts in the company's functional currency, normally the local currency in the country where the company operates.

Statkraft AS's functional currency is Norwegian kroner (NOK) , and it is also the presentation currency for the consolidated financial statements. When preparing the consolidated financial statements, the local currency of the foreign subsidiaries, associated companies and joint ventures are translated into NOK in accordance with the current exchange rate method. This means that balance sheet items are translated to NOK at the exchange rate prevailing as of 31 December; whilst the profit and loss statement is translated using monthly weighted average exchange rates throughout the year. Currency translation effects are recognised as other comprehensive income and recycled to the profit and loss statement upon sale or loss of control of shareholdings in foreign companies.

The currency translation effects that are recycled are presented as part of the gain or loss of the sale or disposal in the profit and loss statement. The part of the currency translation effects related to non-controlling interest is not recycled to the profit and loss statement.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss statement.

CLASSIFICATION AS CURRENT/NON-CURRENT

Items in the statement of financial position are classified as current when they are expected to be realised or settled within 12 months after the reporting date. The first year's repayments relating to non-current liabilities are presented as current liability. Work in progress and development projects in scope of IAS 2 Inventories are always presented as current.

ADOPTION OF NEW AND REVISED STANDARDS

In 2020 new standards and amendments to existing standards have become effective. This is related to the following standards:

- Conceptual Framework (amendment) References in IFRS Standards
- IFRS 3 Business combinations (amendment) Definition of a Business
- IAS 1 and IAS 8 (amendment) Definition of Material
- COVID-19-Related rent concessions (amendment to IFRS 16)
- Annual improvements to IFRS Standards 2015-2017 cycle

Note 1 continued

The adoption of these items did not have a significant impact on the financial statements of the Group.

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

- Annual improvements to IFRS Standards 2018-2020 cycle
- Interest rate benchmark reform – phase 2 (amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16)
- Classification of liabilities as current or non-current (amendments to IAS 1)
- Onerous contracts – costs of fulfilling a contract (amendments to IAS 37)
- Property, plant and equipment: proceeds before intended use (amendments to IAS 16)

Statkraft does not expect that the adoption of these Standards will have a material impact on the financial statements for the Group in future periods.

Note 2 Key accounting estimates and judgements

INTRODUCTION

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

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

AREAS OF SIGNIFICANT JUDGEMENT

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

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

Statkraft performs an annual update of its long-term price forecasts and the related expected market developments in the geographical areas where Statkraft operates. This update is the output from a continuous process of monitoring, interpreting and analysing global as well as local trends, which will affect future markets and revenues. The update provides basis for both strategic decisions as well as the management's expectation for future prices and revenue streams beyond 2030 associated with the assets.

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

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

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

The long-term energy sector analysis is based on a specific global climate scenario and in addition, regional climate ambitions are incorporated when developing the power market view. Also, climatic correction of weather and inflow is included in the assumptions used to develop the long-term price forecast.

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

Various sensitivity analyses are disclosed in:

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

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

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

- Pensions Note 17
- Deferred tax assets Note 22

The COVID-19 has caused increased market risk and increased uncertainty to future power prices, but the effect on Statkraft's financial statements has so far been limited. Statkraft's management are closely monitoring the development of the pandemic and are continuously evaluating the long-term consequences for the Group.

Note 2 continued

APPLICATION OF ACCOUNTING POLICY

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

- Classification of energy contracts — Note 10
- Classification of sales revenues — Note 12
- Classification of investments made together with third parties — Note 26

Note 3 Subsequent events

There have been no significant subsequent events.

Note 4 Segment information

GENERAL INFORMATION

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

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

The following BAs are responsible for deliveries across the segments within their field of expertise:

- M is responsible for market activities and optimisation of revenues from production facilities, as well as IT.
- P is responsible for operation and maintenance of the production facilities and the district heating and industrial ownership business.
- E is responsible for the execution of all large construction projects, development of new technologies as well as procurement for the entire Group.

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

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

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

See note 12 for revenues per category and geography.

Segment assets do not include deferred tax assets, prepaid income taxes, foreign exchange and interest rate derivatives, accrued interests, current interest-bearing receivables (except loans to equity accounted investments), current financial investments and cash and cash equivalents.

The reportable segments are defined as:

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

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

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 and construction of onshore wind and solar power plants with the purpose to sell at completion date and/or own and operate itself. The segment operates in Norway, Sweden, Ireland and the United Kingdom. In addition, the segment has development activities in several countries in Europe.

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

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

In addition:

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

Group items includes elimination of transactions between segments.

Note 4 continued

Reconciliation of IFRS versus underlying figures

NOK million	2020 IFRS	Adjustments	2020 Underlying	2019 IFRS	Adjustments	2019 Underlying
Profit and loss						
Sales revenues	33 875		33 875	43 450		43 450
Gains/losses from market activities [1)]	3 958	-339	3 619	3 716	-42	3 674
Other operating income	685	-119	566	767	-55	712
Gross operating revenues and other income	38 518	**-458**	38 060	**47 933**	**-98**	**47 836**
Energy purchase [1)]	-16 060		-16 060	-17 165		-17 165
Transmission costs [1)]	-1 040		-1 040	-1 353		-1 353
Net operating revenues and other income	21 418	**-458**	20 960	**29 415**	**-98**	**29 318**
Salaries and payroll costs	-4 627		-4 627	-3 971		-3 971
Depreciations and amortisations	-4 066		-4 066	-3 824		-3 824
Impairments/reversal of impairments	-1 379	1 379	-	136	-136	-
Property tax and licence fees	-1 264		-1 264	-1 139		-1 139
Other operating expenses	-4 334	-	-4 334	-3 638	-	-3 638
Operating expenses	-15 669	**1 379**	-14 290	**-12 438**	**-136**	**-12 573**
Operating profit/loss (EBIT)	5 749	**922**	6 670	**16 978**	**-233**	**16 744**

[1)] Comparable figures have been restated. See note 1.

The following adjustments are not included in the underlying figures:

- Gains/losses from market activities: unrealised value changes from embedded euro derivatives in power sales contracts.
- Other operating income: gains from divestment of subsidiaries and joint operations.
- Impairments/reversal of impairments related to intangible assets and property, plant and equipment.

Note 4 continued

Accounting specification per segment

Segments NOK million	Statkraft AS Group	European flexible generation	Market operations	Inter-national power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
2020									
Gross operating revenues and other income, external	**38 060**	14 085	17 911	2 878	313	684	2 087	363	-261
Gross operating revenues and other income, internal	**-**	257	69	24	454	2	33	1 231	-2 070
Gross operating revenues and other income underlying	**38 060**	14 342	17 980	2 902	767	686	2 120	1 594	-2 331
Net operating revenues and other income underlying	**20 960**	11 401	4 304	2 314	659	488	1 975	1 574	-1 754
Operating profit/loss (EBIT) underlying	**6 670**	4 995	2 527	405	-793	17	382	-685	-178
Unrealised value changes from embedded euro derivatives	**339**	339	-	-	-	-	-	-	-
Gains/losses from divestments of business activities	**119**	-	-	119	-	-	-	-	-
Impairments/reversal of impairments	**-1 379**	1 708	-	45	-3 126	-6	-	-	-
Operating profit/loss (EBIT) IFRS	**5 749**	7 041	2 527	569	-3 919	10	382	-685	-178
Share of profit/loss in equity accounted investments	**835**	16	1	-539	8	-	1 472	-123	-
Assets and capital employed 31.12.20									
Property, plant and equipment and intangible assets	**116 170**	61 446	156	23 387	9 168	3 559	16 752	1 704	-
Equity accounted investments	**13 492**	-	-	2 247	839	-	10 297	135	-26
Loans to equity accounted investments	**1 442**	-	-	962	439	-	41	-	-
Inventory - work in progress and development projects	**2 483**	-	-	-	2 483	-	-	-	-
Other assets	**47 669**	2 520	16 193	2 039	711	223	1 279	24 606	97
Total assets	**181 257**	63 966	16 349	28 635	13 641	3 782	28 369	26 445	71
Capital employed	**118 653**	61 446	156	23 387	11 651	3 559	16 752	1 704	-
Average capital employed (rolling 12 months)	**117 531**	60 495	175	25 649	9 505	3 524	16 477	n/a	n/a
Return on average capital employed (ROACE)	**5.7%**	8.3%	n/a	1.6%	-8.3%	0.5%	2.3%	n/a	n/a
Return on average equity accounted investment (ROAE)	**6.3%**	n/a	n/a	-19.8%	0.9%	n/a	15.4%	n/a	n/a
Depreciations, amortisations and impairments	**-5 445**	-235	-34	-794	-3 478	-193	-503	-207	-
Maintenance and other investments	**3 027**	1 695	13	179	297	13	626	206	-
Investments in new capacity	**4 516**	185	-	1 064	2 676	203	388	-	-
Investments in shareholdings	**2 357**	-	-	43	1 850	-	-	465	-
Total investments	**9 901**	1 880	13	1 286	4 822	215	1 014	671	-

Note 4 continued

Accounting specification per segment

Segments NOK million	Statkraft AS Group	European flexible generation	Market operations	Inter-national power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
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/loss (EBIT) underlying [1)]	16 744	11 404	3 127	756	227	216	1 653	-526	-114
Unrealised value changes from embedded euro derivatives	42	42	-	-	-	-	-	-	-
Gains/losses from divestments of business activities	55	-	-	-	55	-	-	-	-
Impairments/reversal of impairments	136	1 035	-	-564	-333	-3	-	-	-
Operating profit/loss (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 31.12.19									
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	-	8	2 631	871	-	9 375	57	-26
Loans to equity accounted investments	1 518	-	-	969	522	-	27	-	-
Other assets [1)]	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
Capital employed [1)]	114 485	58 011	180	24 889	10 004	3 478	16 247	1 677	-
Average capital employed (rolling 12 months)	111 138	56 993	n/a	24 796	8 591	3 461	15 904	n/a	n/a
Return on average capital employed (ROACE)	15.1%	20.0%	n/a	3.0%	2.6%	6.2%	10.4%	n/a	n/a
Return on average equity accounted investment (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 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	-
Total investments	7 422	1 726	75	1 371	2 634	174	1 007	435	-

[1)] Comparable figures have been restated. See note 1.

Note 4 continued

Selected financial figures from "Norwegian hydropower and related business"

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

The table below includes financial figures in accordance with IFRS for the Norwegian hydropower, which have been extracted from the relevant operating segments.

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

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

The column Sum "Norwegian hydropower, excluding related business" represents the totals for the two subsidiaries after elimination of intercompany transactions and balances. The figures for Statkraft Energi AS are extracted from the segments European flexible generation and Market operations, while the figures for Skagerak Kraft Group are extracted from the segment Industrial ownership. The line "Net profit/loss (of which owners of the parent)" from Skagerak Kraft Group is calculated based on Statkrafts ownership interest of 66.62%.

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

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

Norwegian hydropower

		"Norwegian hydropower" from:				
NOK million	Statkraft AS Group	Statkraft Energi AS	Skagerak Kraft Group	Sum "Norwegian hydropower, excluding related business"	Related business	Sum "Norwegian hydropower and related business"
2020						
Gross operating revenues and other income	38 518	10 089	803	10 887		10 887
Net operating revenues and other income	21 418	9 271	709	9 979		9 979
Operating profit/loss (EBIT)	5 749	5 288	22	5 311		5 311
Share of profit/loss in equity accounted investments	835	16	-	16	1 469 [1]	1 485
Net financial items	-1 631	-44	-59	-103		-103
Income tax expense	-1 421	-2 424	29	-2 395		-2 395
Net profit/loss	3 532	2 837	-9	2 828	1 469	4 297
Net profit/loss (of which owners of the parent)	3 319	2 837	-5	2 832	1 469	4 301
Paid dividend and group contribution to Statkraft		5 000 [2]	185 [3]	5 185	539 [3]	5 724
Assets 31.12.20						
Equity accounted investments	13 492	2	2	4	10 177 [1]	10 181
Other assets	167 765	38 024	10 016	48 039		48 039
Total assets	181 257	38 026	10 018	48 044	10 177	58 220
EBITDA	11 194	6 321	207	6 528		6 528
Depreciations, amortisations and impairments	-5 445	-1 033	-185	-1 217		-1 217
Maintenance and other investments	3 027	1 298	209	1 507		1 507
Investments in new capacity	4 516	179	63	241		241
Investments in shareholdings	2 357	-	-	-		-
Total investments	9 901	1 477	271	1 748		1 748

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

Note 4 continued

Norwegian hydropower

NOK million	Statkraft AS Group	"Norwegian hydropower" from: Statkraft Energi AS	Skagerak Kraft Group	Sum "Norwegian hydropower, excluding related business"	Related business	Sum "Norwegian hydropower and related business"
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/loss (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
Income 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	9 955 [4]	47 759		47 759
Total assets	177 815	37 806	9 957	47 764	9 259	57 023
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 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	-	-	-		-
Total investments	7 422	1 185	212	1 396		1 396

[1] Statkraft's share.
[2] Dividend and group contribution after tax paid from Statkraft Energi AS.
[3] Dividend paid to Statkraft.
[4] The figure has changed compared to the annual report 2019. From 2020 the figure will include excess values related to property, plant and equipment.

Note 5 Business combinations and other transactions

SIGNIFICANT ACCOUNTING POLICIES

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

When less than 100% of the interest in an entity is acquired, a non-controlling interest arises. Statkraft chooses to recognise and measure non-controlling interests at the proportionate share of the fair value of net identifiable net assets.

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

Transaction costs are recognised in the profit and loss statement when incurred.

If business combinations are achieved in stages, the existing ownership interests are recognised at fair value at the point in time when control is obtained by Statkraft. Any changes in the carrying value of the investment are recognised in the profit and loss statement.

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

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

ESTIMATES AND ASSUMPTIONS

Consideration paid in such acquisitions is allocated to acquired assets and liabilities and contingent liabilities based on their estimated fair values. Statkraft uses both external advisors and internal experts to assist in the determination of the fair value of acquired assets and liabilities, depending on the size and complexity of the acquisition. This type of valuation requires management to make judgements with regards to valuation method, estimates and assumptions. Management's estimates of fair value and useful life are based on assumptions supported by internal experts and involve inherent uncertainty. See also note 2 for critical assumptions used in estimating fair values of relevant assets and liabilities.

BUSINESS COMBINATIONS AND ASSET ACQUISITIONS IN 2020

Solar Century On 27 November, Statkraft acquired 100% of the shares in the global solar developer Solar Century Holdings Limited and its subsidiaries. The purchase price was NOK 1390 million including cash and cash equivalents of NOK 518 million in the acquired companies. The shares were acquired from a broad group of shareholders. This included institutional shareholders (Cleantech Europe, Environmental Energies Fund, VantagePoint Venture Partners and Fourvision Fund) and several private shareholders (including current and previous employees).

Solar Century is a global developer of solar parks and is engaged in the design, development, supply, installation, maintenance and ownership of solar energy products and systems. The headquarter is in London, UK with around 180 employees across 12 countries. Solar Century holds a portfolio of solar projects mainly located in Europe and some in Chile, Mexico and Columbia. The total portfolio equals 6.5 GW, with 4.2 GW being in the development phase, 2 GW being future pipeline and 0.4 GW currently in construction.

The purchase price of the acquisition is allocated to assets and liabilities based on their fair values, with significant amount of goodwill recognised, mainly following Solar Century's organisation and workforce ability to identify, develop and sell profitable solar projects.

The acquisition is considered to constitute a business.

European Wind Statkraft acquired 100% of several minor onshore wind projects located in Europe. The total purchase price for the shares was NOK 226. In addition, loans to former shareholders of a total of NOK 70 million were repaid in connection with the transactions. The acquisitions are considered not to constitute businesses, and are accounted for as asset acquisitions.

Other In addition, Statkraft has closed minor acquisitions of solar and battery projects in Ireland and electrical vehicle charging in UK.

DIVESTMENTS AND RESTRUCTURING OF BUSINESS IN 2020

Fjordkraft On 19 May, 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. The total gain in 2020 related to Skagerak's shareholding in Fjordkraft is NOK 289 million, recognised as Interest and other financial items.

Himal On 11 July 2020 the Power Purchase Agreement between Himal Power Ltd (HPL) and Nepal Electricity Authority (NEA) expired. Following this expiry, HPL has transferred equal ownership rights in the Khimti hydropower plant in Nepal via a contractual arrangement jointly controlled by HPL and NEA. Subsequent to the transfer Statkraft ceased to control the Khimti hydropower plant on its own, and the investment is classified as a joint venture, recognised according to the equity method. The deconsolidation led to a gain, mainly related to recycling of accumulated currency translation effects, of NOK 119 million, which is presented as Other operating income.

Note 5 continued

Allocation of cost price for acquisitions in 2020 [1]	Solar Century	European wind	Other [2]	Total
Acquisition date	27.11.2020	Second quarter		
Voting rights/shareholding acquired through the acquisition	100%	100%	100%	
Total voting rights/shareholding following acquisition	100%	100%	100%	
Measurement of non-controlling interests	n/a	n/a	n/a	
Consideration				
NOK million				
Cash paid at acquisition date	1 390	204	106	**1 700**
Contingent consideration	-	22	59	**81**
Other	-	-	-	**-**
Total acquisition cost	1 390	226	166	**1 782**
Book value of net acquired assets (see table below)	729	-51	131	**809**
Identification of excess value, attributable to:				
Intangible assets	-	277	64	**341**
Inventory	171	-	-	**171**
Other non-current financial assets	35	-	-	**35**
Provisions	-48	-	-	**-48**
Taxes payable	-42	-	-	**-42**
Gross excess value	115	277	64	**457**
Deferred tax on excess value	-23	-	-7	**-30**
Net excess value	92	277	58	**427**
Fair value of net acquired assets, excluding goodwill	821	226	189	**1 236**
Of which:				
Controlling interests	821	226	189	**1 236**
Non-controlling interests	-	-	1	**1**
Total	821	226	190	**1 237**
Total acquisition cost	1 390	226	166	**1 782**
Fair value of net acquired assets, excluding goodwill (controlling interest)	821	226	189	**1 236**
Goodwill	569	-	-23	**546**

[1] Cost price allocations for business combinations are based on preliminary assessments and could be subject to changes within 12 months of each transaction.

[2] Includes acquisitions of solar and battery projects in Ireland and electrical vehicle charging in UK, in addition to an adjustment from an acquisition in 2019.

NOK million	Solar Century	European wind	Other [1]	Total
Book value of net acquired assets in 2020				
Intangible assets [2]	1	20	109	**130**
Property, plant and equipment	280	-	-	**280**
Deferred tax assets	28	-	-	**28**
Non-current financial assets	282	-	-	**282**
Non-current assets	591	20	109	**720**
Cash and cash equivalents	518	-	-	**518**
Inventories	305	-	-	**305**
Receivables	363	2	28	**392**
Current assets	1 185	2	28	**1 215**
Acquired assets	1 776	22	137	**1 935**
Deferred tax liability	1	-	-	**1**
Interest-bearing liabilities, non-current	478	-	-	**478**
Interest-bearing liabilities, current	299	71	-	**370**
Other interest-free liabilities, current	155	-	6	**161**
Other interest-free liabilities, non-current	114	1	-	**114**
Net value of acquired assets	729	-51	131	**809**
Total acquisition cost	1 390	226	166	**1 782**
Non-cash elements of acquisition cost	-	22	59	**81**
Consideration and cost in cash and cash equivalents	1 390	204	106	**1 700**
Cash and cash equivalents in acquired companies	518	0	-	**518**
Net cash payments in connection with the acquisitions	872	204	106	**1 182**
Contribution to gross operating revenues and other income since acquisition date	32	-	1	**33**
Contribution to net profit/loss since acquisition date	-25	-	-13	**-38**

[1] Includes acquisitions of solar and battery projects in Ireland and electrical vehicle charging in UK.

[2] NOK 129 million is reclassified to inventory in the balance sheet as of 31 December, see note 28.

Note 5 continued

BUSINESS COMBINATIONS AND TRANSACTIONS IN 2019

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

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

DIVESTMENTS AND RESTRUCTURING OF BUSINESS IN 2019

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

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

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

BKK On 9 October, two agreements where BKK acquired 6517 of its own C-shares from Statkraft, corresponding to a total of approximately 4.4% of the company's total share capital, were closed. The acquired shares have been used by BKK as consideration when merging with Sunnfjord Energi and acquiring Kvinnherad Energi. The purchase prices for the shares were NOK 966 million in total, and gains of NOK 438 million in total were recognised as Interest and other financial items.

Allocation of cost price for acquisitions in 2019 [1]	**Ventos**	**Other** [2]	**Total**
Acquisition date	08.10.2019		
Voting rights/shareholding acquired through the acquisition	100%		
Total voting rights/shareholding following acquisition	100%		
Measurement of non-controlling interests	n/a		
Consideration			
NOK million			
Cash paid at acquisition date	296	402	**698**
Contingent consideration	-	130	**130**
Other	-	139	**139**
Total acquisition cost	296	671	**967**
Book value of net acquired assets (see table below)	1	100	**101**
Identification of excess value, attributable to:			
Intangible assets	-	173	**173**
Property, plant and equipment	295	-	**295**
Gross excess value	295	173	**468**
Deferred tax on excess value	-	-15	**-15**
Net excess value	295	158	**453**
Fair value of net acquired assets, excluding goodwill	296	258	**554**
Of which			
Controlling interests	296	248	**544**
Non-controlling interests	-	11	**11**
Total	296	259	**555**
Total acquisition cost	296	671	**967**
Fair value of net acquired assets, excluding goodwill (controlling interest)	296	248	**544**
Goodwill	-	423	**423**

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

[2] Includes JBM Solar, eeMobility, Torsa, Airvolution, E-WALD, Hjartdal, Grønn Kontakt AS (changed name to Mer Norway AS in 2020) and an additional payment of NOK 31 million in 2019 for the shares in Tamar, acquired in 2018.

Note 5 continued

NOK million	Ventos	Other [1]	Total
Book value of net acquired assets in 2019			
Intangible assets	-	45	**45**
Property, plant and equipment	-	227	**227**
Deferred tax assets	-	21	**21**
Non-current financial assets	1	10	**11**
Non-current assets	1	303	**304**
Cash and cash equivalents	-	32	**32**
Inventories	-	5	**5**
Receivables	-	51	**51**
Current assets	-	88	**88**
Acquired assets	1	391	**392**
Interest-bearing liabilities, non-current	-	178	**178**
Interest-bearing liabilities, current	-	9	**9**
Other interest-free liabilities, current	-	101	**101**
Other interest-free liabilities, non-current	-	2	**2**
Net value of acquired assets	1	100	**101**
Total acquisition cost	296	671	**967**
Non-cash elements of acquisition cost	-	269	**269**
Consideration and cost in cash and cash equivalents	296	402	**698**
Cash and cash equivalents in acquired companies	-	32	**32**
Net cash payments in connection with the acquisitions	296	370	**666**
Contribution to gross operating revenues and other income since acquisition date	-	34	**34**
Contribution to net profit since acquisition date	-6	-32	**-38**

[1] Includes JBM Solar, eeMobility, Torsa, Airvolution, E-WALD, Hjartdal and Grønn Kontakt AS (changed name to Mer Norway AS in 2020).

Note 6 Management of capital structure

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

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

There were no changes in the Group's targets and guidelines governing the management of capital structure in 2020.

Overview of capital included in management of capital structure

NOK million	Note	2020	2019
Interest-bearing liabilities, non-current [1]	32	**32 664**	28 427
Interest-bearing liabilities, current	32	**6 459**	4 479
Financial investments, current		**-606**	-1 470
Cash and cash equivalents, excluding restricted cash	30	**-11 125**	-15 168
Net interest-bearing liabilities		**27 393**	16 268

[1] Comparable figures have been restated. See note 1.

Note 7 Market risk in the Group

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY

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

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

MARKET RISK RELATED TO PRICES ON ENERGY AND COMMODITIES

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

COVID-19 The pandemic continues to entail increased risk for breach and cancellation of contracts, but the effect on Statkraft's financial statements has so far been limited.

Climate risk Statkraft is directly exposed to climate change, as changes in precipitation will change the average output from hydropower plants, as well as the increased fluctuations. In addition, the transition to a low-carbon economy will entail extensive policy, legal, technology, and market changes, with a potential to have significant impact on Statkraft's revenues. More information on climate risks and how these are managed can be found in the Sustainability Report.

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

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

Sales revenues

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

Customers This revenue category mainly consists of market access activities within the scope of IFRS 15. Statkraft purchases power from smaller energy generators and sells the power to power exchanges and end-customers, which includes handling volume and imbalance risk.

Gains and losses from market activities

Risk reducing activities In addition to bilateral physical contracts, Statkraft has financial risk reduction portfolios that enters into financial contracts, normally forwards and futures, in order to hedge prices on a certain volume of future spot sales.

Statkraft also has one Nordic and one Continental dynamic asset management portfolio, managed in Oslo and in Düsseldorf, respectively. The objective of these portfolios is to optimise revenues and reduce the risk levels. Statkraft performs financial trades in order to generate values from futures and forward markets, in addition to physical production and trading. Mandates to enter into financial contracts are based on volume thresholds related to available production. The risk is quantified using simulations of various scenarios for relevant risk factors. The Nordic and Continental dynamic asset management portfolios consist mainly of financial contracts for power, CO_2, coal and gas. The contracts are traded on energy exchanges and by bilateral contracts. In general, the time horizon for these contracts is less than five years.

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

Trading activities involve buying and selling standardised and liquid products, such as power, gas, oil, CO_2 products and energy-related metals. The activities also include trading of transportation capacity across borders. The contracts in the trading portfolio have maturities ranging from zero to five years. The aim is to realise profit on changes in the market value of energy and energy-related products. The market risk in these contracts is mainly related to future commodity prices.

Origination activities include buying and selling both standard and structured products. Structured products are typically environmental certificates or power contracts with tailor made profiles entered into in different currencies. Further, Statkraft has market access activities, within the scope of IFRS 9, that enters into long term power purchase and power sales agreements with the aim to provide route to market for renewable energy producers and long-term renewable energy supply to corporate consumers. Depending of the price mechanisms in the power purchase and sales agreements Statkraft may be exposed to a price risk. The price risk is mitigated by entering into financial contracts, mainly forwards and futures, with third parties. Quoted, liquid contracts pertaining to system price, area prices and foreign currency are primarily used to reduce the risk involved in trading structured products and contracts. Most of the contracts in the portfolio have duration of up to five years, though some contracts run until 2035.

Embedded derivatives are related to long-term power sales agreements with industrial customers in Norway and other customers, where the contracts are nominated in euro and/or where the pricing is indexed to certain commodity prices. Embedded derivatives are exposed to both foreign exchange risk and commodity price risk.

Note 7 continued

FOREIGN EXCHANGE AND INTEREST RATE RISK

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

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

Foreign exchange risk Statkraft incurs currency risk in the form of transaction risk, mainly in connection with sale of power and investments in foreign currencies. Currency translation risk is related to shareholdings in foreign subsidiaries, joint operations and equity accounted investments.

Statkraft's settlement currency at the Nordic power exchange Nord Pool is mainly euro and the power contracts traded in the Nordic power exchange Nasdaq are denominated in euro. In addition, most of Statkraft's bilateral power sales agreements in Norway and all power purchase and sales abroad are denominated in foreign currency. The objective of Statkraft's currency hedging is to secure the values of the future cash flows in Norwegian kroner exposed to exchange risk. Hedging of foreign currency risk is primarily done by allocating appropriate volumes of currency debt to the relevant cash flows. The foreign exchange risk is subject to continuous assessment and treated in accordance with the Group Treasury strategy.

Interest rate risk Statkraft's interest rate exposure is mainly related to the Group's debt portfolio. The Group's debt portfolio includes all external interest-bearing bonds and loans, commercial papers and external interest rate derivatives in Statkraft AS and its subsidiaries.

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

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

It is established a project in Statkraft that follows the development and prepares for the transition from IBOR to alternative risk-free reference rates. The transition is expected to take place at different points in time for different reference rates.

Note 8 Analysis of market risk

GENERAL INFORMATION

Statkraft is exposed to market risk within trading and origination activities, from power prices, and from currency and interest rate positions.

Trading and origination Trading and origination activities are performed under specific mandates and are allocated risk capital. Statkraft differentiates between the risk capital that is committed short-term, typically proprietary trading where the risk is measured with a Value at Risk (VaR) approach, and the risk capital that is committed long-term, typically long-term power contracts where the risk is measured with a Profit at Risk (PaR) approach. For each activity, the mandate specifies a risk limit (VaR or PaR), which is dynamically adjusted to ensure that the losses do not exceed the allocated risk capital. In 2020, the diversified allocated risk capital covering market risk for trading and origination activities in Europe was EUR 69 million for short-term commitments and EUR 79 million for long-term commitments. In 2019, the corresponding amounts were EUR 74 million and EUR 89 million, respectively. Limited risk capital is also allocated to cover trading and origination activities outside Europe.

Price risk sensitivity analysis Statkraft quantifies price risk by looking at the effect of a change in the Nordic system price on Statkraft's expected Net profit. The expected change in net profit with a change of EUR 1 is estimated at NOK 250 million in both 2020 and 2019. Both power prices and production volume are affected by temperature and precipitation. Furthermore, changes in power prices are driven by production, consumption and transmission conditions in the power market. These relationships are not reflected in these estimates. A major part of the production outside the Nordics is hedged against price risk.

Interest rate risk sensitivity analysis
The interest rate sensitivity analysis shows how changes in interest rates affect Statkraft's Net financial items (before tax) within a 12-month period given the Group's structure at year-end. For each simulation, the same shifts in interest rates are used for all currencies. The sensitivity analysis is run only for assets and liabilities that represent significant interest-bearing positions. The sensitivity has been calculated by including interest effects from cash and cash equivalents, loans to equity accounted investments, interest-bearing debt and interest rate derivatives. Since hedge accounting is applied, the effect of derivatives designed as hedging instruments is partly offset in Net financial items. With an assumption that interest rates would rise by 100 basis points, the impact on Statkraft's Net financial items would be NOK 258 million in 2020. The corresponding figure for 2019 was NOK 185 million. If interest rates fall by 100 basis points, we would have had the opposite effect of the amounts shown above.

Currency risk sensitivity analysis
Statkraft is exposed to changes in the value of NOK relative to other currencies. The currency risk sensitivity has been calculated by assuming a 10% weakening of NOK relative to other currencies based on balances at 31 December. The sensitivity analysis is run only for assets and liabilities that affect Net financial items and for the revaluation of net assets in foreign subsidiaries (currency translation effects). The calculations do not take into consideration any currency effects that affect other line items than Net financial items in the Statement of comprehensive income, such as the effect of a change in a foreign exchange rate on power prices, energy derivatives and inventories. This analysis does not consider correlation between currencies.

Specification of currency risk sensitivity [1] NOK million	2020 Effect on Net financial items before tax	2020 Effect on Currency translation effects	2019 Effect on Net financial items before tax	2019 Effect on currency translation effects
EUR/NOK	-3 274	1 604	-2 513	1 033
GBP/NOK	-377	582	-374	340
USD/NOK	-381	1 467	-392	1 501
SEK/NOK	-204	2 079	-163	1 999
Other	4	1 137	1	1 261
Total	-4 232	6 869	-3 441	6 134

[1] The table shows the effect on Net financial items and Currency translation effects with a 10% depreciation of NOK against all other currencies. An appreciation of NOK with 10 % would have had the opposite effect of the amounts shown in the table.

Specification of debt by currency [3] NOK million	2020 Debt by currency before the effect of derivatives [1]	2020 Debt by currency adjusted for the effect of derivatives [2]	2019 Debt by currency before the effect of derivatives [1]	2019 Debt by currency adjusted for the effect of derivatives [2]
Debt in NOK [4]	3 231	-3 376	5 681	-1 903
Debt in EUR [5]	23 335	25 010	21 999	24 367
Debt in USD	-	3 808	2	4 184
Debt in GBP	240	787	-	556
Debt in BRL	1 043	1 043	1 199	1 199
Debt in INR	909	909	664	664
Total	28 759	28 181	29 546	29 068

[1] Includes long-term interest-bearing liabilities (excluding lease liabilities and prepayments related to long-term power sales agreements), first-year instalment on long-term interest-bearing debt and commercial papers.
[2] Includes long-term interest-bearing liabilities (excluding lease liabilities and prepayments related to long-term power sales agreements), first-year instalment on long-term interest-bearing debt, commercial papers, the currency effect of allocated forward exchange rate contracts and the currency effect of combined interest rate and currency swaps. Specifications of debt by currency includes effects from allocated forward exchange rate contracts and combined interest rate and currency swaps since Statkraft uses these derivatives to achieve the desired currency structure for the Group's debt portfolio.
[3] Management of foreign exchange risk and interest rate risk are presented in note 7.
[4] The negative figure in NOK reflects the effects from the use of allocated forward exchange rate contracts and combined interest rate and currency swaps.
[5] Comparable figures have been restated. See note 1.

Note 8 continued

Specification of interest by currency [3]	2020 Interest by currency before the effect of derivatives [1]	2020 Interest by currency adjusted for the effect of derivatives [2]	2019 Interest by currency before the effect of derivatives [1]	2019 Interest by currency adjusted for the effect of derivatives [2]
Nominal average interest rate NOK [4]	**4.00%**	**n.a.**	3.00%	n.a
Nominal average interest rate EUR	**1.70%**	**0.80%**	2.00%	1.10%
Nominal average interest rate USD	**n.a.**	**2.40%**	5.70%	3.40%
Nominal average interest rate GBP	**1.50%**	**1.40%**	n.a.	1.60%
Nominal average interest rate BRL	**5.20%**	**5.20%**	7.30%	7.30%
Nominal average interest rate INR	**7.90%**	**7.90%**	8.80%	8.80%

[1] Includes long-term interest-bearing liabilities (excluding lease liabilities and prepayments related to long-term power sales agreements), first-year instalment on long-term interest-bearing debt and commercial papers.

[2] Includes long-term interest-bearing liabilities (excluding lease liabilities and prepayments related to long-term power sales agreements), first-year instalment on long-term interest-bearing debt, commercial papers, allocated forward exchange rate contracts, interest rate swaps and combined interest rate and currency swaps.

[3] Management of foreign exchange risk and interest rate risk is presented in note 7.

[4] Nominal average interest rate in NOK is not applicable to specify because the figure is negative in the table Specification of debt by currency, see above.

Note 9 Credit risk and liquidity risk

GENERAL INFORMATION ON CREDIT RISK

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

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

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

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

Excess liquidity is managed in a conservative manner with regard to credit risk, diversification and duration. Management of excess liquidity is handled at Group level. Statkraft's excess liquidity is mainly held in NOK and invested across various short-term financial instruments such as commercial papers, time deposits and bank deposits. Credit and duration limits are stipulated for each counterparty based on credit ratings and total assets. As of 31 December 2020, approximately 4% of the Group's excess liquidity was held in time deposits and 96% in overnight bank deposits.

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

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

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

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

NOK million	Note	2020	2019
Gross exposure credit risk:			
Other financial assets, non-current	27	6 338	3 597
Derivatives [1)]	10	11 816	11 713
Receivables	29	13 659	13 348
Financial investments, current		606	1 470
Cash and cash equivalents	30	11 155	15 203
Gross exposure credit risk		43 574	45 332
Exposure reduced by cash collateral:			
Cash collateral	32	-1 761	-1 383
Net exposure credit risk		41 813	43 949

[1)] Comparable figures have been restated. See note 1.

Note 9 continued

GENERAL INFORMATION ON LIQUIDITY RISK

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

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

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

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

Maturity schedule, external long-term liabilities

NOK million	0-1 year	1–2 years	2–3 years	3–4 years	4–5 years	5 years and later
Instalments on bond loans from the Norwegian market	800	1 500	-	-	450	300
Instalments on loans raised in non-Norwegian markets	-	7 318	5 216	-	5 224	5 193
Instalments on external loans in subsidiaries and other loans	1 202	427	480	182	217	249
Interest payments	641	554	275	179	168	429
Total maturity schedule 2020	2 643	9 799	5 971	362	6 059	6 171
Total maturity schedule 2019	3 093	2 421	9 153	5 395	237	11 381

Allocation of derivatives with negative market values

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

NOK million	0-1 year	1–2 years	2–3 years	3–4 years	4–5 years	5 years and later
Energy derivatives	5 549	1 960	885	664	705	938
Interest rate- and foreign currency derivatives	266	187	82	80	66	254
Total derivatives 2020	5 815	2 147	967	744	771	1 193
Total derivatives 2019	6 628	1 199	691	370	336	746

Note 10 Financial instruments

GENERAL INFORMATION

Financial instruments account for a significant part of Statkraft's statement of financial position and are significant for the Group's results. Most of the financial instruments can be classified into three main categories; energy trading, hedging of future revenues from generation and financial activities. In addition, Statkraft has other financial instruments such as accounts receivable, accounts payable, cash, short-term financial investments and equity investments.

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

Financial instruments in hedging of future revenues from generation Financial instruments are also used as part of the Group's financial hedging strategy for continuous optimisation of future revenues from the expected generation from own assets. Derivatives recognised in the statement of financial position are shown as separate items and are measured at fair value with changes in value recognised in the statement of profit and loss. As the Group's future own production of power does not qualify for recognition in the statement of financial position, the effect of changes in value on derivatives may have major effects on the profit and loss statement without necessarily reflecting the underlying business activities.

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

SIGNIFICANT ACCOUNTING POLICIES

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

Financial instruments measured at fair value through profit and loss

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

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

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

ACCOUNTING JUDGEMENT

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

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

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

Note 10 continued

ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

DESCRIPTION OF CONTRACTS AND ASSUMPTIONS

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

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

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

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

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

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

Environmental certificate derivatives
- CO_2 contracts are valued based on the forward prices of European Union Allowance (EUA) quotas and Certified Emission Reduction (CER) quotas.
- Green certificate derivatives are valued at forward prices.

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

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

Shares and shareholdings are valued at quoted prices when available. Other securities are valued by discounting expected future cash flows.

Note 10 continued

Fair value hierarchy

2020	Fair value measurement at period-end using:			
NOK million	Level 1	Level 2	Level 3	Total
Derivatives at fair value through profit and loss				
Energy derivatives, non-current assets	394	3 794	1 697	**5 885**
Energy derivatives, current assets	558	3 291	299	**4 148**
Energy derivatives, non-current liabilities	-190	-1 466	-5 657	**-7 312**
Energy derivatives, current liabilities	-652	-4 310	-477	**-5 439**
Energy derivatives, net	110	1 309	-4 137	**-2 718**
Currency and interest rate derivatives, non-current assets	-	1 522	-	**1 522**
Currency and interest rate derivatives, current assets	-	262	-	**262**
Currency and interest rate derivatives, non-current liabilities	-	-466	-	**-466**
Currency and interest rate derivatives, current liabilities	-	-200	-	**-200**
Currency and interest rate derivatives, net	-	1 117	-	**1 117**
Other financial assets at fair value through profit and loss				
Shares	-	-	393	**393**
Financial investments, current	181	424	-	**606**
Other long-term receivables	-	-	335	**335**
Total	181	424	728	**1 334**
Financial assets at fair value through other comprehensive income				
Shares	-	66	94	**161**

2019	Fair value measurement at period-end using:			
NOK million	Level 1	Level 2	Level 3	Total
Derivatives at fair value through profit and loss [1]				
Energy derivatives, non-current assets	-	2 400	1 343	3 743
Energy derivatives, current assets	926	4 707	769	6 402
Energy derivatives, non-current liabilities	-	-1 310	-2 517	-3 827
Energy derivatives, current liabilities	-679	-5 078	-556	-6 313
Energy derivatives, net	247	720	-962	5
Currency and interest rate derivatives, non-current assets [1]	-	1 464	-	1 464
Currency and interest rate derivatives, current assets	-	104	-	104
Currency and interest rate derivatives, non-current liabilities	-	-206	-	-206
Currency and interest rate derivatives, current liabilities	-	-133	-	-133
Currency and interest rate derivatives, net	-	1 230	-	1 230
Other financial assets at fair value through profit and loss				
Shares	-	-	345	345
Financial investments, current	1 082	389	-	1 470
Commercial papers and short-term bonds	-	3 707	-	3 707
Total	1 082	4 096	345	5 522
Financial assets at fair value through other comprehensive income				
Shares	-	-	133	133

[1] Comparable figures have been restated. See note 1.

Note 10 continued

Assets and liabilities measured at fair value based on Level 3

NOK million	Assets	Liabilities	Total
Opening balance 01.01.2020	2 590	-3 073	-484
Unrealised changes in value recognised in profit and loss	-108	-3 106	-3 214
Unrealised changes in value recognised in other comprehensive income	-6	-	-6
Additions or derecognitions	396	-	396
Transfers to or from Level 3	-52	5	-47
Currency translation effects	-2	40	38
Closing balance 31.12.2020	2 818	-6 134	-3 316
Net realised gain (+)/loss (-) recognised in profit and loss 2020			-93
Opening balance 01.01.2019	3 895	-3 900	-5
Unrealised changes in value recognised in profit and loss	-1 464	889	-575
Unrealised changes in value recognised in other comprehensive income	27	-	27
Additions or derecognitions	118	-	118
Transfers to or from Level 3	45	-89	-44
Currency translation effects	-32	27	-5
Closing balance 31.12.2019	2 590	-3 073	-484
Net realised gain (+)/loss (-) recognised in profit and loss 2019			46

Sensitivity analysis of factors classified to Level 3

NOK million	10% reduction	10% increase
Net effect from power prices	208	-155

The effects are not symmetrical due to volume flexibility in the contracts.

Assets and liabilities recognised at amortised cost		**Amortised cost**	**Fair value [1]**	**Amortised cost**	**Fair value [1]**
NOK million	Note	2020	2020	2019	2019
Financial assets at amortised cost					
Loans to equity accounted investments, non-current	27	1 387		1 463	
Bonds and other long-term receivables	27	1 430		770	
Accounts receivable	29	7 344		8 024	
Cash collateral and margin calls	29	3 917		3 035	
Other receivables [2]	29	587		1 020	
Cash and cash deposits	30	11 155		11 496	
Total		25 821		25 810	
Financial liabilities at amortised cost					
Bonds issued in the Norwegian market	32	-2 250	-2 368	-3 050	-3 150
Debt issued in non-Norwegian markets	32	-22 961	-24 754	-21 603	-23 177
External debt in subsidiaries and other debt [3]	32	-1 545	-1 573	-2 318	-2 322
Cash collateral	32	-1 761		-1 383	
First year's instalment on long-term debt	32	-2 002	-2 012	-2 575	-2 576
Other interest-bearing short-term debt	32	-2 112		-304	
Accounts payable	33	-1 580		-1 593	
Accrued interest-free liabilities	33	-5 795		-5 812	
Other		-1 937		-1 519	
Total		-41 942		-40 157	

[1] Fair value is not disclosed when the carrying amount is a reasonable approximation of fair value. Issued bonds and debt are classified in level 2, since the valuation is based on observable market data in the form of interest rate curves, exchange rates and credit margins.

[2] Amount differs from note 29 since prepaid expenses and indirect taxes are not included in note 10.

[3] Comparable figures have been restated. See note 1.

Note 10 continued

NETTING AGREEMENTS

2020

Financial assets

NOK million	Gross amount	Offseting amount	Booked amount	Netting agreements not offset in balance sheet	Financial collateral received	Net value
Energy derivatives	20 181	10 148	**10 033**	-	515	**9 518**
Currency and interest rate derivatives	1 783	-	**1 783**	-	1 246	**537**
Total derivatives (current and non-current)	21 964	10 148	**11 816**	-	1 761	**10 055**
Receivables	19 654	5 995	**13 659**	26	-	**13 633**

Financial liabilities

NOK million	Gross amount	Offseting amount	Booked amount	Netting agreements not offset in balance sheet	Financial collateral pledged [1]	Net value
Energy derivatives	-22 899	-10 148	**-12 751**	-	-3 792	**-8 959**
Currency and interest rate derivatives	-666	-	**-666**	-	-125	**-541**
Total derivatives (current and non-current)	-23 565	-10 148	**-13 417**	-	-3 917	**-9 500**
Other interest-free liabilities	-16 110	-5 995	**-10 115**	-26	-	**-10 089**

[1] Includes initial margin.

2019

Financial assets

NOK million	Gross amount	Offseting amount	Booked amount	Netting agreements not offset in balance sheet	Financial collateral received	Net value
Energy derivatives	22 102	11 958	10 144	-	1 382	8 762
Currency and interest rate derivatives [1]	1 569	-	1 569	-	1 348	221
Total derivatives (current and non-current)	23 671	11 958	11 713	-	2 729	8 983
Receivables	20 426	7 078	13 348	33	-	13 315

Financial liabilities

NOK million	Gross amount	Offseting amount	Booked amount	Netting agreements not offset in balance sheet	Financial collateral pledged [2]	Net value
Energy derivatives	-22 097	-11 958	-10 139	-	-2 818	-7 322
Currency and interest rate derivatives	-339	-	-339	-	-218	-121
Total derivatives (current and non-current)	-22 436	-11 958	-10 478	-	-3 035	-7 443
Other interest-free liabilities	-17 127	-7 078	-10 049	-33	-	-10 016

[1] Comparable figures have been restated. See note 1.
[2] Includes initial margin.

The tables show a reconciliation of gross amounts, booked amounts and net value (net exposure) of financial instruments where there are netting agreements or similar agreements.

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

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

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

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

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

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

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

Note 11 Hedge accounting

GENERAL INFORMATION

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

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

The hedge ratio is 1:1 as the critical terms of the hedged items and the hedging instruments are deemed to be approximately the same. The fair value hedges are expected to be highly effective and there was no significant impact on the statement of profit and loss resulting from hedge ineffectiveness during the year. Hedge ineffectiveness may arise if the terms of the hedged item and the hedging instrument are not fully aligned.

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The hedging relationships are expected to remain effective at a future transition from EURIBOR to an alternative risk-free reference rate. The uncertainty related to the transition is limited, since the hedged items have fixed interest. Any accounting effects at transition are expected to be insignificant.

Hedging instruments

	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument [1]		Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness during the period
NOK million		Assets	Liabilities		
2020					
Fair value hedges					
Interest rate risk:					
Interest rate swaps	MEUR 750	-	293	Derivatives	26
2019					
Fair value hedges					
Interest rate risk:					
Interest rate swaps	MEUR 750	-	267	Derivatives	95

[1] Accrued interest is not a part of the carrying amount.

Hedging instruments - timing profile

NOK million	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 years and later
2020						
Fair value hedges						
Interest rate risk:						
Interest rate swaps	-	-	MEUR 500	-	MEUR 250	-
2019						
Fair value hedges						
Interest rate risk:						
Interest rate swaps	-	-	-	MEUR 500	-	MEUR 250

Note 11 continued

Hedged items

NOK million	Nominal amount of the hedged item	Carrying amount of the hedged item[1]		Accumulated amount of fair value hedge adjustment on the hedged item, included in the carrying amount of the hedged item[1]		Line item in the statement of financial position in which the hedged item is included	Changes in fair value used for calculating hedge ineffectiveness for the period
		Assets	Liabilities	Assets	Liabilities		
2020							
Fair value hedges							
Interest rate risk:							
Fixed rate borrowing	MEUR 750	-	-8 119	-	-291	Interest-bearing liabilities	-24
2019							
Fair value hedges							
Interest rate risk:							
Fixed rate borrowing	MEUR 750	-	-7 633	-	-267	Interest-bearing liabilities	-90

[1] Accrued interest is not a part of the carrying amount.

Hedging effectiveness

NOK million	Change in the value of the hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised in profit and loss	Line item in profit and loss (that includes hedge ineffectiveness)
2020			
Fair value hedges			
Interest rate risk:			
Fixed rate borrowing	-	1	Interest and other financial items
2019			
Fair value hedges			
Interest rate risk:			
Fixed rate borrowing	-	5	Interest and other financial items

Hedging reserves

NOK million	Foreign exchange risk
2020	
Net investment hedge reserve	
Balance as of 01.01	-321
Hedging gain or loss	-
Balance as of 31.12	-321
2019	
Net investment hedge reserve	
Balance as of 01.01	-321
Hedging gain or loss	-
Balance as of 31.12	-321

Note 12 Sales revenues and energy purchase

GENERAL INFORMATION

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

Generation includes sales revenues and energy purchase related to Statkraft's physical power generating assets and district heating. The category includes spot sales, long-term contracts, concessionary sales contracts, district heating and certain environmental certificates.

Customers includes sales revenues and energy purchase related to market access activities which are in accordance with IFRS 15 and is mainly related to activities in Germany, UK and Norway.

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.

The revenues from downstream market services in the UK have been reclassified. This has affected the categories 'Grid and other' and 'Customers' above. In addition, the financial statement line item Transmission costs has been affected. Comparable figures have been restated. See note 1.

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Government grants are conditional to own generation of power from certain technologies. The right to receive the grants are obtained at the time of generation, and at the point of generation there is a reasonable assurance that Statkraft complies with the conditions related to the government grants and that the grants will be received. The grants are closely connected to the generation and the income is therefore presented as sales revenues and revenue category generation. The recognised amount from government grants was NOK 368 million for 2020 (NOK 531 million).

For power sales contracts where Statkraft receives a fixed prepayment and where the delivery profile is not agreed, revenues are recognised on a straight-line basis over the contract period (years). Within the respective years, the revenues are recognised based on the expected production profile for the relevant power plants. See note 32.

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

Customers
This category includes sales revenues and energy purchase from market access activities which are in accordance with IFRS 15 (own use exemption). Other market access activities which are in accordance with IFRS 9 are presented net in the line item "Gains and losses from market activities" in the statement of profit and loss.

When other parties are involved in providing goods or services to Statkraft's customers, Statkraft has to determine whether its performance obligation is to provide the good or service itself (i.e. Statkraft is a principal) or to arrange for those goods or services to be provided by another party (i.e. Statkraft is an agent). In assessing whether Statkraft is agent or principal, Statkraft considers its contractual rights to direct the use of the electricity, balancing risk, discretion prices of the deliveries and whether Statkraft acts as the primary obligor of the deliveries. If Statkraft is a principal, the remuneration received from the customer is presented gross as sales revenues. The corresponding energy purchase is presented gross on a separate line item in the profit and loss statement. If Statkraft is an agent, the compensation for the service delivered is presented net as sales revenues.

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

The Group receives monetary contributions from customers in different jurisdictions in aid of construction of infrastructure connecting the customers to the grid for electricity or to district heating. Contributions to infrastructure assets represent payments which are to be evaluated together with pricing of future deliveries by Statkraft to the customer (one performance obligation) and revenue is therefore recognised over time. Statkraft has considered that it is appropriate to recognise these revenues over the expected useful life of the infrastructure assets.

Note 12 Continued

Specification per revenue category

NOK million	Statkraft AS Group	European flexible generation	Market operations	International power	European wind and solar	District heating	Industrial ownership	Other activities	Group items
2020									
Generation - sales revenues	17 140	12 508	27	2 582	607	681	827	-	-92
Generation - energy purchase	-1 996	-1 554	-6	-251	-	-199	-38	-	52
Generation - net	15 143	10 954	21	2 331	607	482	789	-	-41
Customers - sales revenues	13 579	-	13 985	46	-	-	4	-1	-455
Customers - energy purchase	-13 175	-	-13 632	-	-	-	-	-	457
Customers - net	404	-	353	46	-	-	4	-1	3
Grid and other - sales revenues	3 156	1 543	117	258	39	-	1 164	194	-159
Grid and other - energy purchase	-889	-636	-37	-216	-31	-	-	-20	51
Grid and other - net	2 267	907	80	42	8	-	1 164	175	-108
Sales revenues - total	33 875	14 051	14 130	2 886	646	681	1 995	193	-706
Energy purchase - total	-16 060	-2 190	-13 675	-468	-31	-199	-38	-20	560
Sales revenues adjusted for energy purchase	17 815	11 862	454	2 418	615	482	1 957	173	-146
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 [1)]	**-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	-	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) Comparable figures have been restated. See note 1.

Specification per geographical area

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

Geographical areas

NOK million	Statkraft AS Group	Norway	Germany	Sweden	UK	Albania	Brazil	Peru	Other
2020									
Sales revenues external	33 875	14 520	10 099	2 304	3 325	101	817	1 093	1 616
Generation	17 140	10 045	2 760	1 490	211	101	817	856	860
Customers	13 579	2 654	7 099	-	3 115	-	-	-	712
Grid and other	3 156	1 822	239	814	-	-	-	237	44
2019									
Sales revenues external	**43 450**	22 464	12 019	3 165	2 421	76	955	1 103	1 247
Generation	**26 138**	18 077	2 612	2 627	186	76	955	852	754
Customers	**14 668**	2 764	9 190	-	2 221	-	-	-	493
Grid and other	**2 644**	1 622	217	538	14	-	-	251	-

Note 12 Continued

Further specification of sales revenues for revenue category **Generation:**

Generation - sales revenues

NOK million	2020	2019
Spot sales	7 988	16 102
Long-term contracts [1)]	7 609	8 085
Concessionary power	402	397
District heating	773	1 024
Environmental certificates	368	531
Generation - sales revenues	**17 140**	**26 138**

[1)] Long-term contracts include NOK 56 million in revenues from two contracts where the customers have made prepayments for the entire contract period. See also note 32.

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

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

Grid and other - sales revenues

NOK million	2020	2019
Distribution grid	1 422	1 446
Subsea cable	997	722
Revenues from rental of power plants [1)]	303	445
Miscellaneous [2)]	434	30
Grid and other - sales revenues	**3 156**	**2 644**

[1)] Revenues from power plants that are leased to third parties are presented as sales revenues, while expenses related to the operations of the power plants are recognised under operating expenses.
[2)] Includes termination fee received related to a long-term power sales contract. It also includes revenues from EV charging businesses.

Note 13 Gains/losses from market activities

GENERAL INFORMATION

Risk reducing activities consist of financial power contracts that mitigate price risk related to power generation. The activities also include the dynamic asset management portfolios.

Trading and origination activities

Trading activities include buying and selling standardised and liquid products, such as power, oil and gas contracts.

Origination activities include buying and selling both standardised and structured energy-related products and services. It also includes market access activities which are in accordance with IFRS 9.

Embedded derivatives are related to long-term power sales agreements with industrial customers in Norway, where the contracts are nominated in euro and/or where the pricing is linked to certain commodity prices.

For more information on the categories above, see note 7.

SIGNIFICANT ACCOUNTING POLICIES

Derivatives Risk reducing derivatives and most of the contracts within trading and origination are recognised at fair value through profit and loss (see note 10). The gains and losses consist of both realised and unrealised items and are presented net.

Embedded derivatives The foreign exchange exposure Statkraft takes on by nominating power sale contracts with Norwegian industrial customers in euro is considered to be an embedded derivative. In addition, some of these contracts are linked to the development of commodity prices. These derivatives are separated from its host contract and recognised at fair value in the statement of financial position. See note 10.

Gains/losses from market activities

NOK million	2020	2019
Risk reducing activities	**2 002**	1 278
Trading and origination activities	**3 064**	3 239
Embedded derivatives in energy contracts	**-1 109**	-801
Total	**3 958**	3 716

Note 14 Other operating income

GENERAL INFORMATION

Other operating income includes income from all other operating activities which are not related to the principal activities in the Group. It includes items such as sales of services, gains/losses from disposals of property, plant and equipment, insurance settlements, etc. It also includes gains from divestments of business activities.

Other operating income

NOK million	Note	2020	2019
Gains from divestments of business activities	5	**119**	55
Miscellaneous other operating income [1]		**566**	712
Total		**685**	767

[1] Includes no separate major items for 2020.

Note 15 Impairments/reversal of impairments

SIGNIFICANT ACCOUNTING POLICIES

Property, plant, equipment and intangible assets are reviewed for impairment at the end of every quarter. When there are indicators that future earnings cannot justify the carrying value, the recoverable amount is calculated to consider whether an allowance for impairment must be made. The recoverable amount is the higher of the asset's fair value less costs of disposal (FVLCOD) and its value in use (VIU). Intangible assets with indefinite useful life are not amortised, but are considered for impairment once every year and when there are circumstances or indicators implying an impairment test should be performed. Previously impaired non-financial assets, except goodwill, are reviewed for possible reversal of the impairment at each reporting date.

For the purposes of assessing impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units (CGUs)). CGUs in Statkraft are identified as follows:

Hydropower Power plants sharing the same water flow and/or being subject to the same infrastructure limitation are managed together to optimise power generation.

Wind farms The individual wind farm.

Gas-fired power plants A gas-fired power plant normally constitutes a CGU unless two or more plants are controlled and optimised together so that revenues are not independent of each other.

District heating Each plant together with associated infrastructure including distribution networks.

Biomass power plants The individual biomass power plants.

Goodwill Segment is the lowest CGU level used when testing goodwill for impairment.

Equity accounted investments are tested for impairment when there are indications of possible loss in value. An impairment loss is recognised if the recoverable amount, estimated as the higher of fair value less cost to sell or value in use, is below the carrying value. Impairments in equity accounted investments are presented as a part of share of profit/loss in equity accounted investments in the profit and loss statement.

ACCOUNTING JUDGEMENTS

Indicator assessment In accordance with the ordinary reporting procedures, impairment of the carrying value of an asset is reviewed on a quarterly basis. Indicators that might give rise to an impairment loss are analysed and discussed by the segments and the Group's specialists. If indicators are identified, calculations will be made and if the carrying value is higher than the recoverable amount, an impairment loss is recognised in the financial statement. Analogue procedures are performed regarding reversal of earlier impairment. The Audit committee is informed of any impairment issues on a quarterly basis.

Special attention is given to assets where one or more of the following situations are present:

- The difference between carrying value and recoverable amount is marginal.
- Regulatory environment is unclear or project execution is uncertain.
- Structural changes in market conditions that lead to changes in the expected long-term power prices.
- Impairment loss has been assessed in earlier periods.

ESTIMATES AND ASSUMPTIONS

Value in use is calculated as future expected cash flows discounted by using a required rate of return equal to the market's required rate of return for corresponding assets in the same industry. The operating expenses are derived from the current year's expenses and next year's budget. Restructuring activities that the Group has not yet committed to or significant future investments that will enhance the asset's performance in the CGU being tested, are not included. Expected maintenance investments are included for commissioned power plants. Provision for decommissioning is not usually included in the value in use calculation.

When determining the value in use for property, plant and equipment under construction, remaining investments approved by Statkraft's management are included.

Assumptions applied when assessing value in use The recoverable amount is sensitive to the long-term price forecast for power, expected production volumes and the discount rate.

Power prices:
- For the short-term period, typically the first 3-5 years, observable market prices are applied as a basis for estimating future revenues.
- For the long-term period, typically ten years subsequent of the balance sheet date, estimated revenues are based on Statkraft's long-term price forecast for power, as described in note 2.
- For the period between short-term and long-term period the prices are interpolated.

Production volumes The production volume used in the discounted cash flow analyses is the long-term expected production volume for any given site, taking into account all expected technical, hydrological and wake losses. The volume estimate is a combination of information from turbine suppliers, third-party consultants and Statkraft's internal estimates.

Discount rate The discount rate applied when calculating value in use is based on a discount rate after tax, whereas the estimated future cash flows are adjusted for risks specific to the asset. Estimated future cash flows are discounted using a nominal post-tax discount rate which is based on Statkraft's post-tax weighted average cost of capital (WACC). The use of post-tax discount rates in determining value in use would not significantly affect the amount of impairment/reversal if impairment compared with applying a pre-tax discount rate.

Note 15 continued

Assumptions applied when assessing fair value less cost to sell A fair value less cost to sell approach is applied for assets operating in a market where observable transactions for comparable assets exist. This is applied for onshore wind assets in the UK, where the fair value of the CGUs was derived from comparable onshore wind transactions in the UK market. The valuation model applied is based on multiples for annual power production.

Impairments/reversal of impairments recognised in the profit and loss statement

NOK million	2020	2019
Property, plant, equipment and intangible assets	3 203	900
Reversal of impairments on property, plant and equipment and intangible assets	-1 824	-1 035
Total impairments/reversal of impairments in consolidated business	1 379	-136
Equity accounted investments	627	115
Total impairments/reversal of impairments	2 006	-21

IMPAIRMENTS/REVERSALS OF IMPAIRMENTS IN 2020

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 1279 million and NOK 1847 million, respectively, have been recognised.

Gas-fired power plants in Germany Improved outlook for future gas to power margin (spark spread) has led to a reversal of previous impairment of gas-fired power plants of NOK 1559 million.

Hydropower in Peru A reversal of previous impairment of NOK 116 million was recognised related to a hydropower asset, mainly as a result of increased long-term price expectations.

Biomass power in Germany A reversal of previous impairment of NOK 110 million was recognised related to biomass assets, mainly as a result of expected improved market conditions.

Hydropower in Germany A reversal of previous impairment of NOK 39 million was recognised related to a pumped-storage asset, mainly as a result of expected improved market conditions.

Equity accounted investments

Hydropower in Chile An impairment of NOK 627 million presented as share of profit/loss in equity accounted investments was recognised in two joint ventures in the third quarter, mainly as a result of an expected reduction in future generation.

Estimated recoverable amounts are particularly sensitive to changes in cost of capital and future power prices or other relevant prices, such as spark spread for gas-fired power plants, see below.

NOK million								
Segment	**European wind and solar**		**European flexible generation**			**International power**		**Total consolidated business**
Geography	Sweden	Norway	Germany	Germany	Germany	Peru	Other [1]	
Technology	Wind	Wind	Gas-fired	Hydro	Biomass	Hydro	Other [1]	
Recoverable amount relevant assets/CGUs	1731	2941	3748			6460		
Recoverable amount applied	VIU	VIU	VIU	VIU	VIU	VIU		
Impairments/reversal of impairments (-)	1847	1279	-1559	-39	-110	-116	77	**1379**
Discount rate after tax %	5.9	5.9	5.9					
Discount rate before tax %	7.6	7.6	8.4					
Sensitivity analysis:								
Power prices / spark spread +10%	299	525	592					
Power prices / spark spread -10%	-300	-525	-603					
Discount rate -1%-point	177	143	335					
Discount rate +1%-point	-154	-121	-300					

[1] Mainly related to a tunnel collapse in Brazil, in addition to technical goodwill from previous acquisitions in Brazil and Sweden.

Note 15 continued

IMPAIRMENTS/REVERSALS OF IMPAIRMENTS IN 2019

Property, plant and equipment and intangible assets

Gas-fired power in Germany Improved outlook for future gas to power margin has led to a reversal of previous impairment for gas-fired power plants in Germany of NOK 1035 million.

Wind power in Sweden The growth in generation capacity in the Nordic region is expected to lead to decreased revenue for certain assets. As a result, an impairment of wind power assets in Sweden amounting to NOK 333 million has been recognised.

Hydropower in Chile Reduced long-term price expectations led to impairments of hydropower assets in Chile of NOK 255 million.

Hydropower in Nepal At the expiry date of the current power purchase agreement, the subsidiary Himal Power Ltd (HPL) in Nepal is obliged to arrange for the transfer of 50% of its ownership interest in the hydropower plant Khimti. The transfer will be made to a new established company jointly owned by Nepal Electricity Authority (NEA) and HPL. Revised assumptions indicate that the jointly owned company will not qualify for continued consolidation. This led to an impairment of NOK 254 million.

Equity accounted investments

Hydropower in India An impairment of NOK 115 million (Statkraft's share) was recognised in the joint venture Allain Duhangan Hydro Power Ltd. in India. The impairment was related to hydropower assets, mainly as a result of reduced long-term price expectations. The assets are part of the International power segment.

Estimated recoverable amounts are particularly sensitive to changes in cost of capital and future power prices or other relevant prices, such as spark spread for gas-fired power plants, see below.

NOK million

Segment	**European wind and solar**	**European flexible generation**	**International power**				**Total consolidated business**
Geography	Sweden	Germany	Chile	Nepal	Peru	Other [1]	
Technology	Wind	Gas-fired	Hydro	Hydro	Hydro	Other [1]	
Recoverable amount relevant assets/CGUs	3267	2706	2605	254			
Recovable amount applied	VIU	VIU	VIU	FVLCOD	VIU		
Impairments/reversal of impairments (-)	333	-1035	255	254	28	30	**-136**
Discount rate after tax %	6.1	6.1	6.5	11.6			
Discount rate before tax %	7.7	8.8	8.9				
Sensitivity analysis:							
Power prices / spark spread +10%	426	442	618				
Power prices / spark spread -10%	-426	-445	-173				
Discount rate -1%-point	250	255	737				
Discount rate +1%-point	-219	-227	-536				

[1] Mainly related to technical goodwill from previous acquisitions in Brazil, Sweden and Chile.

Note 16 Payroll costs and number of full-time equivalents

NOK million	2020	2019
Salaries	3 000	2 618
Employers' national insurance contribution	512	469
Pension costs [1]	400	240
Other benefits	715	645
Total	4 627	3 971

[1] Pension costs are described in further detail in note 17.

	2020	2019
Average number of full-time equivalents Group	3 764	3 415
Number of full-time equivalents as of 31.12.	4 074	3 601

Note 17 Pensions

GENERAL INFORMATION

Statkraft's pension benefit schemes have been established in accordance with local statutes and cover both defined contribution schemes and defined benefit schemes.

Defined contribution schemes A defined contribution scheme is a retirement benefit scheme where the Group pays fixed contributions to a separate entity without incurring further obligations once the payment has been made. The main contribution scheme in the Group is described in more detail below.

Defined contribution scheme in Norway Statkraft's pension scheme for new employees in Norway after closing of the defined benefit schemes in the National Pension Fund (SPK) and the Skagerak Energi Pension Fund (SEPK) is a defined contribution scheme. The contributions are 6% of the pensionable salary up to 7.1 of the National Insurance Scheme's basic amount (G), and 18% of the pensionable salary between 7.1G and 12G. In addition to retirement pensions, the contribution schemes also entail risk coverage and private early retirement pension (AFP).

Defined benefit schemes Defined benefit schemes are post-employment benefit plans other than defined contribution plans. These plans create obligations to provide agreed benefits to current and past employees and effectively places actuarial risk on the Group. The main defined benefit schemes in the Group are closed and are described in more detail below.

Funded defined benefit scheme in the National Pension Fund (SPK) and Skagerak Energi Pension Fund (SEPK) in Norway The schemes cover retirement, disability and survivor pensions. The schemes also offer early retirement from the age of 62 under the Norwegian early retirement pension scheme. Employees in the schemes participate in public service occupational pension schemes in accordance with the Norwegian Public Service Pension Fund Act, the Norwegian Public Pension Service Pension Fund Transfer Agreement and the regulatory framework governing public service pensions.

The retirement benefit for employees born before 1963 is set as a percentage of the employee's salary. At maximum accrual, the retirement schemes provide pension benefits amounting to 66% of pensionable salary, up to 12G. The scheme benefits are coordinated with the benefits provided by the Norwegian National Insurance Scheme. From 1 January 2020 employees born in 1963 or later earn retirement benefits as a supplement to pensions in the National Insurance System.

Companies in Norway with schemes in the SPK pay an annual premium and are responsible for the financing of the scheme. Pension benefits from the SPK are guaranteed by the Norwegian state. The SPK scheme is not asset-based, but management of the pension fund assets is simulated as though the assets were invested in government bonds with 1, 3, 5 or 10-year duration, in addition to a small share in the Government Pension Fund Global. The pension benefit scheme in SPK was closed for new employees 1 January 2014.

Companies in Norway with schemes in the SEPK pay an annual premium and are responsible for financing the scheme. Pension assets are placed in a diversified portfolio of Norwegian and foreign interest-bearing securities, Norwegian and foreign shares, secured loans to members, hedge funds and properties through external asset managers. The pension benefit scheme in SEPK was closed for new employees 1 January 2016.

Unfunded defined benefit schemes in Norway Some Group companies in Norway have entered into an additional pension agreement that provides all employees whose pensionable incomes exceed 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G. This agreement was closed for new employees 30 April 2012.

SIGNIFICANT ACCOUNTING POLICIES

The liability recognised in the balance sheet which relates to the defined benefit scheme is the present value of the future retirement benefits that are reduced by the fair value of the plan assets. Net pension fund assets for overfunded schemes are classified as non-current assets and recognised in the balance sheet at fair value. Net retirement benefit liabilities for underfunded schemes and non-funded schemes that are covered by operations are classified as non-current liabilities.

The pension costs for the period are included under salaries and other payroll costs. The pension costs related to defined benefit schemes comprise the total of the retirement benefits accrued during the period, the interest on the estimated liability and the projected yield on pension fund assets. Gains and losses attributable to changes in actuarial assumptions or base data are recognised in other comprehensive income.

ESTIMATES AND ASSUMPTIONS

The calculation of pension liabilities involves the use of judgement and estimates across a range of parameters. Present value of accrued pension entitlements for defined benefit schemes and present value of accrued pension entitlements for the year are calculated using the accrued benefits method. Net pension liabilities in the balance sheet are adjusted for expected future salary increases until retirement age. Calculations are based on staff numbers and salary data at the end of the year.

The discount rate The discount rate is based on high-quality corporate bonds (covered bonds - OMF). Statkraft is of the opinion that the market for covered bonds represents a deep and liquid market with relevant durations that qualify as a reference interest rate in accordance with IAS 19.

Actuarial gains Actuarial losses recognised in other comprehensive income in 2020 are mainly due to lower discount rate.

The following assumptions are used [1]	31.12.2020	31.12.2019
Discount rate and expected return	1.70%	2.30%
Salary adjustment	2.25%	2.25%
Adjustment of current pensions in public schemes	1.25%	1.25%
Adjustment of the National Insurance Scheme's basic amount (G)	2.00%	2.00%
Demographic factors for mortality and disability	K2013/IR73	K2013/IR73

[1] The assumptions apply for Norwegian entities. Foreign entities apply assumptions adapted to local conditions.

Note 17 continued

Members of defined benefit schemes	2020	2019
Employees	1 420	1 460
Pensioners and people with deferred entitlements	2 837	2 779

Breakdown of net defined benefit pension liability

NOK million	2020	2019
Present value of accrued pension entitlements for funded defined benefit schemes	7 914	6 978
Fair value of pension assets	6 677	6 232
Net pension liability for funded defined benefit schemes	1 237	746
Present value of accrued pension entitlements for unfunded defined benefit schemes	913	765
Employers' national insurance contribution	369	288
Net pension liabilities in the balance sheet	2 519	1 799
Of which net pension assets - see note 27	838	886
Of which net pension liabilities	3 357	2 685

Movement in defined benefit pension liability

NOK million	2020	2019
Defined gross benefit pension liabilities 01.01	7 744	7 609
Net change in liabilities due to additions/disposals	-13	-
Present value of accrued pension entitlements for the year	208	225
Interest expenses	157	190
Scheme changes	-2	-161
Actuarial gains/losses	904	79
Paid benefits	-209	-194
Currency translation effects	40	-4
Gross defined benefit pension liabilities 31.12	8 827	7 744

Movement in the fair value of pension assets for defined benefit pension schemes

NOK million	2020	2019
Fair value of pension assets 01.01	6 232	5 744
Expected return on pension assets	127	144
Actuarial gains/losses	246	224
Total contributions	210	279
Paid benefits	-160	-160
Currency translation effects	21	2
Fair value of pension assets 31.12	6 677	6 232

Pension assets comprise	2020	2019
Equity instruments	1 755	1 572
Interest-bearing instruments	4 354	4 126
Other	568	534
Fair value of pension assets 31.12	6 677	6 232

Actuarial gains and losses recognised in other comprehensive income

NOK million	2020	2019
Accumulated actuarial gains and losses recognised in other comprehensive income before tax 31.12	3 207	2 470

Pension cost recognised in the income statement
Defined benefit schemes

NOK million	2020	2019
Present value of accrued pension entitlements for the year	208	225
Interest expenses	157	190
Expected return on pension assets	-127	-144
Scheme changes	-2	-161
Employee contributions	-17	-18
Employers' national insurance contribution	37	37
Net pension cost defined benefit schemes	255	127

Defined contribution schemes

Employer payments	145	113
Total pension cost - see note 16	400	240

	Discount rate		Salary adjustment		Adjustment of G	
Sensitivity analysis upon changes in assumptions	1 %	-1 %	1 %	-1 %	1 %	-1 %
Increase (+)/decrease (-) in net pension cost defined benefit schemes for the period	-20%	20%	11%	-11%	19%	-17%
Increase (+)/decrease (-) in gross defined pension liability as of 31.12.	-16%	21%	3%	-3%	16%	-13%

Note 18 Property tax and licence fees

NOK million	2020	2019
Property tax	881	736
Licence fees [1]	382	404
Total	1 264	1 139

[1] Owners of large hydropower plants in Norway are required to pay licence fees to the state and to the municipalities.

Note 19 Other operating expenses

GENERAL INFORMATION

The major part of other operating expenses is related to operation of power plants. Purchase of third-party services consists of costs related to building, plants, transportation, mechanical and other construction work. Compensation payments consist of concession costs, grants to construction and periodic compensations. The rest are IT expenses, external consultants and general administrative expenses.

NOK million	2020	2019
Purchase of third-party services	2 554	2 053
Materials	516	417
Power plants operated by third parties [1]	221	268
Compensation payments	149	152
IT licenses and equipment	392	391
Miscellaneous [2]	503	357
Total	**4 334**	**3 638**

[1] See also note 12 and section which specifies 'Grid and other - sales revenues'.
[2] Miscellaneous includes items like marketing, travel expenses, insurance and rental costs.

Note 20 Financial items

NOK million	2020	2019
Net currency effects (A) [1]	**-1 520**	**132**
Interest income	197	440
Interest expenses		
Interest expenses external debt [2]	-446	-671
Other interest expenses [3]	-76	-68
Interest expenses from lease liabilities	-56	-52
Capitalised borrowing costs	113	123
Total	-465	-669
Other financial items		
Unrealised gains/losses on interest rate derivatives and securities	-658	415
Gains/losses from divestments of equity accounted investments [4]	-	737
Other	815	-323
Total	157	829
Interests and other financial items (B)	**-111**	**600**
Net financial items (A+B)	**-1 631**	**733**

[1] See note 21 for split between realised and unrealised.
[2] Includes NOK 207 million and NOK 158 million from interest derivatives for 2020 and 2019, respectively.
[3] Interest expenses related to prepayments from customers amounted to NOK 12 million and NOK 0 million for 2020 and 2019, respectively (see note 32).
[4] See note 5.

Note 21 Unrealised effects recognised in the statement of profit and loss

GENERAL INFORMATION

The table below discloses the effects recognised in the statement of profit and loss from unrealised value changes of:

- Inventories and financial instruments measured at fair value.
- Currency gains and losses on financial instruments measured at amortised cost.

	2020			2019		
NOK million	Unrealised	Realised	Total	Unrealised	Realised	Total
Generation	-	17 140	**17 140**	-	26 138	26 138
Customers [3]	-	13 579	**13 579**	-	14 668	14 668
Grid and other [3]	-	3 156	**3 156**	-	2 644	2 644
Total sales revenues	-	33 875	**33 875**	-	43 450	43 450
Gains/losses from market activities	-1 431	5 389	**3 958**	1 250	2 466	3 716
Generation	-	-1 996	**-1 996**	-	-2 139	-2 139
Customers [3]	-	-13 175	**-13 175**	-	-14 197	-14 197
Other purchase	-	-889	**-889**	-	-829	-829
Total energy purchase	-	-16 060	**-16 060**	-	-17 165	-17 165
Unrealised effects included in Operating profit/loss (EBIT) [1]	**-1 431**			**1 250**		
Net currency effects [2]	-1 018	-502	**-1 520**	562	-430	132
Interest and other financial items	-658	547	**-111**	415	185	600
Unrealised effects included in Net financial items	-1 676			977		
Total unrealised effects	**-3 108**			**2 227**		

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

[2] Losses for 2020 from internal loans were NOK -353 million, of which NOK -332 million was realised. The corresponding figures for 2019 were NOK -42 million and NOK -33 million, respectively.

[3] Comparable figures have been restated. See note 1.

Note 22 Income taxes

GENERAL INFORMATION

Group companies that are engaged in hydropower generation in Norway are subject to the certain surtaxes. The Group's tax expense therefore includes, in addition to ordinary income tax, natural resource tax and resource rent tax.

Income tax is calculated in accordance with ordinary tax rules and by applying the adopted tax rate. The tax expense in the income statement comprises taxes payable and changes in deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward.

Natural resource tax (NRT) is a profit-independent tax that is calculated on the basis of the individual power plant's average output over the past seven years. The tax rate is NOK 13/MWh. Income tax can be offset against the natural resource tax paid.

Resource rent tax (RRT) is a profit-dependent tax levied on the net resource rent revenue generated by each power plant. Resource rent revenue is calculated on the basis of the individual power plant's production hour by hour, multiplied by the spot price for the corresponding hour. The actual contract price is applied for deliveries of concessionary power and power subject to physical contracts with a term exceeding seven years. Income from green certificates is included in gross resource rent revenue. Actual operating expenses, depreciation and a tax-free allowance are deductible. The tax-free allowance is set each year on the basis of the taxable value of the power plant's operating assets, multiplied by a normative interest rate. Negative resource rent revenues per power plant from the 2006 fiscal year or earlier years can only be carried forward with interest offset against future positive resource rent revenues from the same power plant. From 2007 onwards negative resource rent revenues per power plant can be pooled with positive resource rent revenues for other power plants. From 2021 onwards all new investments related to hydropower production can be deducted immediately for resource rent tax purposes.

SIGNIFICANT ACCOUNTING POLICIES

Deferred tax liabilities and deferred tax assets are recognised net provided that these are expected to reverse in the same period. The same applies to deferred tax liabilities and deferred tax assets connected with resource rent tax. Deferred tax positions connected with income tax payable cannot be offset against tax positions connected with resource rent tax. Any natural resource tax that exceeds income tax can be carried forward with interest to subsequent years and is recognised as a receivable. The tax-free allowance deductible for resource rent tax is treated as a permanent difference in the year it is calculated for, and therefore does not affect the calculation of deferred tax connected with resource rent.

Tax related to items recognised in other comprehensive income is also recognised in other comprehensive income.

ESTIMATES AND ASSUMPTIONS

Deferred tax assets are recognised to the extent that it is probable that they will be utilised. In making such a determination, all available positive and negative evidence are considered, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. The key assumptions for projected future taxable income are future expectations related to price, production and deductible expenses.

Deferred taxes initially not recognised are related to tax effect of temporary differences originating from acquisitions not being assessed as business combinations.

Uncertain tax positions are further described in note 34.

Note 22 continued

2020: TAX EXPENSE AND CURRENT TAX

NOK million

Nominal tax rates in the income statement	Norway
Income tax rate	22%
Resource rent tax rate	37%

Nominal tax rates in the balance sheet statement (deferred tax)	
Income tax rate	22%
Resource rent tax rate	37%

The tax expense in the income statement	Norway	Sweden	Europe Rest	World Rest	Group
Income tax payable (including natural resource tax payable)	671	72	288	111	**1 142**
Resource rent tax payable	1 282	-	-	-	**1 282**
Withholding tax payable	13	-	11	-	**24**
Previous years payable tax expense	65	-17	-14	-23	**12**
Change in deferred tax net of group contributions	-421	-329	-299	10	**-1 039**
Tax expense in the income statement	1 610	-273	-14	98	**1 421**

Reconciliation of effective tax rate	Norway	Sweden	Europe Rest	World Rest	Group
Profit before tax	3 329	-1 607	3 424	-193	**4 953**
Tax expense at a nominal Norwegian rate	732	-353	753	-42	**1 090**
Effect on taxes of					
Resource rent tax	1 188	-	-	-	**1 188**
Foreign tax rate differences	-	11	221	-46	**186**
Share of profit/loss in equity accounted investments	-300	-	-2	119	**-184**
Tax-free income	-77	-	-75	-15	**-167**
Changes relating to previous years	64	-	-2	-29	**33**
Change in unrecognised deferred tax assets [1)]	1	-	-950	-9	**-958**
Other permanent differences [2)]	1	69	40	121	**232**
Tax expense	1 610	-273	-14	98	**1 421**
Effective tax rate	48.4%	17.0%	-0.4%	-50.8%	**28.7%**

Taxes payable in the balance sheet	Norway	Sweden	Europe Rest	World Rest	Group
Income tax payable	172	73	45	6	**296**
Natural resource tax payable	626	-	-	-	**626**
Resource rent tax payable	1 282	-	-	-	**1 282**
Previous years taxes payable	301	4	903	-	**1 208**
Taxes payable in the balance sheet	2 381	77	948	6	**3 412**

Tax included in non-current assets and receivables	Norway	Sweden	Europe Rest	World Rest	Group
Tax included in other non-current financial assets - see note 27	2 079	-	-	-	**2 079**
Tax included in receivables - see note 29	121	1	31	62	**216**
Tax included in non-current assets and receivables	2 201	1	31	62	**2 295**

Note 22 continued

2019: TAX EXPENSE AND CURRENT TAX

NOK million

Nominal tax rates in the income statement	Norway
Income tax rate	22%
Resource rent tax rate	37%

Nominal tax rates in the balance sheet statement (deferred tax)	Norway
Income tax rate	22%
Resource rent tax rate	37%

The tax expense in the income statement	Norway	Sweden	Europe Rest	World Rest	**Group**
Income tax payable (including natural resource tax payable)	2 302	240	594	111	**3 249**
Resource rent tax payable	3 407	-	-	-	**3 407**
Withholding tax payable	10	-	-	-	**10**
Previous years payable tax expense	-5	-	-10	6	**-10**
Change in deferred tax net of group contributions	889	47	90	-50	**977**
Tax expense in the income statement	6 603	287	674	67	**7 632**

Reconciliation of effective tax rate	Norway	Sweden	Europe Rest	World Rest	**Group**
Profit before tax	14 752	1 145	3 315	-253	**18 959**
Tax expense at a nominal Norwegian rate	3 246	252	729	-56	**4 171**
Effect on taxes of					
Resource rent tax	3 670	-	-	-	**3 670**
Foreign tax rate differences	-	-7	254	14	**259**
Share of profit/loss in equity accounted investments	-290	-	-3	19	**-275**
Tax-free income	-232	-11	-15	-11	**-269**
Changes relating to previous years	154	-5	8	69	**227**
Change in unrecognised deferred tax assets	-21	-	-309	95	**-235**
Other permanent differences	77	58	11	-62	**85**
Tax expense	6 603	287	674	67	**7 632**
Effective tax rate	44.8%	25.1%	20.3%	-26.6%	**40.3%**

Taxes payable in the balance sheet	Norway	Sweden	Europe Rest	World Rest	**Group**
Income tax payable	1 681	246	539	4	**2 470**
Natural resource tax payable	625	-	-	-	**625**
Resource rent tax payable	3 407	-	-	-	**3 407**
Previous years taxes payable	316	-	281	9	**606**
Taxes payable in the balance sheet	6 029	246	820	14	**7 109**

Tax included in non-current assets and receivables	Norway	Sweden	Europe Rest	World Rest	**Group**
Tax included in other non-current financial assets - see note 27	-	-	-	-	**-**
Tax included in receivables - see note 29	-	3	8	78	**89**
Tax included in non-current assets and receivables	-	3	8	78	89

Note 22 continued

2020: DEFERRED TAX

NOK million

Norway	01.01.2020	Income statement	Other comprehensive income	Additions/ disposals	31.12.2020
Property, plant and equipment outside RRT regime	418	-123	-	-	294
Property, plant and equipment within RRT regime	8 016	203	-	-	8 218
Tax loss carryforwards outside RRT regime	21	-29	-	-2	-10
Tax loss carryforwards within RRT regime	-1 904	161	-	-	-1 744
Pensions	-648	-9	-259	-	-917
Derivatives	873	-685	-	-	188
Other items	-194	62	-	7	-126
Sum	6 580	-421	-259	5	5 905

Sweden	01.01.2020	Income statement	Other comprehensive income	Additions/ disposals	31.12.2020
Property, plant and equipment outside RRT regime	1 649	-344	186	-	1 491
Property, plant and equipment within RRT regime	-	-	-	-	-
Tax loss carryforwards outside RRT regime	-16	17	-2	-	-
Tax loss carryforwards within RRT regime	-	-	-	-	-
Pensions	-	-	-	-	-
Derivatives	-	-	-	-	-
Other items	-38	-2	-4	-	-45
Sum	1 595	-329	181	-	1 447

Europe Rest	01.01.2020	Income statement	Other comprehensive income	Additions/ disposals	31.12.2020
Property, plant and equipment outside RRT regime	166	25	12	-	203
Property, plant and equipment within RRT regime	-	-	-	-	-
Tax loss carryforwards outside RRT regime	-62	-311	14	-6	-365
Tax loss carryforwards within RRT regime	-	-	-	-	-
Pensions	2	1	-3	-	-
Derivatives	3	-4	-	-	-0
Other items	21	-10	1	3	15
Sum	131	-299	24	-3	-147

World rest	01.01.2020	Income statement	Other comprehensive income	Additions/ disposals	31.12.2020
Property, plant and equipment outside RRT regime	2 262	14	-172	-	2 104
Property, plant and equipment within RRT regime	-	-	-	-	-
Tax loss carryforwards outside RRT regime	-172	-136	8	-	-301
Tax loss carryforwards within RRT regime	-	-	-	-	-
Pensions	-	-	-	-	-
Derivatives	-38	-124	13	-	-150
Other items	-179	256	3	-	80
Sum	1 872	10	-148	-	1 735

Group	01.01.2020	Income statement	Other comprehensive income	Additions/ disposals	31.12.2020
Property, plant and equipment outside RRT regime	4 494	-428	26	-	4 093
Property, plant and equipment within RRT regime	8 016	203	-	-	8 218
Tax loss carryforwards outside RRT regime	-228	-460	21	-8	-675
Tax loss carryforwards within RRT regime	-1 904	161	-	-	-1 744
Pensions	-645	-8	-262	-	-917
Derivatives	838	-813	13	-	39
Other items	-391	306	0	10	-75
Sum	10 178	-1 039	-203	2	8 939
Of which deferred tax assets	614				1 658
Of which deferred tax liabilities	10 792				10 596

Note 22 continued

2019: DEFERRED TAX

NOK million

Norway	01.01.2019	Imple-mentation effect [3]	Income statement	Other comprehensive income	Additions/ disposals	31.12.2019
Property, plant and equipment outside RRT regime	1	266	122	0	29	**418**
Property, plant and equipment within RRT regime	7 667	2	346	0	-	**8 016**
Tax loss carryforwards outside RRT regime	-10	-	58	-	-26	**21**
Tax loss carryforwards within RRT regime	-2 241	-	337	-	-	**-1 904**
Pensions	-779	-	85	45	-	**-648**
Derivatives	828	47	-2	-	-	**873**
Other items	155	-268	-58	-	-25	**-194**
Sum	5 619	47	889	45	-22	**6 580**

Sweden	01.01.2019	Imple-mentation effect [3]	Income statement	Other comprehensive income	Additions/ disposals	31.12.2019
Property, plant and equipment outside RRT regime	1 660	6	46	-62	-	**1 649**
Property, plant and equipment within RRT regime	-	-	-	-	-	**-**
Tax loss carryforwards outside RRT regime	-17	-	1	1	-	**-16**
Tax loss carryforwards within RRT regime	-	-	-	-	-	**-**
Pensions	-	-	-	-	-	**-**
Derivatives	-	-	-	-	-	**-**
Other items	-33	-6	-0	1	-	**-38**
Sum	1 610	-	47	-60	-	**1 595**

Europe Rest	01.01.2019	Imple-mentation effect [3]	Income statement	Other comprehensive income	Additions/ disposals	31.12.2019
Property, plant and equipment outside RRT regime	43	10	54	18	41	**166**
Property, plant and equipment within RRT regime	-	-	-	-	-	**-**
Tax loss carryforwards outside RRT regime	-95	-	33	-	-	**-62**
Tax loss carryforwards within RRT regime	-	-	-	-	-	**-**
Pensions	3	-	-0	0	-	**2**
Derivatives	4	-	-1	0	-	**3**
Other items	26	-10	4	2	-	**21**
Sum	-19	-	90	20	41	**131**

World rest	01.01.2019	Imple-mentation effect [3]	Income statement	Other comprehensive income	Additions/ disposals	31.12.2019
Property, plant and equipment outside RRT regime	2 328	7	-60	10	-23	**2 262**
Property, plant and equipment within RRT regime	-	-	-	-	-	**-**
Tax loss carryforwards outside RRT regime	-57	-	-122	8	-	**-172**
Tax loss carryforwards within RRT regime	-	-	-	-	-	**-**
Pensions	-	-	-	-	-	**-**
Derivatives	-6	-	-18	-13	-	**-38**
Other items	-323	-7	151	-	-	**-179**
Sum	1 941	-	-50	5	-23	**1 872**

Group	01.01.2019	Imple-mentation effect [3]	Income statement	Other comprehensive income	Additions/ disposals	31.12.2019
Property, plant and equipment outside RRT regime	4 031	288	163	-35	47	**4 494**
Property, plant and equipment within RRT regime	7 667	2	346	0	-	**8 016**
Tax loss carryforwards outside RRT regime	-179	-	-30	8	-26	**-228**
Tax loss carryforwards within RRT regime	-2 241	-	337	-	-	**-1 904**
Pensions	-776	-	85	46	-	**-645**
Derivatives	826	47	-21	-13	-	**838**
Other items	-176	-290	96	3	-25	**-391**
Sum	9 151	47	977	8	-4	**10 178**
Of which deferred tax assets	676					**614**
Of which deferred tax liabilities	9 826					**10 792**

Note 22 continued

DEFERRED TAX RECOGNISED IN OCI

NOK million

2020	Norway	Sweden	Europe Rest	World Rest	Group
Remeasurement of pension obligations	-259	-	-3	-	**-262**
Changes in fair value of financial instruments	-	-	-	-2	**-2**
Currency translation effects	-	181	27	-146	**62**
Sum	-259	181	24	-148	**-203**

2019	Norway	Sweden	Europe Rest	World Rest	**Group**
Remeasurement of pension obligations	45	-	-	-	**45**
Changes in fair value of financial instruments	-	-	-	-1	**-1**
Currency translation effects	-	-60	20	6	**-36**
Sum	45	-60	20	5	**8**

DEFERRED TAX ASSETS NOT RECOGNISED

NOK million	Norway	Sweden	Europe Rest	World Rest	Group
2020	585	-	1 292	589	**2 466**
2019	439	-	2 112	646	**3 197**

DEFERRED TAX INITIALLY NOT RECOGNISED

NOK million	Norway	Sweden	Europe Rest	World Rest	Group
2020	1 188	2 324	48	78	**3 638**
2019	1 209	2 103	20	101	**3 433**

UNCERTAIN TAX POSITIONS

NOK million

2020	Norway	Sweden	Europe Rest	World Rest	Group
Included in taxes payable [4]	216	-	604	-	**820**
Included in accumulated taxes paid [4]	2 203	-	327	-	**2 530**
Not included in taxes payable [4]	428	-	51	246	**725**

2019	Norway	Sweden	Europe Rest	World Rest	**Group**
Included in taxes payable [4]	341	-	549	-	**890**
Included in accumulated taxes paid [4]	124	-	247	-	**371**
Not included in taxes payable [4]	2 926	-	-	225	**3 151**

[1] Change in unrecognised deferred tax assets is mainly related to Germany.
[2] Other permanent differences are mainly non-deductible expenses and items included in the profit and loss statement without tax effect. Items included in the profit and loss statement without tax effect entail depreciation of assets with no initial deferred tax recognised.
[3] Implementation effects in 2019 were related to IFRS 16.
[4] See note 34 for further details.

Note 23 Intangible assets

SIGNIFICANT ACCOUNTING POLICIES

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Costs relating to intangible assets, including goodwill, are recognised in the balance sheet when it is probable that the asset will generate future economic benefits and the costs can be measured reliably. Goodwill and intangible assets with an indefinite useful life are not amortised and are tested annually for impairment.

Research expenditures are expensed as incurred. Development costs are capitalised to the extent that a future economic benefit can be identified from the development of an identifiable intangible asset.

NOK million	Goodwill	Other [1]	Total
2020			
Balance as of 01.01	1 561	3 072	**4 633**
Additions	6	284	**290**
Additions from acquisition of companies [2]	548	470	**1 018**
Reclassifications [3]	-	-1 290	**-1 290**
Amortisations	-	-168	**-168**
Impairments	-32	-	**-32**
Reversal of impairments	-	46	**46**
Currency translation effects	-90	-294	**-384**
Balance as of 31.12	1 993	2 120	**4 113**
Cost 31.12	3 026	3 275	**6 301**
Accumulated amortisations and impairments as of 31.12	-1 033	-1 154	**-2 187**
Balance as of 31.12	1 993	2 120	**4 113**

[1] Mainly related to power sales agreements from acquisitions in the segment International power. In addition to rights in connection with leasehold improvements for power plants in Norway.
[2] Mainly related to the acquisition of Solarcentury. See note 5.
[3] Mainly due to NOK 1058 million which is reclassified to inventories. See note 28.

NOK million	Goodwill	Other [1]	Total
2019			
Balance as of 01.01	1 351	2 558	3 909
Additions	-	290	290
Additions from acquisition of companies	307	342	649
Reclassifications	-95	167	72
Transfer between asset classes	70	-70	-
Amortisations	-	-159	-159
Impairments	-76	-	-76
Reversal of impairments	-	33	33
Disposals	-	-22	-22
Currency translation effects	4	-68	-64
Balance as of 31.12	1 561	3 072	4 633
Cost 31.12	2 598	4 057	6 655
Accumulated amortisations and impairments as of 31.12	-1 037	-985	-2 022
Balance as of 31.12	1 561	3 072	4 633

[1] Mainly related to acquisitions in the segments International power and European wind and solar, in addition to rights in connection with leasehold improvements for power plants in Norway.

Expected useful life	10–22 years

RESEARCH AND DEVELOPMENT

The Group's research and development activities are focused on investigating potential new energy sources and developing existing plants and technologies. Research activities relating to new energy sources include general research projects. These projects are intended to provide further knowledge on technologies or other areas that could provide a basis for future activities/projects.

In order to gain new knowledge and develop new methods within the fields of energy optimisation and preservation, the Group also performs research and development activities in connection with existing plants/energy sources. Research and development activities carried out in 2020 and 2019 are expensed with NOK 54 million and NOK 40 million, respectively. Capitalised development costs in 2020 and 2019 were NOK 2 million and NOK 5 million respectively.

Note 24 Property, plant and equipment

GENERAL INFORMATION

Property, plant and equipment comprise mainly power and heat producing facilities, buildings and machinery, waterfall rights, right-of-use assets, district heating network and buildings and machinery as well as landfill sites and treatment areas used in waste treatment operations.

SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment are reported as assets in the balance sheet if it is likely that there will be future financial benefit for the company and the cost of the asset can be calculated in a reliable manner. Property, plant and equipment are recognised at cost, including borrowing cost, less accumulated depreciation and impairment.

The cost includes directly attributable expenditure incurred in bringing the assets into the location and condition to be capable of operating in the manner intended by management, such as employee benefits, site preparation, delivery and handling, installation and assembly cost, landside protection, land registration and legal and consulting fees.

Statkraft may receive revenue from sale of output generated in the period where an equipment, facility or plant is tested whether it is functioning as intended. Revenue earned from the sale of output manufactured in these periods is accounted for as revenue according to IFRS 15, as the output is seen as a result of Statkraft's ordinary activities. The cost related to the sale of output in the testing period is capitalised as a part of property, plant and equipment, as it is directly attributable to the construction of the asset. Capitalisation ceases after the testing is completed, as the asset is then ready for its intended use.

Borrowing costs directly attributable to the acquisition, construction or production of the relevant assets are added to the cost of those assets, until the asset is ready for its intended use or sale.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent expenditures related to ordinary repair and maintenances are recognised in the statement of profit and loss when incurred. Expenditures that involve replacing parts of the assets or expansions are capitalised as part of the carrying amount of the asset.

The estimated decommissioning obligation, estimated as present value for estimated costs for dismantling and removing the plant and restoring the site where the plant is located, is included in the carrying value of the relevant assets. A provision is recognised at the time when an obligation to dismantle, remove and restore the item incurs. Decommissioning cost is estimated and recognised as part of the cost at initial recognition, assuming such costs can be recovered over the asset's life, even if the payments will incur at the end of the item's life. The equivalent estimated decommissioning obligation is presented as Other non-current liabilities.

Depreciation commences when the asset is available for its intended use and is calculated on a straight-line basis over the asset's expected useful life. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately, which means that the components' estimated useful life provides the basis for the straight-line depreciation. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale), and the date that the asset is derecognised. Expected useful life, depreciation methods and residual values are assessed annually. Estimated useful life is further disclosed below in this note.

Waterfall rights that are considered to have perpetual life and with no obligation of reversion to the authorities, are presented as property, plant and equipment and are not depreciated.

Acquired assets on the acquisition of a new subsidiary are stated at their fair values at the date of acquisition.

ESTIMATES AND ASSUMPTIONS

Property, plant and equipment are tested for impairment in accordance with the accounting policies described in Note 15 to the consolidated accounts, Impairment losses/reversal of impairment losses.

Property, plant and equipment are depreciated over its expected useful life. Expected useful life is estimated based on the Group's technical expertise and is adjusted in the event of any changes to the expectations. Useful life is normally adapted to the licence period related to the relevant asset. Residual values are estimated and included in the carrying value when applicable and depreciated over the asset's useful lifetime.

Estimates of decommissioning obligations, which are included as part of the plant's carrying amount, are subject to annual review. The decommissioning obligation is Statkraft's best estimate of the present value of the cost of dismantling and removing an item of property, plant and equipment as well as restoring the site at the date when the operation ceases.

Note 24 continued

NOK million	Regulation plants	Turbines, generators etc.	Waterfall rights	Properties, mountain halls, buildings, roads, bridges and quay facilities	Plants under construction	Other	**Sum**	Right-of-use assets	Total
2020									
Balance as of 01.01	28 281	27 797	22 780	8 922	8 336	12 056	**108 172**	1 680	109 852
Additions	328	1 921		274	4 116	425	**7 064**	78	7 142
Remeasurements and other changes (IFRS 16)								44	44
Additions from acquisition of companies	-	3	-	-	-	4	**7**	276	283
Capitalised borrowing costs [1]	-	-	-	-	113	-	**113**		113
Reclassifications [2]	4	100	-	-14	-608	-148	**-666**		-666
Transfer between asset classes	3 776	2 435	-12	769	-6 793	-175	**-**		-
Depreciations	-820	-1 670	-	-430	-	-739	**-3 659**	-240	-3 899
Impairments	-60	-3 112	-	-	-	-2	**-3 174**	-	-3 174
Reversal of impairments	130	1 351	-	263	36	1	**1 781**	-	1 781
Derecognition from divestments	-	-71	-	-143	-20	-1	**-235**	-	-235
Disposals	-12	-104	-	-13	-	-44	**-173**	-	-173
Currency translation effects	-131	171	715	-14	186	63	**990**	-	990
Balance as of 31.12	31 496	28 821	23 483	9 614	5 366	11 440	**110 220**	1 838	112 057
Carrying value 31.12 of assets with infinite useful life	n/a	n/a	23 483	67	n/a	n/a	**23 550**	n/a	23 550
Cost 31.12	48 424	60 087	23 984	22 396	5 462	23 170	**183 523**	2 280	185 803
Accumulated depreciations and impairments as of 31.12	-16 928	-31 266	-501	-12 782	-96	-11 730	**-73 303**	-442	-73 745
Balance as of 31.12	31 496	28 821	23 483	9 614	5 366	11 440	**110 220**	1 838	112 057

[1] The average interest rate applied during the year was 1.04%.

[2] Mainly due to NOK 897 million which is reclassified to inventories. See note 28.

NOK million	Regulation plants	Turbines, generators etc.	Waterfall rights	Properties, mountain halls, buildings, roads, bridges and quay facilities	Plants under construction	Other	**Sum**	Right-of-use assets	Total
2019									
Balance as of 31.12.2018	28 855	26 321	23 130	8 797	7 099	11 541	**105 744**	-	105 744
Implementation of IFRS 16 - see note 25	-	-	-	-	-	-	**-**	1 584	1 584
Balance as of 01.01.2019	28 855	26 321	23 130	8 797	7 099	11 541	**105 744**	1 584	107 328
Additions	110	228	-	97	5 045	409	**5 889**	146	6 035
Remeasurements and other changes (IFRS 16)	-	-	-	-	-	-	**-**	2	2
Additions from acquisition of companies	-	278	-	-	5	90	**373**	137	510
Capitalised borrowing costs [1]	-	47	-	-	76	-	**123**	-	123
Reclassifications	-	-3	-	-	-68	-1	**-72**	-	-72
Transfer between asset classes	265	2 223	-200	750	-3 899	861	**-**	-	-
Depreciations	-779	-1 440	-	-478	1	-782	**-3 478**	-187	-3 665
Impairments	-	-427	-212	-164	-7	-8	**-818**	-5	-823
Reversal of impairments	-	814	-	125	63	-	**1 002**	-	1 002
Disposals	-2	-18	-	-9	-12	-31	**-72**	-	-72
Currency translation effects	-168	-226	62	-196	33	-23	**-518**	3	-515
Balance as of 31.12	28 281	27 797	22 780	8 922	8 336	12 056	**108 172**	1 680	109 852
Carrying value 31.12 of assets with infinite useful life	n/a	n/a	22 780	67	n/a	37	**22 885**	n/a	22 885
Cost 31.12	44 073	54 797	23 387	16 332	9 000	25 279	**172 868**	1 873	174 741
Accumulated depreciations and impairments as of 31.12	-15 792	-27 000	-607	-7 410	-664	-13 223	**-64 696**	-193	-64 889
Balance as of 31.12	28 281	27 797	22 780	8 922	8 336	12 056	**108 172**	1 680	109 852

[1] The average interest rate applied during the year was 1.64%.

Note 24 continued

INVESTMENTS IN 2020

The additions in 2020 of NOK 7142 million in property, plant and equipment (excluding capitalised borrowing costs of NOK 113 million) and of NOK 290 million in intangible assets, consisted of investments in new generating capacity, maintenance investments and other investments. Maintenance investments and other investments amounted to NOK 3027 million (NOK 2712 million). The investments were primarily related to hydropower plants in Norway. Investments in new capacity amounted to NOK 4516 million (NOK 3738 million). The largest projects were onshore wind farms in Norway and the UK, and hydropower plants in Albania, India and Chile.

ASSETS PLEDGED AS SECURITY TO COUNTERPARTIES

Statkraft has pledged property, plant and equipment as security to counterparties. For more information, see note 35.

INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT PER COUNTRY

			2020			2019
NOK million	Intangibles	PP&E	Total	Intangibles	PP&E	Total
Norway	1 245	62 683	**63 928**	1 062	61 704	62 766
Sweden	70	20 348	**20 418**	68	20 331	20 399
Germany	192	5 054	**5 246**	145	3 525	3 670
UK	716	1 736	**2 452**	426	1 334	1 760
Albania	1	5 961	**5 962**	1	5 381	5 382
Peru	104	8 951	**9 055**	110	9 231	9 341
Brazil	1 144	2 599	**3 743**	1 687	3 678	5 365
Other	641	4 725	**5 366**	1 134	4 668	5 802
Total	4 113	112 057	**116 170**	4 633	109 852	114 485

EXPECTED USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT

A more detailed specification of the expected useful life of the various assets is provided below.

	Depreciation period (years)		Depreciation period (years)
Regulation plants		Properties, mountain halls, buildings, roads, bridges etc.	
- riprap dams, concrete dams	75	- land	perpetual
- other dams	30	- underground facilities	90
- tunnel systems	90	- roads, bridges and quays	75
		- control equipment	20
Turbines, generators etc.		- operating centre	20
- pipe trenches	75	- communication equipment	10
- generators (turbine, valve)	40		
- other mechanical installations	15	Other	
- transformer/generator	40	- transformer (grid)	25-50
- wind turbines	20-25	- switchgear, high voltage (grid)	35-40
- gas and steam generators	20-28	- buildings	25-50
- gas power plant transformers	20-28	- other fixed installations	10-20
		- miscellaneous fixtures	5
Waterfall rights	perpetual	- office and computer equipment	3
		- furnishings and equipment	5
		- vehicles	8
		- construction equipment	12
		- small watercraft	10
		- water cooling systems	20-25

Note 25 Leases

GENERAL INFORMATION

The contracts that have largely affected the recognition of the lease debt and right-of-use asset are contracts for renting of office premises. In addition, contracts for lease of land, cars and equipment are identified.

SIGNIFICANT ACCOUNTING POLICIES

The definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period in exchange for consideration. At the commencement date of a lease, Statkraft as the lessee recognises a liability at the present value of future lease payments with a corresponding asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate.

Depreciation of right-of-use assets and interest on lease liabilities are recognised separately in the statement of profit or loss. The total amount of cash paid is separated into a principal portion and an interest portion in the statement of cash flow (both presented within financing activities).

The following practical expedients and recognition exemptions to leases are applied:

- Recognition exemption for short-term leases (defined as 12 months or less) and for low value assets (defined as less than NOK 50 thousand). These expenses are presented within Other operating expenses.
    - Excluded any initial direct costs from the measurement of the right-of-use asset.
    - Relied on previous assessment of whether a lease is onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and not performed an impairment review. For such leases, the right-of-use assets have been adjusted by the amount of such provisions recognised in the statement of financial position.
    - Intangible assets have also been chosen to be excluded from IFRS 16, hence leased concessions or payments for power production licenses, for instance, are not treated within IFRS 16.

Measurement
A lease liability is remeasured upon the occurrence of certain events e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments. Generally, the amount of the remeasurement of the lease liability will be recognised as an adjustment to the right-of-use asset.

Right-of-use assets and lease liabilities are not presented separately in the statement of financial position, but are disclosed separately in the notes (see note 24 and note 32).

ESTIMATES AND ASSUMPTIONS

The incremental borrowing rates are calculated as a sum of currency dependant market rates and entity specific credit spreads for each relevant year on an asset-by-asset basis. The incremental borrowing rate applied as discount rate is an average of these yearly borrowing rates for each individual leased asset, depending on the length of each contract.

Statkraft evaluates whether the Group is reasonably certain to exercise an option to renew a lease, not terminate a lease or to purchase the underlying asset. All relevant factors that can create an economic incentive for Statkraft to exercise options e.g. contract-, asset-, entity- and market-based factors are evaluated. Contracts to rent office premises are in most occasions not considered to be customised to Statkraft's use and options to renew leases are normally not included in the estimated lease liability, as it is not considered reasonably certain that the option will be exercised.

Note 25 continued

STATKRAFT AS A LESSEE

Right-of-use assets

NOK million	Office buildings	Land and other property	Vehicles, equipment and other	Total
2020				
Balance as of 01.01	1 187	308	185	**1 680**
Additions	24	2	51	**78**
Additions from acquisitions	-	272	4	**276**
Depreciations	-170	-20	-50	**-240**
Remeasurement and other changes	18	24	2	**44**
Balance as of 31.12	1 059	586	193	**1 838**

Right-of-use assets

NOK million	Office buildings	Land and other property	Vehicles, equipment and other	**Total**
2019				
Balance as of 01.01	-	-	-	**-**
Additions due to implementation of IFRS 16 at 01.01.2019	1 258	306	20	**1 584**
Additions	85	15	46	**146**
Additions from acquisitions	-	-	137	**137**
Depreciations	-158	-16	-13	**-187**
Impairments	-	-	-5	**-5**
Remeasurement and other changes	2	3	-	**5**
Balance as of 31.12	1 187	308	185	**1 680**

Amounts recognised in the profit and loss statement

NOK million	2020	2019
Income from sub-leasing right-of-use assets [1]	**27**	18
Variable lease payments not included in the measurement of lease liabilities [2]	**-6**	-4
Expenses relating to short-term leases, leases of low-value assets and other [2]	**-55**	-38
Depreciations from right-of-use assets [3]	**-240**	-187
Interest expenses from lease liabilities [4]	**-56**	-52
Total	**-330**	-263

[1] Presented as Other operating income.
[2] Presented as Other operating expenses.
[3] Presented as Depreciations and amortisations.
[4] Presented as Interest and other financial items.

Amounts recognised in the statement of cash flow

NOK million	2020	2019
Principal portion of lease payments on lease liabilities [1]	**-219**	-164
Interest portion of lease payments on lease liabilities [1]	**-56**	-52
Total payments on lease liabilities	**-275**	-216

[1] Presented as cash flow from financing activities.

Note 25 continued

Lease liabilities

NOK million	2020	2019
Interest-bearing liabilities, current		
Lease liabilities	**269**	217
Interest-bearing liabilities, non-current		
Lease liabilities	**1 541**	1 457
Total lease liabilities	**1 810**	1 673

Maturity schedule lease liabilities - contractual undiscounted cash flows

NOK million	2020	2019
0-1 year	**285**	248
1-5 years	**948**	891
5 years and later	**1 213**	906
Total undiscounted lease liabilities as of 31.12	**2 446**	2 045

Future cash flows not reflected in the measurement of lease liabilities

Extension options:
Several leases of office buildings contain extension options that can be exercised by Statkraft, where the lease of the head-quarter in Oslo is the most significant one. This lease agreement expires in 2028, with options to prolong for ten plus ten years, and the annual lease payment is NOK 106 million. The buildings included in this lease agreement are considered to be standardised office buildings, not particularly customised to Statkraft or Statkraft's business. With several years left of this contract, it is not considered reasonably certain that these extensions option will be exercised, and thus no period after 2028 has been included in the measurement of the lease liability. Similar assessment is applied to other leases as well.

STATKRAFT AS A LESSOR

Operating lease

Statkraft has sub-leases office buildings which are classified as operating leases. Statkraft leases out power plants to third parties, also classified as operating leases. The revenues from rental of power plants are based on a fixed and a variable part, and the income are presented as sales revenues (see note 12).

Maturity schedule lease payments - contractual undiscounted cash flows

NOK million	2020	2019
0-1 year	**15**	20
1-5 years	**26**	40
5 years and later	**21**	-
Total undiscounted lease payments as of 31.12	**62**	60

Note 26 Associates and joint arrangements

SIGNIFICANT ACCOUNTING POLICIES

The gain/loss from a transaction where the investment changes from being classified as a joint operation to be classified as a joint venture or associated company is recognised in the Group's consolidated financial statements only to the extent of other parties' interest in the joint operation. Hence, the carrying value of Statkraft's remaining ownership is recognised at continuity. In addition, changed contractual rights and obligations relating to the underlying asset or debt and changes in the shareholders agreement might lead to a change in the accounting method.

ACCOUNTING JUDGEMENTS

The degree of control over the investee is one of the key elements in the assessment to whether the investment should be accounted for as subsidiary, joint operation, joint venture or associate. The assessment of control is judgmental and entails that all facts and circumstances are evaluated.

The decisions about relevant activities that significantly affect the return of the investments are the elements that require the highest degree of judgement. In order to conclude on the degree of control, Statkraft has systematically defined the relevant activities and value drivers for each of its main type of technologies, in addition to an individual assessment per investment to reflect other facts and circumstances.

Judgement is required in assessing whether a joint arrangement is a joint operation or a joint venture. Rights and obligations arising from a joint arrangement, including other facts and circumstances, are evaluated in order to classify the joint arrangement. For investments structured through a legal entity, other facts and circumstances, such as agreements between shareholders and agreements between shareholders and the investee, must override its legal form for a joint operation to exist. Entities established to produce power and where the owners are committed to purchase all the power produced, as well as being responsible for settling of short-term and long-term financing of the company, are normally classified as joint operations. When Statkraft has rights to the net assets of the arrangement, the arrangement is a joint venture.

Co-owned power plants in which Statkraft has joint control are recognised as joint operation.

Based on size and complexity, the following associated companies and joint ventures are considered material:

2020

NOK million	BKK AS	Agder Energi AS	Hidroelectrica La Higuera S.A.	Wind UK Invest Ltd.	Hidroelectrica La Confluencia S.A. [1]	Other	Total
Opening balance as of 01.01	5 691	3 577	1 080	871	727	971	**12 917**
Additions [2]	-	-	-	-	-	235	**235**
Divestments	-	-	-	-	-	-9	**-9**
Share of profit/loss	687	858	68	11	-43	-35	**1 546**
Depreciations of excess values	-12	-65	-	-2	-	-4	**-83**
Impairments [3]	-	-	-431	-	-197	-	**-627**
Capital increases	-	-	-	-	-	374	**374**
Capital decreases	-	-	-	-	-	-163	**-163**
Dividends	-261	-278	-	-40	-	-18	**-597**
Items recorded in other comprehensive income	-64	50	-11	-4	-	1	**-28**
Currency translation effects	-	3	-6	4	-8	-65	**-72**
Closing balance as of 31.12.	6 041	4 145	700	840	479	1 287	**13 492**
Excess values as of 31.12.	1 770	1 671	-	41	-	35	**3 517**
Of which unamortised waterfall rights	1 553	314	-	-	-	-	**1 867**

[1] Hidroelectrica La Confluencia S.A. was previously included in "Other".
[2] See note 5 for more information about the transaction.
[3] See note 15 for more information about the impairments.

Note 26 continued

2019

NOK million	BKK AS	Agder Energi AS	Hidroelectrica La Higuera S.A.	Wind UK Invest Ltd.	Fjordkraft Holding ASA [1]	Other	**Total**
Opening balance as of 01.01. - as previously reported	5 556	3 474	939	879	1 001	1 255	**13 105**
Changes in accounting principle [2]	-	-	174	-	-	628	**802**
Balance as of 01.01.	5 556	3 474	1 113	879	1 001	1 883	**13 906**
Additions [1]	-	-	-	-	-	4	**4**
Divestments [1]	-535	-	-	-	-992	-27	**-1 554**
Share of profit/loss	990	423	6	14	46	-19	**1 460**
Depreciations of excess values	-13	-66	-	-2	-11	-5	**-97**
Impairments [3]	-	-	-	-	-	-115	**-115**
Dividends	-368	-269	-	-50	-37	-11	**-736**
Items recorded in other comprehensive income	60	16	-48	-6	-7	1	**16**
Currency translation effects	-	-2	9	36	-	-13	**30**
Closing balance as of 31.12.	5 691	3 577	1 080	871	-	1 698	**12 917**
Excess values as of 31.12.	1 782	1 737	396	43	-	134	**4 092**
Of which unamortised waterfall rights	1 553	314	370	-	-	-	**2 237**

[1] See note 5 for more information about the transactions.
[2] Following an amendment to IAS 28, two former loans to the equity accounted investments Hidroelectrica La Higuera S.A. and Hidroelectrica La Confluencia S.A. were reassessed. The impact was a decrease in the carrying value of other financial assets and an increase in the carrying value of equity accounted investments.
[3] An Impairment in the Indian joint venture, Allain Duhangan Hydro Power Ltd, was recognised as Share of profit/loss in equity accounted investments in the statement of profit and loss. See note 15.

Note 26 continued

DESCRIPTION OF THE ACTIVITIES IN SIGNIFICANT ASSOCIATES AND JOINT VENTURES

BKK AS has operations mainly in Western Norway, with its core activities being generation, sale and transmission of electric power. BKK also develops, builds, owns and operates infrastructure for electrification, and offer customers fibre internet access and district heating.

Agder Energi AS has operations mainly in Southern Norway, with its core activities being generation, trading and transmission of electric power, as well as other energy-related services.

Hidroelectrica La Higuera S.A. has operations in Chile and contains the La Higuera hydropower plant.

Wind UK Invest Ltd. (WUKI) owns the land-based wind farms Alltwalis, Baillie and Berry Burn in the UK.

Hidroelectrica La Confluencia S.A. has operations in Chile and contains the La Confluencia hydropower plant.

See note 35 for information regarding bank guarantees and parent company guarantees related to associates and joint arrangements.

FINANCIAL INFORMATION FOR SIGNIFICANT ASSOCIATED COMPANIES

The following table presents summarised financial information for significant associated companies. The figures apply to 100% of the companies' operations in accordance with IFRS 12.

2020

NOK million	BKK AS [1]	Agder Energi AS [1]	Hidroelectrica La Higuera S.A. [1]	Wind UK Invest Ltd. [1]	Hidroelectrica La Confluencia S.A [1]
Current assets	3 276	3 870	231	217	204
Non-current assets	24 380	20 494	4 324	2 884	4 598
Current liabilities	3 618	4 924	200	175	283
Non-current liabilities	13 353	13 958	3 160	1 349	4 082
Gross operating revenues and other income	4 571	9 461	688	378	417
Net profit	1 582	1 887	69	21	-46
Total comprehensive income	1 441	2 007	29	12	-46

[1] Figures are preliminary and unaudited.

2019

NOK million	BKK AS [1]	Agder Energi AS [1]	Hidroelectrica La Higuera S.A. [1]	Wind UK Invest Ltd. [1]
Current assets	2 465	3 077	216	240
Non-current assets	22 751	19 124	4 525	3 091
Current liabilities	4 098	5 482	217	201
Non-current liabilities	11 357	12 638	3 333	1 496
Gross operating revenues and other income	5 439	13 532	632	374
Net profit	2 134	1 121	168	27
Total comprehensive income	2 003	1 110	90	15

[1] Figures as shown in the Statkraft's annual report 2019.

JOINT VENTURES, JOINT OPERATIONS AND ASSOCIATES

Shares in companies classified as joint ventures and associates are recognised using the equity method in the consolidated financial statements. Statkraft recognises its share of assets, liabilities, revenues and expenses of companies classified as joint operations on a line-by-line basis in the group financial statements.

Name	Segment [1]	Registered office	Ownership	Voting share
JOINT VENTURES				
Vattenkraftens Miljöfond Sverige AB	EF	Stockholm	9.06%	9.06%
Allain Duhangan Hydro Power Ltd.	IP	New Delhi	43.12%	43.12%
Dugar Hydro Power Ltd	IP	New Delhi	50.00%	50.00%
Hidroelectrica La Confluencia S.A.	IP	Santiago	50.00%	50.00%
Hidroelectrica La Higuera S.A.	IP	Santiago	50.00%	50.00%
Khimti HPP [1]	IP	Kathmandu	50.00%	50.00%
Malana Power Company Ltd.	IP	New Delhi	49.00%	49.00%
Glencloosagh Energy Ltd.	EW	Cork	50.00%	50.00%
Wind UK Invest Ltd.	EW	London	51.00%	51.00%
KraftCERT AS	OA	Bærum	33.33%	33.33%
Silva Green Fuel AS	OA	Oslo	51.00%	51.00%
Silva Green Fuel DA	OA	Oslo	51.00%	51.00%

[1] The company has not yet been legally established. See note 5 for further information.

Note 26 continued

Name	Segment [1]	Registered office	Ownership	Voting share
JOINT OPERATIONS				
Aktieselskabet Tyssefaldene [2]	EF	Tyssedal	60.17%	60.17%
Grytten	EF	Rauma	88.00%	88.00%
Gäddede	EF	Stockholm	70.00%	70.00%
Harrsele AB	EF	Stockholm	50.57%	50.57%
Kobbelv	EF	Sørfold	82.50%	82.50%
Kraftverkene i Orkla	EF	Rennebu	48.60%	48.60%
Kraftwerksgesellschaft Herdecke, GmbH & Co. KG	EF	Hagen	50.00%	50.00%
Sima	EF	Eidfjord	65.00%	65.00%
Sira-Kvina Kraftselskap DA	EF	Sirdal	46.70%	46.70%
Solbergfoss [3]	EF	Askim	33.33%	33.33%
Stegaros	EF	Tinn	50.00%	50.00%
Svartisen	EF	Meløy	70.00%	70.00%
Svorka	EF	Surnadal	50.00%	50.00%
Ulla-Førre	EF	Suldal	73.48%	73.48%
Vikfalli	EF	Vik	88.00%	88.00%
Volgsjöfors	EF	Stockholm	73.10%	73.10%
Fosen Vind DA	EW	Oslo	52.10%	52.10%
ASSOCIATES				
Aursjøvegen AS	EF	Sunndalsøra	17.00%	17.00%
Røldal-Suldal Kraft AS [4]	EF	Suldal	4.79%	4.79%
Passos Maia Energética S.A.	IP	Caçador City	50.00%	50.00%
Agder Energi AS	IO	Kristiansand	45.50%	45.50%
Air Liquide Skagerak AS	IO	Porsgrunn	49.00%	49.00%
BKK AS	IO	Bergen	43.44%	43.44%
Laugstol AS	IO	Porsgrunn	33.40%	33.40%
Nape Kraftverk AS	IO	Grimstad	49.00%	49.00%

[1] EF: European flexible generation, IP: International power, EW: European wind and solar, IO: Industrial ownership, OA: Other activities.
[2] Statkraft controls 71.4% of the production from the Tysso II power plant.
[3] Statkraft owns 33.3% of Solbergfoss, but controls 35.6% of the generation.
[4] Statkraft owns 8.74% of the shares in Røldal-Suldal Kraft AS, which in turn owns 54.79% of the Røldal-Suldal plants. Statkraft's indirect shareholding in the power plant is thus 4.79%.

None of the companies have observable market values in the form of listed market prices or similar.

Note 27 Other non-current financial assets

SIGNIFICANT ACCOUNTING POLICIES

Loans to equity accounted investments are measured at amortised cost (see note 10) when the loans are interest-bearing, have a defined repayment plan and Statkraft intends to collect the contractual cash flows. There are two exceptions related to joint ventures in Chile, which are defined as long-term interests according to IAS 28 Investments in Associates and Joint Ventures. The loans are interest-free and measured at the net present value of future cash flows discounted with a prevailing market rate. At initial recognition these loans have a recognised value lower than its nominal value, and the difference is recognised as an increase in the equity accounted investment (see note 26). All loans are subject to potential impairment losses in accordance with IFRS 9 Financial Instruments.

NOK million	2020	2019
Loans to equity accounted investments	1 387	1 463
Bonds and other long-term receivables [1]	1 430	770
Net pension assets	838	886
Uncertain income tax deposit [1]	2 079	-
Other shares and securities	603	478
Total	6 338	3 597

[1] See note 34.

Note 28 Inventories

GENERAL INFORMATION

Statkraft's inventories consist of environmental certificates and wind- and solar projects that Statkraft intends to construct and/or develop and divest to third parties. In addition, Statkraft also has some inventories which are directly related to the tangible assets, whereof spare parts are the most significant part.

Environmental certificates:
Statkraft's environmental certificates consist of green certificates in the Nordics, Renewable Obligation Certificates (ROCs) in the UK, European Union Allowances (EUAs) and carbon allowances in the US. A significant part of the environmental certificates are ROCs which are purchased from origination and market access activities and in addition from own generating assets that are eligible for receiving these government grants.

Wind- and solar projects:
Wind and solar projects consist of development projects and work in progress (construction projects) that Statkraft intends to develop and divest at the time of completion. Development projects consist of early-stage solar- and wind projects which have not yet reached the construction phase, and Work in progress consists of projects under construction. If it is decided to start construction of a wind farm or a solar park based on the developed project, the development project will be transferred to work in progress.

SIGNIFICANT ACCOUNTING POLICIES

Statkraft holds environmental certificates both for own use and for trading.

Environmental certificates held for trading

Purchased environmental certificates held for trading are acquired with the purpose of taking advantage of short-term fluctuations in the market. The certificates are classified as inventory when they are received and are measured at fair value less costs to sell. Changes in fair value of inventories related to trading activities are presented as Gains/losses from market activities in the profit and loss statement. Environmental certificates held for trading consist mainly of ROCs received through power purchase agreements with wind power producers in UK. Other certificates included are Nordic el-certs and California Carbon Allowances.

Environmental certificates held for own use

Environmental certificates held for own use is held for the purpose of the receipt or delivery of the certificate in accordance with the entity's expected purchase, sale or usage requirements. In addition, environmental certificates are acquired with the purpose of settling emissions liabilities in the ordinary course of business. The certificates are classified as inventory when they are received and are subsequently measured at the lower of cost or net realisable value. Certificates held for own use consist of EUAs and GoOs (guarantees of origin). Certificates held with the purpose of settling emission liabilities consist of EUAs. GoOs received from generation of hydropower in the Nordics and Nordic el-certs are recognised with a cost price of zero.

Wind- and solar projects measured at the lower of cost price and net realisable value

Wind- and solar projects are measured at the lower of cost and net realisable value and comprise the carrying value of wind- and solar projects that are intended for divestment to third parties.

Project assets consist of costs relating to wind- and solar power projects in various stages of development that is capitalised prior to the divestment to a third party. The expenditures relating to early-stage development opportunities are recognised in the statement of profit and loss until such point when the Group is confident that the economics of the underlying project is technically and commercially viable. After this point, all development activity relating to the project is capitalised as inventory. Development projects comprise costs for the development of early-stage projects which have not yet reached ready to build status and include assets acquired during the year at their fair value, for which contingent consideration amounts, if any, have also been recognised. The costs for developing a solar park or wind farm can include legal, consulting, permitting, and other similar costs such as interconnection or transmission upgrade costs as well as directly attributable payroll expenses. For projects that have reached the construction phase and are classified as work in progress, costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Statkraft reviews project assets for write-down whenever events or changes in circumstances indicate that the carrying amount may not be realisable. Statkraft considers a project commercially viable if it is expected to be realised with a required positive margin once it is either fully developed or fully constructed. Statkraft considers a partially developed project commercially viable if the anticipated selling price less cost to complete is higher than the carrying value of the related project assets. Several factors are assessed to determine if the project will be commercially viable, the most notable of which is whether there are any changes in environmental, ecological, permitting, or regulatory conditions that impact the project. Such changes could cause the costs of the project to increase and/or the selling price of the project to decrease.

For projects where a customer contract exists, the contract revenue will either be recognised at a point in time or over time, depending on the underlying contractual agreement. Contract revenue recognised over time is classified as a contract asset. Contract revenue recognised at a point in time or projects without a customer contract is classified as work in progress. As of 31 December, no contract asset was recognised.

Spare parts and other inventory

Spare parts and other inventory are directly related to the tangible assets and are recognised at the lowest of cost price and net realisable amount.

Note 28 continued

	2020		2019	
NOK million	Recognised value	Cost price	Recognised value	Cost price
Inventories measured at fair value less costs to sell				
Environmental certificates	3 138	3 001	3 817	3 948
Total	3 138	3 001	3 817	3 948
Inventories measured at the lower of cost price and net realisable value				
Environmental certificates	480		391	
Spare parts	155		176	
Other	107		85	
Total	742		652	
Wind and solar projects measured at the lower of cost price and net realisable value				
Development projects [1]	1 344		-	
Work in progress [2]	1 139		-	
Total	2 483		-	
Total	6 363		**4 468**	

[1] Includes NOK 1058 million which is reclassified from intangible assets. See note 23.
[2] Includes NOK 897 million which is reclassified from property, plant and equipment. See note 24.

Note 29 Receivables

GENERAL INFORMATION

The Group's receivables are divided into four categories:

Accounts receivable mainly related to trading activities and Nordic hydropower generation.

Income tax prepayments and receivables related to resource rent taxes, natural resource rent taxes and ordinary income taxes.

Cash collateral and margin calls related to market settlements for derivatives connected with financial and trading activities.

Other receivables includes interest-bearing loans to equity accounted investments.

See note 9 for more information.

SIGNIFICANT ACCOUNTING POLICIES

Receivables are held until maturity and therefore are carried at amortised cost. Statkraft records lifetime expected credit losses on receivables, which is the expected credit loss that result from all possible default events over the expected life of a financial instrument. The loss provision is based on the Group's assessment of the expected credit losses: For 2020 the losses amounted to NOK 27 million (NOK -34 million).

NOK million	2020	2019
Accounts receivable	7 344	8 024
Income tax prepayments and receivables	216	89
Cash collateral and margin calls	3 917	3 035
Other receivables	2 182	2 200
Total	13 659	13 348

Maturity analysis of receivables

		Receivables overdue by			
2020		Less than	More than	Receivables overdue	
NOK million	Not yet due	90 days	90 days	and impaired	Total
Accounts receivable	6 988	348	53	-44	7 344
Recognised as loss for the year					27

		Receivables overdue by			
2019		Less than	More than	Receivables overdue	
NOK million	Not yet due	90 days	90 days	and impaired	Total
Accounts receivable	7 186	799	66	-27	8 024
Recognised as loss for the year					-34

Note 30 Cash and cash equivalents

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents includes commercial papers and other interest-bearing securities which normally are due within a period of three months. The item also includes restricted cash. Classification of cash deposit to cover margin calls related to trading activities depends on the characteristics of the exchange clearing service. If the service provider is neither a financial institution, nor part of Statkraft's daily cash management and holds no bank accounts in the name of Statkraft, the cash deposit is classified as other receivables.

Market settlements for derivatives connected with financial activities (cash collateral) are recognised in the statement of financial position as either receivables or liabilities. Bank deposits, cash and similar from joint operations are also presented under this line item.

NOK million	2020	2019
Cash and cash deposits [1]	11 155	11 496
Commercial papers and other interest-bearing securities	-	3 707
Total	11 155	15 203

[1] Includes NOK 194 million and NOK 328 million respectively in 2020 and 2019 from companies reported as joint operations.

Book value of cash and cash equivalents pledged as security to counterparties (restricted cash)

NOK million	2020	2019
Deposit account related to power sales on energy exchanges	22	30
Other restricted cash	9	5
Total	31	36

Note 31 Other non-current liabilities

SIGNIFICANT ACCOUNTING POLICIES

Provisions are only recognised when there is an existing obligation as a result of a past event, and when it is more than 50% probable that an obligation has arisen. It must also be possible to reliably measure the provision. Provisions are recognised with an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. If the probability is lower than 50%, the conditions will be stated in note 35, if material.

Onerous contracts Obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Concessionary power Each year, concessionary power sales are made to local authorities at statutory prices stipulated by the Norwegian Parliament. The supply of concessionary power is recognised as revenues on an ongoing basis in accordance with the established concessionary price. In the case of certain concessionary power contracts, agreements have been made regarding financial settlement in which Statkraft is invoiced for the difference between the spot price and the concessionary price. Such concessionary contracts are not included in the financial statements. The capitalised value of future concessionary power obligations is estimated and disclosed in note 35.

Decommissioning Provisions related to decommissioning typically arise when Statkraft has the right to time-limited concessions. See note 24.

NOK million	2020	2019
Decommissioning [1]	838	718
Provisions [2]	936	825
Other [3]	1 434	1 490
Total	3 207	3 033

[1] Mainly related to gas-fired power plants and wind farms.

[2] Mainly related to annual compensations and free power to landowners.

[3] Mainly related to long-term power agreements.

Reconciliation of provisions during the period

NOK million	2020
Carrying value 01.01.	825
Additions	33
Additions due to company acquisitions	144
Provisions used/reversed	-61
Reclassifications	58
Other movements	-16
Currency translation effects	-48
Carrying value 31.12	936

Note 32 Interest-bearing liabilities

NOK million	2020	2019
Interest-bearing liabilities, current		
First year's instalment on non-current debt	2 002	2 575
Cash collateral	1 761	1 383
Lease liabilities	269	217
Debt to Statkraft SF	200	179
Prepayments related to long-term power sales agreements [1]	316	-
Other short-term debt	1 912	125
Total	6 459	4 479
Interest-bearing liabilities, non-current		
Bonds issued in the Norwegian market	2 250	3 050
Debt issued in non-Norwegian markets	22 961	21 603
Lease liabilities	1 541	1 457
Prepayments related to long-term power sales agreements [1]	4 367	-
External debt in subsidiaries and other debt [2]	1 545	2 318
Total	32 664	28 427
Total interest-bearing liabilities	39 124	32 906

[1] Statkraft has entered into two long-term power sales agreements with a duration of 15 years. Statkraft has received prepayments of NOK 4733 million.
[2] Comparable figures have been restated. See note 1.

NOK million	2020	2019
Cash flows from interest-bearing liabilities and derivatives allocated to the debt portfolio		
Interest-bearing liabilities and derivatives allocated to the debt portfolio 01.01 - as previously reported [1] [3]	31 602	35 821
Addition of lease liabilities due to implementation of IFRS 16 at 01.01 (no cash effect)	-	1 539
Interest-bearing liabilities and derivatives allocated to the debt portfolio as of 01.01.	31 602	37 360
Items with cash effect		
New debt	4 092	261
Repayment of debt	-4 759	-5 963
Prepayments related to long-term power sales agreements	4 733	-
Cash collateral	397	-125
Interest rate derivatives realised before maturity	-	-220
Total items with cash effect	4 463	-6 047
Items with no cash effect		
Addition from lease liabilities	116	146
Addition from lease liabilities related to business combination	231	137
Addition from business combinations	535	81
Changes in foreign exchange rates	773	-501
Changes in fair value	293	439
Other	51	-13
Total items with no cash effect	1 999	289
Interest-bearing liabilities and derivatives allocated to the debt portfolio 31.12 [2] [3]	38 064	31 602

[1] In 2020, the derivatives included in the opening balance amounted to NOK -1304 million. In 2019 the corresponding amount was NOK -879 million.
[2] In 2020, the derivatives included in the closing balance amounted to NOK -1060 million. In 2019 the corresponding amount was NOK -1304 million.
[3] Comparable figures have been restated. See note 1.

Note 33 Other interest-free liabilities

GENERAL INFORMATION

The main part of these liabilities is related to trading activities in energy-related products, where costs have been incurred, but not yet invoiced.

Other interest-free liabilities

NOK million	2020	2019
Accounts payable	1 580	1 593
Indirect taxes payable	803	1 124
Accrued interest-free liabilities	5 795	5 812
Accrued interest related to long-term debt	255	256
Other	1 682	1 263
Total	10 115	10 049

Note 34 Disputes, contingencies and uncertain tax positions

DISPUTES AND CONTINGENCIES

The Group is involved in a number of legal proceedings in various forms. Whilst acknowledging the uncertainties of litigation, the Group is of the opinion that based on the information currently available, these matters will be resolved without any adverse material effect, individually or collectively on the Group's financial position. For legal disputes, in which the Group assesses it to be probable that an economic outflow will be required to settle the obligation, provisions have been made based on management's best estimate. For significant cases with uncertainty, see details below.

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

The Brazilian Federal Prosecutor has been investigating potential crimes committed by representatives of the four main pension funds in Brazil and representatives of companies in which the pension funds invested, as well as any other individual who may have been involved in the alleged scheme, related to historical investments made by the pension funds, including FUNCEF, which invested in Desenvix (now SKER) in 2009 and 2010, and now owns 18.7% of SKER. The Prosecutor has concluded the investigation in relation to FUNCEF and filed the criminal lawsuit against the individuals, including the shareholders of Jackson and former officers of FUNCEF. In August 2017, the Federal Judge in charge of the criminal investigation issued a resolution stating that no information had been found relating SKER with the alleged illicit activities and therefore decided to release guarantees and other precautionary measures imposed on SKER. Additionally, a civil lawsuit has been filed against the pension funds and companies and individuals related to the pension fund's investments, including SKER. It is at this stage not possible to predict if the outcome of the case could have potential negative effects on SKER.

UNCERTAIN TAX POSITIONS

The Group is subject to income taxes in several jurisdictions. There is uncertainty related to the final tax liability for many transactions and calculations. A dispute or examination of a particular tax treatment by taxation authorities may affect the accounting for current or deferred taxes. When assessing the recognition of uncertain tax assets or liabilities, it is considered if the asset or liability is probable. If the final outcome of the tax disputes deviates from the amounts recognised in the statement of financial position, the deviations will impact the income tax expense in the profit and loss statement for the applicable period. The main uncertain tax positions in the Group are described in more detail below. See also note 22.

Uncertain tax positions in Norway
On 3 and 12 March 2020, Statkraft AS received decisions of tax reassessments from the Norwegian tax authorities. The decisions regarded the income tax returns for the fiscal years 2010-2016 related to the investment in the Statkraft Treasury Centre SA (STC) in Belgium. On 24 April 2017, the major business activities in STC were transferred to Statkraft AS. All business activities in STC have been closed down.

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 financial statements for the parent company, prepared under N-GAAP, the impact from the decision has been expensed. On 8 April 2020, Statkraft appealed the decisions to the Tax Appeals Board.

As of 31 December 2020, Statkraft estimated a financial exposure of NOK 2400 million as additional payable tax and interest expenses related to this case. This was under the presumption that all arguments from the Norwegian tax authorities would prevail for the period of 2010-2017.

As of 31 December 2019, Statkraft estimated a financial exposure of NOK 2500 million as additional payable tax and interest expenses related to this case. This was under the presumption that all arguments from the Norwegian tax authorities would prevail for the period of 2010-2017.

Statkraft has paid NOK 2335 million to the Norwegian tax authorities in the second quarter of 2020 related to this case associated with 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 financial position.

Uncertain tax positions in Germany
Statkraft is of the opinion that certain unrealised losses on trading contracts are tax deductible while the German tax authorities are of the opinion that the same losses are only deductible at the time of realisation of the relevant contracts. The timing of deductions in combination with the minimum taxation regulations in Germany has significant effects on accumulated payable tax expense. Statkraft is in the process of challenging the tax treatment in the German tax court.

As of 31 December 2020, Statkraft has expensed NOK 889 million as taxes payable due to this tax treatment for the period of 2012-2020. Of this NOK 327 million has been paid to German tax authorities.

As of 31 December 2019, Statkraft has expensed NOK 796 million as taxes payable due to this tax treatment for the period of 2012-2019. Of this NOK 247 million has been paid to German tax authorities.

Uncertain tax positions in Nepal
On 4 January 2021, The Department of Revenue Investigation (DRI) of Nepal opened an investigation against a Statkraft subsidiary in Nepal, Himal Power Ltd (HPL). DRI is investigating if HPL has a capital gains tax liability related to share transfers in the period of 2006-2017 which it may then pursue by criminal proceedings.

Statkraft is of the opinion that the relevant transactions are not subject to capital gains tax, and hence that no criminal offences have been committed. Statkraft has made no provisions related to these cases and it is at this stage not possible to quantify any potential exposure for the financial statements.

Note 35 Pledges, guarantees and obligations

PLEDGES

Under certain circumstances local authorities and publicly owned energy companies are entitled to a share of the output from power plants belonging to Statkraft in return for paying a share of the construction costs. To finance the acquisition of such rights, the local authorities/companies have been granted permission to pledge the power plant as security. The mortgage debt raised by the local authorities under this scheme totals NOK 255 million (NOK 255 million).

In addition, other subsidiaries have a total of NOK 852 million (NOK 1401 million) in pledged debt. As of 31 December 2020, the carrying value of the pledged assets in the Statkraft Group totalled NOK 1168 million (NOK 4416 million). The pledged assets, in other subsidiaries, consist of property, plant and equipment and trade receivables, to ensure compliance of long-term debt.

GUARANTEES AND BONDS

The Statkraft Group has the following off-balance-sheet guarantees:

NOK million	2020	2019
Parent company guarantees on behalf of subsidiaries [1]	19 435	17 470
Parent company guarantees on behalf of associates and joint arrangements	198	828
Other [2]	1 969	801
Total guarantees in Statkraft AS	21 603	19 099
Guarantees issued by subsidiaries [2]	1 948	3 614
Guarantees issued by associates and joint arrangements	-	194
Total guarantees in subsidiaries, associates and joint arrangements	1 948	3 808
Total guarantees	23 550	22 907

[1] The guarantees for 2020 are mainly related to energy purchase of NOK 17 689 million and liabilities to suppliers of NOK 1429 million.

[2] Figures for 2020 include NOK 2271 million in grid bonds and NOK 845 million in performance bonds related to the development and construction of wind farms and solar parks. Such bonds can be called if Statkraft does not develop and construct the respective wind farms and solar parks according to the terms.

CONTRACT OBLIGATIONS

Statkraft Group has the following significant off-balance-sheet obligations at 31 December 2020:

- Statkraft is obliged to pay licence fees related to hydropower plants, mainly in Norway. The present value of the Group's future licence fee obligations, not recognised in the statement of financial position, is estimated to NOK 15 178 million. The estimated amount is based on a regulated discount rate of 2.5%, annual compensation and funds etc. In 2019, the corresponding amount was NOK 12 696 million with a discount rate of 3.2%.
- A power purchase agreement with an estimated 16-year horizon. The purchase obligation is NOK 1466 million.
- Obligation regarding service agreements related to gas-fired power plants of NOK 662 million.

CONCESSIONARY POWER CONTRACTS

The Group recognises concessionary power as normal buying and selling in accordance with stipulated concessionary power prices upon delivery, regardless of whether the settlement takes place upon physical delivery or financial settlement. Concessionary power contracts are normally regarded as indefinite. The parties can however agree on financial settlement for a period of time.

At the end of 2020, the contracts with financial settlement had a total volume of around 9.1 GWh and an average price from the Ministry of Petroleum and Energy of 11.4 øre/kWh. For the remaining contracts with financial settlement, the estimated fair value at 31 December 2020 was NOK 271 million.

Note 36 Fees paid to external auditors

Deloitte AS is the Statkraft Group's auditor and audits all subsidiaries subject to audit requirements.

The total fees (excluding VAT) paid for auditing and other services were as follows:

NOK thousand	2020	2019
Statutory auditing	22 601	16 942
Other attestation services	1 256	1 041
Tax consultancy services	1 234	907
Other services [1]	526	536
Total	25 617	19 426

[1] The main items in fees for other services in 2019 and 2020 relates to attestation of the sustainability report.

Note 37 Benefits paid to executive management and the Board of Directors

Statkraft is organised into business units and support functions. The managers of these units report to the Group management, which comprises the executive vice presidents (EVPs) and the President and CEO.

Salary and other benefits – executive management

2020

NOK	Salary	Bonus [1]	Benefits in kind	Salaries and other benefits
Christian Rynning-Tønnesen, President and CEO	5 637 204	1 158 000	214 191	7 009 395
Anne Harris, Executive Vice President and CFO	3 043 142	555 000	222 533	3 820 675
Hallvard Granheim, Executive Vice President	3 892 849	779 000	213 227	4 885 076
Steinar Bysveen, Executive Vice President [2]	2 493 226	-	151 186	2 644 412
Birgitte Ringstad Vartdal, Executive Vice President [3]	2 740 636	473 000	179 410	3 393 046
Hilde Bakken, Executive Vice President	3 206 565	569 000	217 467	3 993 032
Jürgen Tzschoppe, Executive Vice President	3 796 877	584 000	143 467	4 524 344
Jon Vatnaland, Executive Vice President [4]	2 369 958	-	159 281	2 529 239
Henrik Sætness, Executive Vice President [5]	2 197 562	323 000	180 322	2 700 884

[1] Bonus earned in 2020, but disbursed in 2021.

[2] Steinar Bysveen resigned from his position as Executive Vice President on 31 March 2020.

[3] Birgitte Ringstad Vartdal was appointed Executive Vice President on 1 April 2020.

[4] Jon Vatnaland resigned from his position as Executive Vice President on 18 August 2020.

[5] Henrik Nissen Sætness was appointed Executive Vice President on 1 October 2020.

2019

NOK	Salary	Bonus [1]	Benefits in kind	Salaries and other benefits
Christian Rynning-Tønnesen, President and CEO	5 490 637	921 000	201 883	6 613 520
Anne Harris, Executive Vice President and CFO [2]	1 769 563	391 000	141 737	2 302 300
Hallvard Granheim, Executive Vice President	3 603 927	650 000	209 901	4 463 828
Steinar Bysveen, Executive Vice President	2 879 584	453 000	208 686	3 541 270
Hilde Bakken, Executive Vice President	2 958 516	615 000	213 169	3 786 685
Jürgen Tzschoppe, Executive Vice President	3 686 726	589 000	161 534	4 437 260
Jon Vatnaland, Executive Vice President	2 610 410	533 000	209 193	3 352 603

[1] Bonus earned in 2019, but disbursed in 2020.

[2] Anne Harris was appointed Executive Vice President on 2 May 2019.

The Group management has not received any compensation or financial benefits from other companies in the same Group other than those shown above. No additional compensation for special services beyond normal managerial functions has been provided, nor have any loans or surety been granted.
For 2020, total salaries and other benefits paid to the executive management amounted to NOK 35 500 103. The corresponding amount in 2019 was NOK 28 497 467.

Pension costs – executive management

NOK	2020	2019
Christian Rynning-Tønnesen, President and CEO	2 277 707	2 217 459
Anne Harris, Executive Vice President and CFO	147 296	97 228
Hallvard Granheim, Executive Vice President	281 589	289 451
Steinar Bysveen, Executive Vice President [1]	287 819	1 180 345
Birgitte Ringstad Vartdal, Executive Vice President [2]	110 472	-
Hilde Bakken, Executive Vice President	1 358 624	1 355 548
Jürgen Tzschoppe, Executive Vice President	147 296	144 545
Jon Vatnaland, Executive Vice President [3]	627 367	1 001 963
Henrik Sætness, Executive Vice President [4]	320 683	-

[1] Steinar Bysveen resigned from his position as Executive Vice President on 31 March 2020

[2] Birgitte Ringstad Vartdal was appointed Executive Vice President on 1 April 2020.

[3] Jon Vatnaland resigned from his position as Executive Vice President on 18 August 2020

[4] Henrik Sætness was appointed Executive Vice President on 1 October 2020.

The year's accounting cost for the pension scheme reflects the period during which the individual has been an executive employee.
For 2020, the total pension costs for executive management were NOK 5 558 853. In 2019 the corresponding amount was NOK 6 286 539.

Note 37 continued

Remuneration to the Board, Audit Committee and Compensation Committee as well as participation in Board meetings

2020

NOK	Board remuneration	Audit Committee	Compensation Committee	Participation in board meetings
Thorhild Widvey, chair	539 000	-	56 000	9
Peter Mellbye, deputy chair	381 000	-	34 500	8
Marit Salte [1)]	159 000	-	-	5
Hilde Drønen, director [2)]	154 000	51 500	-	4
Mikael Lundin, director	313 000	75 750	-	9
Ingelise Arntsen, director	313 000	90 250	-	9
Bengt Ekenstierna, director	313 000	-	-	9
Vilde Eriksen Bjerknes, employee-elected director	313 000	-	-	9
Thorbjørn Holøs, employee-elected director	313 000	75 750	-	8
Asbjørn Sevlejordet, employee-elected director	313 000	-	34 500	9

[1)] Was appointed board member in July 2020.
[2)] Left the Board in July 2020.

2019

NOK	Board remuneration	Audit Committee	Compensation Committee	Participation in board meetings
Thorhild Widvey, chair	524 000	-	54 200	10
Peter Mellbye, deputy chair	370 000	-	33 550	10
Hilde Drønen, director	304 000	101 400	-	9
Mikael Lundin, director	304 000	73 400	-	10
Ingelise Arntsen, director	304 000	73 400	-	10
Bengt Ekenstierna, director	304 000	-	-	10
Vilde Eriksen Bjerknes, employee-elected director	304 000	-	-	10
Thorbjørn Holøs, employee-elected director	304 000	73 400	-	9
Asbjørn Sevlejordet, employee-elected director	304 000	-	33 550	10

The Board has no remuneration agreements other than the directors' fee and remuneration for participation in committee work, nor have any loans or surety been granted to directors of the Board. Total remuneration paid to the Board, Audit Committee and Compensation Committee in 2020 was NOK 3 111 000, NOK 293 250 and NOK 125 000, respectively. The respective amounts in 2019 were NOK 3 022 000, NOK 321 600 and NOK 121 300.

THE BOARD'S STATEMENT REGARDING SALARIES AND OTHER REMUNERATIONS TO SENIOR EXECUTIVES – 2020

The board of Statkraft will contribute to a moderate, but competitive development of executive pay in Statkraft. The principles and guidelines for executive salary and other remunerations are formed accordingly. There were no significant policy changes with regard to salaries and other remunerations in 2020.

Statkraft AS and fully owned subsidiaries follows the Ministry of Trade, Industry and Fisheries's guidance for salary and other benefits to corporate management in state owned companies.

Statkraft's policy is to offer competitive terms, but not take a leading position. Upon deciding salaries and other remunerations in Statkraft, an external position assessment system delivered by Korn Ferry Hay Group that ranks positions according to a recognized and widely used methodology is utilised. This company conducts an annual survey, evaluating how similarly ranked positions in the Norwegian labour market are compensated. The survey contains compensation data from a wide range of Norwegian companies representing the Norwegian total market and is not limited to single sectors.

This information, together with the general salary development in Statkraft, forms the basis for determining compensation.

Organisation
The board of Statkraft has established a separate Compensation Committee. The mandate of the committee is as follows:

- Once a year prepare the board's treatment of items relating to the CEO's salary and conditions of employment.
- Prepare the Board's statement on executive pay and other compensation paid to senior executives.
- Prepare the Board's treatment of all the fundamental issues relating to salary, bonus systems, pension and employment agreements and similar for the executive management in Statkraft.
- Deal with specific issues related to compensation for employees in the Statkraft Group to the extent that the Committee deems that these concern matters of particular importance for the Group's reputation, competitiveness and attractiveness as an employer.
- The CEO shall consult the Compensation Committee regarding the salaries for the corporate executives and head of Corporate Audit before they are decided upon.

Report on executive remuneration policy
The CEO and corporate executives receive both a fixed salary and a variable payment.

Fixed salary
The fixed salary is determined based on an assessment of the specific position and the market – as well as an assessment against Statkraft's policy of offering competitive terms, but not take a leading position. Statkraft apply the Korn Ferry Hay Group methodology for position and market evaluations. When deciding the annual salary regulation, the average salary increases of other employees are also considered.

Variable salary
Base salary is the primary compensation element in Statkraft. In addition, the company has a variable remuneration scheme for the senior executives based on key performance indicators and individual goals. The purpose is to drive operational performance and manage risks to achieve the objectives in the strategy.

Note 37 continued

Statkraft has established a performance management process to ensure clear relationship between the Group's overall Strategic platform and defined targets. Performance is reported and followed up through key performance indicators (KPIs) in the Group scorecard. The key performance indicators are based on the most relevant value drivers and strategic ambitions for the group. The targets are set to ensure value creation.

The variable remuneration scheme for Statkraft's senior executives is developed to support the performance management process, establishing a clear link between value-creating activities and individual variable remuneration.

Below is a description of relevant categories of KPIs included in the variable remuneration scheme. The measurement is weighted on the individual's area of responsibility:

i) Care for people and environment
Within this category Statkraft monitors that required legal, environmental, social and ethical standards in the industry are followed. A main focus is on health, safety and security risks for employees and reduction of negative environmental impact. Common health and safety targets are included for all members of executive management.

ii) Financial indicators
Statkraft's financial performance from market activities is measured through profitability KPIs, where Statkraft's added value from energy management and other market activities are measured against the market. The main focus is to enhance value creation for Statkraft, measured by different KPIs with stretch targets.

iii) Operational indicators
There are several KPIs to follow up operational performance. Statkraft measures the utility-adjusted availability of the power plants, i.e. the availability in times where Statkraft benefits from available plants. Moreover Statkraft follows up costs by measuring the development of the cost base. Also for these indicators, the main focus is on enhanced value creation for Statkraft; measured by different KPIs with stretch targets

For the CEO and corporate management, the variable remuneration has a maximum potential of 25 per cent of gross base salary. Calculation of variable remuneration is based on level of goal achievement ranging from 0 to 100% for specific, defined sub targets.

Sub targets are defined at three levels:

- Expected level; results in range with goal achievements on this level reflect expected delivery and is not rewarded with variable pay.
- Stretch goals; defined results above expected delivery level that represent 50% goal achievement.
- Outstanding; defined results high above expected delivery level that represent 100% goal achievement.

For the CEO and corporate management, targets are defined for strategic objectives as well as financial and operational performance. The CEO's variable pay is fully based on these targets while the variable pay for the executive vice presidents has a combined weighting of 70% of these targets and a 30% weighting of individual targets on leadership and organisational development. Assessment of variable remuneration level for the executive vice presidents is conducted in consultation with the compensation committee of the Statkraft board. The assessment of variable remuneration level for the CEO is conducted by the compensation committee and decided by the board.

Main targets for 2020 encompassed the areas security (TRI), total measurable cost per kWh, market adjusted availability for all power production, market operations, specific targets for hydro power, international power and European wind and solar, as well as business development and other organizational targets. All targets were supported by comprehensive plans and measures.

Other variable elements
Other variable elements include arrangements with a company car, newspapers, phone and coverage of broadband communication in accordance with established standards.

Pension plans
For wholly owned Norwegian subsidiaries, Statkraft has established a defined contribution plan in Gjensidige Pensjonsforsikring AS and has a closed defined benefit plan in the Government Pension Fund (SPK).

The CEO, Christian Rynning-Tønnesen, has a retirement age of 67 years, and will receive a pension of 66% of his annual salary, provided that he has been part of SPK during the entire 30-year vesting period. The other corporate executives have a retirement age of 65 years at the earliest, with the right to 66% of their annual salary, provided that they have been part of SPK during the entire 30-year vesting period.

Statkraft established a pension scheme funded out of current income for income above 12G in 2003. The scheme included all employees with an annual salary over 12G, including the CEO and corporate executives. This scheme was closed to new employees in 2012. There is no established new retirement pension scheme for annual salary over 12G, but an additional salary system has been established that can be used for supplementary private pension savings. Additional salary is set at 18% of ordinary salary over 12G. Group disability coverage relating to salaries over 12G has also been established.

Employees with a salary above 12 G and date of hire prior to April 30 2012 kept their pension agreements in the closed pension scheme. This practice was also applied for internal promotions to corporate management. Members of the closed scheme for income above 12G included in 2020 the CEO and three members of corporate management. Statkraft will for future internal promotions assume that the 12G restraint for pension schemes shall be made applicable for new members of corporate management regardless of hire date in the company.

Position change agreements
The CEO and one member of corporate management have agreements regarding change of position after the age of 62. These are agreements where, at any time after the employee has reached 62 years of age, the executive or the company has a mutual right to request to resign, or be requested to resign, from his executive position without further justification. If any of the parties exercise this right, the executive should be offered another position with a salary of 75% of the executive's pay – and working hours of up to 50% until the agreed-upon retirement age. The policy regarding executive remuneration has been amended and the arrangement is closed to new employees.

Severance arrangements
The mutual period of notice for the CEO is 6 months. For corporate executives, there is a mutual notice period of 3 months. After more than 2 years of employment, the employer's period of notice is 6 months.

For the CEO, and two members of corporate management, agreements have been signed guaranteeing a special severance pay from the employer if notice is given by the employer with a shorter deadline than mentioned above. The agreement waives the employee's rights in the Work Environment Act (Arbeidsmiljøloven) for protection against dismissal. If the employer uses this right of termination, the employee is entitled to a severance payment of up to 12 months' salary in excess of agreed notice period. The amount shall be paid monthly.

Severance pay shall be reduced according to established rules if the employee receives other income within the payment period. These agreements are entered into in accordance with the guidelines for the employment conditions of managers in state owned enterprises and companies of 28 June 2004. The policy regarding executive remuneration has been changed, and the arrangement is closed to new employees.

Terms for the CEO
Fixed salary paid to the CEO for 2021 is NOK 5 650 000, with other terms as set out in this statement.

Note 38 Related parties

GENERAL INFORMATION

All subsidiaries, associates and joint arrangements stated in note 26 and note 39 are related parties of Statkraft. Intercompany balances and transactions between consolidated companies are eliminated in Statkraft's consolidated financial statements and are not presented in this note.

The individuals stated in note 37 are members of the executive management or the Board of Directors and are also related parties of Statkraft.

The table below shows transactions with related parties classified as associates or joint ventures.

NOK million	2020	2019
Revenues	196	136
Expenses	151	184
Receivables at the end of the period	1 486	1 576
Liabilities at the end of the period	11	10

Significant transactions with the owner and companies controlled by the owner

The shares in Statkraft AS are all owned by Statkraft SF, which is a company wholly owned by the Norwegian State.

NOK million	2020	2019
Gross operating revenues and other income includes:		
Concessionary sales at statutory prices	402	397
Net operating revenues and other income includes:		
Energy purchases from Equinor	349	1 178
Transmission costs to Statnett	1 107	1 385
Operating expenses includes:		
Property tax and licence fees to Norwegian authorities	1 145	977
Financial expenses includes:		
Interest expenses to Statkraft SF	2	30
Income tax expenses includes:		
Payable income tax expense to Norwegian authorities	2 031	5 954
Proposed dividend and Group contribution to Statkraft SF	3 673	6 500

Transmission costs to Statnett are mainly grid tariff. The prices in this market are stipulated by the Norwegian Water Resources and Energy Directorate. Other transactions with related parties are conducted at commercial terms and conditions.

Except for interest-bearing debt covered in note 32, there are no other significant items between Statkraft AS and Statkraft SF in the statement of financial position.

Statkraft also has transactions and balances with other enterprises controlled by the Norwegian state, but their size, neither individually nor combined, have significance for Statkraft's financial statements.

Note 39 Consolidated companies

Name	Segment [1)]	Country	Registered office	Parent company	Shareholding and voting share
Statkraft France SAS	EF	France	Lyon	Statkraft Asset Holding AS	100.00%
Knapsack Power GmbH & Co KG	EF	Germany	Düsseldorf	Statkraft Holding Knapsack GmbH	100.00%
Knapsack Power Verwaltungs GmbH	EF	Germany	Düsseldorf	Knapsack Power GmbH & Co KG	100.00%
Statkraft Holding Herdecke GmbH	EF	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Holding Knapsack GmbH	EF	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Energi AS	EF	Norway	Oslo	Statkraft AS	100.00%
Baltic Cable AB*	EF	Sweden	Malmö	Statkraft Asset Holding AS	100.00%
Gidekraft AB	EF	Sweden	Stockholm	Statkraft Sverige AB	90.10%
Statkraft Sverige AB	EF	Sweden	Stockholm	Statkraft Asset Holding AS	100.00%
Rheidol 2008 Trustees Ltd.*	EF	United Kingdom	London	Statkraft Energy Ltd.	100.00%
Statkraft Energy Ltd.	EF	United Kingdom	London	Statkraft UK Ltd.	100.00%
Statkraft Energia do Brasil Ltda.	MO	Brazil	Florianopolis	Statkraft Investimentos Ltd.a.	100.00%
Statkraft (China) Energy Ltd.*	MO	China	Beijing	Statkraft Markets B.V.	100.00%
Statkraft Germany GmbH	MO	Germany	Düsseldorf	Statkraft AS	100.00%
Statkraft Markets Financial Services GmbH	MO	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Markets GmbH	MO	Germany	Düsseldorf	Statkraft Germany GmbH	100.00%
Statkraft Solar Deutschland GmbH*	MO	Germany	Düsseldorf	Statkraft Germany GmbH	100.00%
Statkraft Trading GmbH	MO	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Ventures GmbH	MO	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Markets Pvt. Ltd.	MO	India	New Delhi	Statkraft Holding Singapore Pte. Ltd.	100.00%
Statkraft Carbon Invest AS	MO	Norway	Oslo	Statkraft AS	100.00%
Statkraft US Holding AS	MO	Norway	Oslo	Statkraft Asset Holding AS	100.00%
Statkraft Financial Energy AB	MO	Sweden	Stockholm	Statkraft AS	100.00%
Statkraft Markets B.V.	MO	The Netherlands	Amsterdam	Statkraft Asset Holding AS	100.00%
Wenumse Veld B.V.	MO	The Netherlands	Amsterdam	Statkraft Germany GmbH	100.00%
Statkraft Elektrik Enerjisi Toptan Satis Ltd. Sti.	MO	Turkey	Istanbul	Statkraft AS	100.00%
Bryt Energy Ltd.	MO	United Kingdom	London	Statkraft Pure Energy	100.00%
Bryt Energy Storage	MO	United Kingdom	London	Statkraft Pure Energy	100.00%
Statkraft Pure Energy Ltd.	MO	United Kingdom	London	Statkraft UK Ltd.	100.00%
Statkraft UK Ltd.	MO	United Kingdom	London	Statkraft AS	100.00%
Statkraft US LLC*	MO	USA	San Francisco	Statkraft US Holding AS	100.00%
Devoll Hydropower Sh.A.	IP	Albania	Tirana	Statkraft Markets B.V.	100.00%
Statkraft Renewables Albania SHPK	IP	Albania	Tirana	Statkraft Markets B.V.	100.00%
Energen Energias Renováveis S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Enex O&M de Sistemas Elétricos Ltda.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Esmeralda S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Macaúbas Energética S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Moinho S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Novo Horizonte Energética S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Oslo I S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Oslo II S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Oslo III S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Oslo IV S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Oslo V S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Oslo VI S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Oslo VII S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Oslo VIII S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Oslo IX S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Oslo X S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Santa Eugênia Energias Renováveis S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Santa Fé Energia S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Santa Laura S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Santa Rosa S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Seabra Energética S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Serra da Mangabeira S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Statkraft Energias Renováveis S.A.	IP	Brazil	Florianopolis	Statkraft Investimentos Ltd.a.	81.31%
Statkraft Investimentos Ltda.	IP	Brazil	Florianopolis	Statkraft Brasil AS	100.00%
Ventos de São Vitorino S.A.	IP	Brazil	Florianopolis	Statkraft Energias Renováveis S.A.	100.00%
Empresa Eléctrica Pilmaiquén S.A.	IP	Chile	Santiago	Statkraft Chile Inversiones Electricas Ltda.	99.62%
Empresa Eléctrica Rucatayo S.A.	IP	Chile	Santiago	Empresa Eléctrica Pilmaiquén S.A.	100.00%
Statkraft Chile Inversiones Eléctricas Ltda.	IP	Chile	Santiago	Statkraft Holding Chile Pte. Ltd.	100.00%
Statkraft Chile Tinguiririca SCC	IP	Chile	Santiago	Statkraft Chile Inversiones Electricas Ltd.	100.00%
Statkraft Eólico S.A.	IP	Chile	Santiago	Statkraft Holding Chile Pte. Ltd.	100.00%
Statkraft Market Services Chile S.A.	IP	Chile	Santiago	Statkraft Chile Inversiones Electricas Ltd.	100.00%
Transrucatayo S.A	IP	Chile	Santiago	Empresa Eléctrica Rucatayo S.A.	100.00%
Nellai Renewables Pvt. Ltd.	IP	India	New Delhi	Statkraft India Pvt. Ltd.	100.00%
Statkraft India Pvt. Ltd.	IP	India	New Delhi	Statkraft Holding Singapore Pte. Ltd.	100.00%
Statkraft Solar Solutions Pte Ltd.	IP	India	New Delhi	Statkraft Markets B.V.	100.00%
Tidong Power Generation Private Ltd.	IP	India	Shimla	Statkraft IH Holding AS	100.00%
Himal Power Ltd.	IP	Nepal	Kathmandu	Statkraft Holding Singapore Pte. Ltd.	57.07%
Statkraft Brasil AS	IP	Norway	Oslo	Statkraft IH Invest AS	100.00%
Statkraft IH Holding AS	IP	Norway	Oslo	Statkraft IH Invest AS	100.00%
Statkraft IH Invest AS	IP	Norway	Oslo	Statkraft AS	100.00%
Inversiones Shaqsa S.A.C.	IP	Peru	Lima	Statkraft Peru S.A.	100.00%
Statkraft Peru Holding S.A.C.	IP	Peru	Lima	Statkraft Holding Peru Pte. Ltd.	100.00%
Statkraft Peru S.A.	IP	Peru	Lima	Statkraft Peru Holding S.AC.	100.00%
Statkraft Holding Chile Pte. Ltd.	IP	The Netherlands	Amsterdam	Statkraft Holding Singapore Pte. Ltd.	100.00%
Statkraft Holding Peru Pte. Ltd.	IP	The Netherlands	Amsterdam	Statkraft Holding Singapore Pte. Ltd.	100.00%
Statkraft Holding Singapore Pte. Ltd.	IP	The Netherlands	Amsterdam	Statkraft IH Holding AS	100.00%

Note 39 continued

Name	Segment [1)]	Country	Registered office	Parent company	Shareholding and voting share
Çakıt Enerji A.S.	IP	Turkey	Istanbul	Statkraft Enerij A.S.	100.00%
Kargi Kizirlmak Enerji A.S.	IP	Turkey	Istanbul	Statkraft Enerij A.S.	100.00%
Statkraft Enerji A.S.	IP	Turkey	Istanbul	Statkraft AS	100.00%
Energía de Guanacache, S.A.	EW	Argentina	Buenos Aires	Solar Century Argentina Holdco 2	98.00%
Inlight Energy, S.A.	EW	Argentina	Buenos Aires	Solar Century Argentina Holdco 1	98.00%
La Plata Solar Park, S.A.	EW	Argentina	Buenos Aires	Solar Century Argentina Holdco 5	98.00%
Pocito Solar Park, S.A	EW	Argentina	Buenos Aires	Solar Century Argentina Holdco 3	98.00%
Solargentum Solar Park, S.A.	EW	Argentina	Buenos Aires	Solar Century Argentina Holdco 4	98.00%
Chacabuco 18 Solar SpA	EW	Chile	Santiago	Solarcentury Projects SpA	100.00%
Parina Solar SpA	EW	Chile	Santiago	Solarcentury Projects SpA	100.00%
Pauna Solar SpA	EW	Chile	Santiago	Solarcentury Projects SpA	100.00%
Solarcentury Chile SpA	EW	Chile	Santiago	Solar Century Holdings Limited	100.00%
Solarcentury Projects SpA	EW	Chile	Santiago	SCH Projects Limited	100.00%
Tamarugo Solar SpA	EW	Chile	Santiago	Solarcentury Projects SpA	100.00%
Fotovoltaico Dulima S.A.S	EW	Columbia	Ibagué	Solarcentury Projects Latin America, S.A.	100.00%
Fotovoltaico Flandes S.A.S.	EW	Columbia	Ibagué	Solarcentury Projects Latin America, S.A.	100.00%
Fotovoltaico Yuma S.A.S	EW	Columbia	Ibagué	Solarcentury Projects Latin America, S.A.	100.00%
Solarcentury d.o.o	EW	Croatia	Zagreb	SCH Projects Limited	100.00%
Solarcentury Ltd	EW	Croatia	Zagreb	SCH Projects Limited	100.00%
Pacifico Solar S.A. de C.V.	EW	El Salvador	Colonia Escalon	Solarcentury Projects Latin America, S.A.	99.95%
Helioceres II SAS	EW	France	Lyon	SC France Holding	100.00%
Helioceres IV SAS	EW	France	Lyon	SC France Holding	100.00%
SC Centrale 2 SAS	EW	France	Lyon	SC France Holding	100.00%
SC Centrale 3 SAS	EW	France	Lyon	SC France Holding	100.00%
SC Centrale 4 SAS	EW	France	Lyon	SC France Holding	100.00%
SC Centrale 5 SAS	EW	France	Lyon	SC France Holding	100.00%
Solarcentury France Holdings SAS	EW	France	Lyon	SCH Projects Limited	100.00%
Solarcentury France SAS	EW	France	Lyon	Solarcentury France Holdings SAS	100.00%
Solarcentury Services France SAS	EW	France	Lyon	Solar Century Holdings Limited	100.00%
Statkraft Renouvelables SAS	EW	France	Lyon	Statkraft Asset Holding AS	100.00%
Solarcentury Deutschland GmBH	EW	Germany	Frankfurt am Main	Solar Century Holdings Limited	100.00%
Solarcentury Ghana Limited	EW	Ghana	Accra	Solar Century Africa Limited	100.00%
Consortium Solar Power Systems S.A	EW	Greece	Athens	SCH Projects Limited	100.00%
SolarCentury Services Greece Single Member S.A.	EW	Greece	Athens	Solar Century Holdings Limited	100.00%
SolarProject SC I Private Company	EW	Greece	Athens	Solar Century Holdings Limited	85.00%
SolarProject SC II Private Company	EW	Greece	Athens	Solar Century Holdings Limited	85.00%
SolarProject SC III Private Company	EW	Greece	Athens	Solar Century Holdings Limited	85.00%
SolarProject Staat Vast I Single Member Private Company	EW	Greece	Athens	Solar Century Holdings Limited	100.00%
SolarProject Staat Vast II Single Member Private Company	EW	Greece	Athens	Solar Century Holdings Limited	100.00%
SolarProject Staat Vast III Single Member Private Company	EW	Greece	Athens	Solar Century Holdings Limited	100.00%
Ballyvatta Solar Farm Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Behy Renewables Energy Limited	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Boolyvannanan Renewable Energy Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Cloncant Renewable Energy Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Clonfad Solar Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Coole Wind Farm Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Cregg Wind Farm Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Dernacart Wind Farm Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Dungeeha Solar Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
East Laois Solar Farm Ltd	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Energy Dev. Cloghan Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Featherbed Lane Solar Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Fossy Wind Farm Limited	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Gorman Solar Farm Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Greenwire Transmission Pentir Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Greenwire Transmission South Wales Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Harristown Solar Farm Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
JBM Solar Developments Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Jupiter Energy Supply Company Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Kilpaddoge Green Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Kilsallaghan Solar Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Meath Solar Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Moanvane Wind Farm Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Monaraha Solar Farm Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
North Irish Sea Array Windfarm Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
North Kildare Wind Farm Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
North Meath Wind Farm Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Pinewood Wind Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Rathleague Solar Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
South Meath Solar Farm Ltd	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Sronagh Solar Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Statkraft Asset Management Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Statkraft Development Projects Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Statkraft Ireland Limited	EW	Ireland	Cork	Statkraft Asset Holding AS	100.00%
Statkraft Ireland Projects Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Tomsallagh Solar Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Ummeras Wind Farm Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
WXD Energy Ltd.	EW	Ireland	Cork	Statkraft Ireland Limited	100.00%
Winter Winds Limited	EW	Ireland	Limerick	Statkraft Ireland Limited	100.00%
Cisterna di Latina Fotov.	EW	Italy	Milan	Statkraft Italia S.R.L	100.00%
Cupello Fotovoltaico S.R.L.	EW	Italy	Milan	Statkraft Italia S.R.L	100.00%
Gobetto Solare S.r.l.	EW	Italy	Milan	Solarcentury Project Holding Italia S.r.l.	100.00%

Note 39 continued

Name	Segment [1)]	Country	Registered office	Parent company	Shareholding and voting share
Latina B Fotovoltaico S.R.L.	EW	Italy	Milan	Statkraft Italia S.R.L	100.00%
Latina C Fotovoltaico S.R.L.	EW	Italy	Milan	Statkraft Italia S.R.L	100.00%
Latina D Fotovoltaico S.R.L.	EW	Italy	Milan	Statkraft Italia S.R.L	100.00%
Latina Fotovoltaico S.R.L.	EW	Italy	Milan	Statkraft Italia S.R.L	100.00%
Melfi Fotovoltaico S.R.L.	EW	Italy	Milan	Statkraft Italia S.R.L	100.00%
Montenero Fotovoltaico S.R.L.	EW	Italy	Milan	Statkraft Italia S.R.L	100.00%
Pontinia A Fotovoalt. S.R.L.	EW	Italy	Milan	Statkraft Italia S.R.L	100.00%
Pontinia B Fotovoalt. S.R.L.	EW	Italy	Milan	Statkraft Italia S.R.L	100.00%
Sessa Aurunca Fotovoltaico S.R.L.	EW	Italy	Milan	Statkraft Italia S.R.L	100.00%
Solar Century FVGC 1 S.r.l.	EW	Italy	Milan	Solarcentury Project Holding Italia S.r.l.	100.00%
Solar Century FVGC 2 S.r.l.	EW	Italy	Milan	Solarcentury Project Holding Italia S.r.l.	100.00%
Solar Century FVGC 3 S.r.l.	EW	Italy	Milan	Solarcentury Project Holding Italia S.r.l.	100.00%
Solar Century FVGC 4 S.r.l.	EW	Italy	Milan	Solarcentury Project Holding Italia S.r.l.	100.00%
Solar Century FVGC 5 S.r.l.	EW	Italy	Milan	Solarcentury Project Holding Italia S.r.l.	100.00%
Solar Century FVGC 6 S.r.l.	EW	Italy	Milan	Solarcentury Project Holding Italia S.r.l.	100.00%
Solar Century FVGC 7 S.r.l.	EW	Italy	Milan	Solarcentury Project Holding Italia S.r.l.	100.00%
Solar Century FVGC 8 S.r.l.	EW	Italy	Milan	Solarcentury Project Holding Italia S.r.l.	100.00%
Solarcentury Italia S.R.L.	EW	Italy	Milan	Solar Century Holdings Limited	100.00%
Solarcentury Project Holding Italia S.r.l.	EW	Italy	Milan	SCH Projects Limited	100.00%
Statkraft Italia S.R.L.	EW	Italy	Milan	Statkraft European Wind and Solar Holding AS	100.00%
Solarcentury East Africa Limited	EW	Kenya	Nairobi	Solar Century Africa Limited	90.90%
AK Kin Green Power Park S de R	EW	Mexico	Mexico City	SCH Projects Limited	90.00%
Ananda Solar S de RL de CV	EW	Mexico	Mexico City	SCH Projects Limited	90.00%
Lirio Solar S de RL de CV	EW	Mexico	Mexico City	SCH Projects Limited	90.00%
Malinche Solar S de RL de CV	EW	Mexico	Mexico City	SCH Projects Limited	90.00%
Sol de Moctezuma S de RL de CV	EW	Mexico	Mexico City	SCH Projects Limited	90.00%
Tika Solar, s de RL de CV	EW	Mexico	Mexico City	SCH Projects Limited	90.00%
Statkraft Vind Utvikling DA	EW	Norway	Kristiansand	Statkraft AS	100.00%
Hitra Vind AS	EW	Norway	Oslo	Statkraft AS	100.00%
Kjøllefjord Vind AS	EW	Norway	Oslo	Statkraft AS	100.00%
Smøla Vind 2 AS	EW	Norway	Oslo	Statkraft AS	100.00%
Statkraft European Wind and Solar Holding AS	EW	Norway	Oslo	Statkraft AS	100.00%
Statkraft Vind Holding AS	EW	Norway	Oslo	Statkraft AS	100.00%
Solarcentury Panama S.A.	EW	Panama	Panama City	Solar Century Holdings Limited	100.00%
Solarcentury Projects Latin America, S.A.	EW	Panama	Panama City	SCH Projects Limited	100.00%
Solarcentury Projects Panama S.A	EW	Panama	Panama City	SCH Projects Limited	100.00%
Solarcentury Africa (PTY) Limited	EW	South Africa	Olifantsfontein	Solar Century Africa Limited	100.00%
Des. Ren. Iberia Alpha SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Beta SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Delta SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Dzeta SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Epsilon SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Gamma SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Kappa SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Lambda SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Lota SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia My SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Ny SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Omicron SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Pi SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Psi SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Rasha SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Rho SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Sigma SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Tau SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Theta SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Des. Ren. Iberia Xi SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Statkraft Development Spain SL.	EW	Spain	Madrid	Statkraft Spain S.L.	100.00%
Statkraft Spain SL.	EW	Spain	Madrid	Statkraft European Wind and Solar Holding AS	100.00%
Arada Solar, S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Arenosas Solar, S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
El Refugio Fotovoltaico, S.L.U. (PFV El Refugio)	EW	Spain	Valencia	Solar Century Holding España	100.00%
El Yarte Solar, S.L.U	EW	Spain	Valencia	Solar Century Holding España	100.00%
Evacuacion Solar Arcos, S.L.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Fotovoltaico El Casa S.A.S	EW	Spain	Valencia	Solar Century Holding España	100.00%
Guadalsolar Cuatro, S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Guadalsolar Dos, S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Guadalsolar Tres, S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Guadalsolar Uno, S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Guita Solar Energy, S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Malabrigo Solar, S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Maragato HoldCo S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Maragato Solar Cinco S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Maragato Solar Cuatro S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Maragato Solar Dos S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Maragato Solar Tres S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Maragato Solar Uno S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Oroneta Solar, S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Oropesa Solar, S.L.	EW	Spain	Valencia	Solar Century Holding España	51.00%
Parpadeo Solar, S.L.	EW	Spain	Valencia	Solar Century Holding España	100.00%
PFV Albufera, S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
PFV La Barraca, S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%

Note 39 continued

Name	Segment [1)]	Country	Registered office	Parent company	Shareholding and voting share
PFV Los Hierros, S.L.	EW	Spain	Valencia	Solar Century Holding España	100.00%
PFV Los Predios, S.L.	EW	Spain	Valencia	Solar Century Holding España	100.00%
PFV Pla de LLum, S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
PFV Prado Gris, S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Proyecto Fotovoltaico Tendetes, S.L.U.	EW	Spain	Valencia	Solar Century Holding España	100.00%
Solar Century Holding España S.LU.	EW	Spain	Valencia	SCH Projects Limited	100.00%
Solar Century Holdings Limited Sucursal en España (Spanish Branch)	EW	Spain	Valencia	Solar Century Holdings Limited	100.00%
Statkraft Leasing AB	EW	Sweden	Stockholm	Statkraft Vind AB	100.00%
Statkraft Sverige Vind AB	EW	Sweden	Stockholm	Statkraft Vind AB	100.00%
Statkraft Sverige Vind Elnät AB	EW	Sweden	Stockholm	Statkraft Sverige Vind AB	100.00%
Statkraft Sverige Vind II AB	EW	Sweden	Stockholm	Statkraft Vind AB	100.00%
Statkraft Vind AB	EW	Sweden	Stockholm	Statkraft Asset Holding AS	100.00%
Zonneakker De Doorbraak B.V.	EW	The Netherlands	Amsterdam	Statkraft European Wind and Solar Holding AS	100.00%
Zonnepark het Bossenbroek B.V.	EW	The Netherlands	Amsterdam	Statkraft European Wind and Solar Holding AS	100.00%
Zonnepark Schootseweide B.V.	EW	The Netherlands	Amsterdam	Statkraft European Wind and Solar Holding AS	100.00%
Zonnepark Wenumse Veld B.V.	EW	The Netherlands	Amsterdam	Statkraft Germany GmbH	100.00%
Zonneparke de Horst B.V.	EW	The Netherlands	Amsterdam	Statkraft European Wind and Solar Holding AS	100.00%
Zonnepark Bollendonk B.V	EW	The Netherlands	Dronten	SC Benelux HoldCo B.V.	100.00%
Zonnepark Apeldoorn Bloemenkamp B.V.	EW	The Netherlands	Helmond	SC Benelux HoldCo B.V.	100.00%
Zonnepark Apledoorn Ijsseldijk B.V.	EW	The Netherlands	Helmond	SC Benelux HoldCo B.V.	100.00%
Zonnepark Ermelo Schaapsdijk B.V	EW	The Netherlands	Helmond	SC Benelux HoldCo B.V.	100.00%
Zonnepark Hijken B.V.	EW	The Netherlands	Helmond	SC Benelux HoldCo B.V.	100.00%
Zonnepark Houten Oostrumsdijkj B.V	EW	The Netherlands	Helmond	SC Benelux HoldCo B.V.	100.00%
Zonnepark Oosterwolde B.V.	EW	The Netherlands	Helmond	SC Benelux HoldCo B.V.	100.00%
Zonnepark Winterswijk Arrasveldweg B.V	EW	The Netherlands	Helmond	SC Benelux HoldCo B.V.	100.00%
SC Benelux HoldCo B.V.	EW	The Netherlands	Pettelaarpark	SCH Projects Limited	100.00%
Solarcentury Benelux B.V.	EW	The Netherlands	Pettelaarpark	Solar Century Holdings Limited	100.00%
Zonnepark Budel Dorplein II BV	EW	The Netherlands	Pettelaarpark	SC Benelux HoldCo B.V.	100.00%
Zonnepark Wilbertoord Noordstraat BV	EW	The Netherlands	Pettelaarpark	SC Benelux HoldCo B.V.	100.00%
Zonnepark Winterswijk Masterveldweg BV	EW	The Netherlands	Pettelaarpark	SC Benelux HoldCo B.V.	100.00%
Ackron Wind Farm Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Airvolution Clean Energy Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Andershaw Wind Power Limited	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Artfield Forrest Wind Farm Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Balwen Ltd	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
BB2 Wind Farm Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Brake Shetland Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Bylgja Energy Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Car Duibh Wind Farm Ltd	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Craig Watch Wind Farm Ltd	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Dulais Wind Farm Ltd	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Energy Isles Shetland Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Gnoc Nam Muc Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Keith Storage Solutions Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Knockronal Wind Farm Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Lister Drive Solutions Ltd	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Loch Laith Wind Farm Ltd	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Logi Energy Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
LyG SPV Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
SCH Projects Limited	EW	United Kingdom	London	Solar Century Holdings Limited	100.00%
Slickly Wind Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Soay Ltd	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Solar Century Africa Limited	EW	United Kingdom	London	Solar Century Holdings Limited	100.00%
Solar Century Argentina Holdco 1 Limited	EW	United Kingdom	London	SCH Projects Limited	100.00%
Solar Century Argentina Holdco 2 Limited	EW	United Kingdom	London	SCH Projects Limited	100.00%
Solar Century Argentina Holdco 3 Limited	EW	United Kingdom	London	SCH Projects Limited	100.00%
Solar Century Argentina Holdco 4 Limited	EW	United Kingdom	London	SCH Projects Limited	100.00%
Solar Century Argentina Holdco 5 Limited	EW	United Kingdom	London	SCH Projects Limited	100.00%
Solar Century Holdings Limited	EW	United Kingdom	London	Statkraft European Wind and Solar Holding AS	100.00%
Statkraft Solar 1 Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Twentyshilling Ltd	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Windy Rig Wind Farm Ltd.	EW	United Kingdom	London	Statkraft UK Ltd.	100.00%
Statkraft Varme AS	DH	Norway	Trondheim	Statkraft Energi AS	100.00%
Stjørdal Fjernvarme AS	DH	Norway	Trondheim	Statkraft Varme AS	85.00%
Statkraft Värme AB	DH	Sweden	Kungsbacka	Statkraft Asset Holding AS	100.00%
Sauland Kraftverk AS	IO	Norway	Hjartdal	Skagerak Kraft AS	67.00%
Statkraft Industrial Holding AS	IO	Norway	Oslo	Statkraft AS	100.00%
Gjuvåa Kraftverk AS	IO	Norway	Porsgrunn	Skagerak Kraft AS	100.00%
Grunnåi Kraftverk AS	IO	Norway	Porsgrunn	Skagerak Kraft AS	55.00%
Skagerak Energipartner AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Skagerak Energi AS	IO	Norway	Porsgrunn	Statkraft Industrial Holding AS	66.62%
Skagerak Kraft AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Skagerak Nett AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Skagerak Varme AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Skien Fjernvarme AS	IO	Norway	Skien	Skagerak Varme AS	51.00%
Statkraft Brussel Sprl	OA	Belgium	Brussels	Statkraft AS	100.00%
Statkraft Treasury Centre SA	OA	Belgium	Brussels	Statkraft AS	100.00%
eeMobility Gmbh	OA	Germany	München	Statkraft Germany GmbH	95.60%
eeMobility Service Gmbh	OA	Germany	München	eeMobility Gmbh	100.00%
E-Wald GmbH	OA	Germany	Teisnach	Statkraft Germany GmbH	100.00%
Mer Norway AS	OA	Norway	Kristiansand	Statkraft AS	100.00%

Note 39 continued

Name	Segment [1)]	Country	Registered office	Parent company	Shareholding and voting share
Statkraft Asset Holding AS*	OA	Norway	Oslo	Statkraft AS	100.00%
Statkraft Biofuel Holding AS	OA	Norway	Oslo	Statkraft European Wind and Solar Holding AS	100.00%
Statkraft Forsikring AS	OA	Norway	Oslo	Statkraft AS	100.00%
Statkraft Mer Holding AS	OA	Norway	Oslo	Statkraft AS	100.00%
Statkraft Tofte AS	OA	Norway	Oslo	Statkraft Energi AS	100.00%
Grön Kontakt AB	OA	Sweden	Stockholm	Mer Norway AS	100.00%
Statkraft Hydrogen Sweden AB	OA	Sweden	Stockholm	Statkraft European Wind and Solar Holding AS	100.00%
Gronn Kontakt UK Ltd.	OA	United Kingdom	London	Mer UK Holding Ltd	100.00%
Mer UK Holding Ltd	OA	United Kingdom	London	Statkraft Mer Holding AS	100.00%

* This is a multisegment company, but only the main segment is displayed.

1) EF: European flexible generation, MO: Market operations, IP: International power, EW: European wind and solar, DH: District heating, IO: Industrial ownership, OA: Other activities.

Statkraft AS Financial Statements

Income statement

Statkraft AS parent company

NOK million	Note	2020	2019
Operating revenues	23	1 418	1 221
Salaries and payroll costs	5, 6	-942	-829
Depreciations	10	-36	-37
Other operating expenses	7, 20, 23	-1 187	-979
Operating expenses		-2 166	-1 845
Operating profit/loss (EBIT)		-748	-624
Income from investments in subsidiaries	8, 23	3 345	7 030
Financial income	8, 23	591	778
Financial costs	8, 23	-688	-670
Net realised and unrealised securities	8, 23	662	2 193
Net realised and unrealised currency and derivatives	8	-1 847	603
Net financial items		2 063	9 934
Profit/loss before tax		1 315	9 310
Tax expense	9	-2 148	-205
Profit/loss for the year		-833	9 105
Appropriation of profit/loss for the year and equity transfers			
Dividends payable	15	3 673	6 362
Transfer to/from retained earnings	15	-4 506	2 743

Statement of Financial Position
Statkraft AS parent company

NOK million	Note	31.12.2020	31.12.2019
ASSETS			
Deferred tax asset	9	231	241
Property, plant and equipment	10	194	200
Investments in subsidiaries	11	103 176	93 212
Derivatives	19, 23	159	99
Other non-current assets	12, 23	20 310	9 995
Non-current assets		124 070	103 747
Receivables	13, 23	4 562	13 965
Derivatives	19, 23	446	247
Cash and cash equivalents	14	8 031	11 779
Current assets		13 039	25 991
Assets		137 109	129 738
EQUITY AND LIABILITIES			
Paid-in capital	15	56 402	56 402
Retained earnings	15	19 880	24 582
Equity		76 282	80 984
Pension liability	6	1 212	930
Other non-current liabilities	16	4 367	10
Long-term interest-bearing liabilities	3, 17, 23	25 201	24 654
Derivatives	19, 23	379	208
Non-current liabilities		31 159	25 802
Short-term interest-bearing liabilities	3, 17, 23	24 845	15 958
Taxes payable	9	-	27
Derivatives	19, 23	371	189
Other interest-free liabilities	18, 23	4 452	6 778
Current liabilities		29 668	22 952
Equity and liabilities		137 109	129 738

Statement of Cash Flow
Statkraft AS parent company

NOK million	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/loss before tax		1 315	9 310
Depreciations	10	36	37
Write-downs/reversal of write-downs from previous years	8	-645	-2 226
Gain/loss on sale of shares		-17	-
Unrealised changes in value		94	-808
Changes in long-term items		918	-121
Changes in other short-term items		-187	-199
Booked income from dividend and group contribution with no cash effects		-3 240	-7 014
Group contribution and dividend received		7 339	13 115
Income taxes paid	9, 22	-2 105	-28
Cash flow from operating activities (A)		3 509	12 066
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment		-30	-15
Loans to subsidiaries		-5 800	-
Repayment of loans from subsidiaries		5 616	625
Investments in subsidiaries		-9 304	-2 980
Capital reduction in subsidiaries		341	-
Divestments of shares		21	15
Cash flow from investing activities (B)		-9 156	-2 355
CASH FLOW FROM FINANCING ACTIVITIES			
Changes in cash pool		9 120	-4 690
New debt		2 954	65
Repayment of debt		-3 812	-4 761
Dividend paid		-6 362	-8 500
Cash flow from financing activities (C)		1 899	-17 886
Net change in cash and cash equivalents (A)+(B)+(C)		-3 748	-8 175
Cash and cash equivalents 01.01	14	11 779	19 954
Cash and cash equivalents 31.12	14	8 031	11 779
Unused commited credit lines		9 167	9 167
Unused overdraft facilities		2 000	1 000

SIGNIFICANT ACCOUNTING POLICIES

The cash flow statement has been prepared using the indirect method. The statement starts with the company's result for the year in order to show cash flow generated by regular operating, investing and financing activities respectively.

Notes
Statkraft AS parent company

Index of notes to Statkraft AS parent company financial statement

Note 1 Significant accounting policies

GENERAL INFORMATION

The annual accounts for Statkraft AS have been prepared in accordance with the Accounting Act and generally accepted accounting principles in Norway (Norwegian GAAP).

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

• Statement of cash flow	
• Hedge accounting	Note 4
• Pensions	Note 6
• Research and development costs	Note 7
• Income taxes	Note 9
• Property, plant and equipment	Note 10
• Investments in subsidiaries and associates	Note 11
• Other non-current financial assets	Note 12
• Receivables	Note 13
• Cash and cash equivalents	Note 14
• Long-term liabilities	Note 17
• Derivatives	Note 19

VALUATION AND CLASSIFICATION PRINCIPLES

Uncertainties in estimates The accounts are based on assumptions and estimates that affect the book value of assets, liabilities, income and costs. The best estimate at the time when the accounts are rendered form the basis, but the actual figures may deviate from the initial estimates.

Principles for recognition of income and expensing of costs Recognition of revenues from sale of goods and services takes place when earned, whilst expensing of costs takes place in accordance with the accrual principle.

Gains/losses from sale of property, plant and equipment are treated as operating revenues or expenses.

Classification and valuation of assets and debt Assets intended for lasting ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables that will be repaid within 12 months are classified as current assets. Corresponding criterias are used to classify current and long-term liabilities.

Fixed assets are valued at cost, but are impaired when the reduction in value is not expected to be transitory. Impairment is reversed when the basis for the impairment no longer exists. Fixed assets with limited useful economic life are depreciated according to schedule.

Current assets are valued at the lower of cost and fair value. Short-term loans are recognised in the balance sheet at the nominal received amount at the time of establishment.

Contingent liabilities Contingent liabilities are recognised if settlement is more likely than not. Best estimates are used when calculating settlement value.

Foreign currency Monetary items denominated in foreign currency are valued at the exchange rate on the balance sheet date. Realised and unrealised currency effects are presented as net in the financial statements. Transactions denominated in foreign currency are translated using the exchange rate at the transaction date.

OTHER AREAS

Covid-19 The COVID-19 has caused increased market risk and increased uncertainty to future power prices, but the effect on the annual accounts of Statkraft AS has so far been limited. Statkraft's management are closely monitoring the development of the pandemic and are continuously evaluating the long term consequences for the Statkraft AS.

Note 2 Market risk

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY

The risk management policy is based upon assuming taking the right risk based on the Group's ability and willingness to take risks, expertise, financial strength and development plans. The purpose of risk management policy is to identify threats and opportunities for the Group, and to manage the risk within an acceptable level. The central Treasury function in Statkraft AS coordinates and manages the financial risks relating to currency, interest rates, credit and liquidity of the Group. A more detailed explanation of how these are managed will be provided in the following.

FOREIGN EXCHANGE AND INTEREST RATE RISK

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

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

Foreign exchange risk Statkraft AS manages the Group's currency risk. Statkraft incurs currency risk in the form of transaction risk, mainly in connection with sale of power and investments.

Statkraft's settlement currency at the Nordic power exchange Nord Pool is mainly euro, and the power contracts traded in the Nordic power exchange Nasdaq are denominated in euro. In addition, most of Statkraft's bilateral power sales agreements in Norway and all power purchase and sales abroad are denominated in foreign currency. The objective of Statkraft's currency hedging is to secure the values of the future cash flow in Norwegian kroner exposed to foreign exchange risk. Hedging of foreign exchange risk is primarily done by allocating appropriate volumes of currency debt to the relevant cash flows. The foreign exchange risk is subject to continuous assessment and treated in accordance with the Group Treasury strategy.

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

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

It is established a project in Statkraft that follows the development and prepares for the transition from IBOR to alternative risk-free reference rates. The transition is expected to take place at different points in time for different reference rates.

LIQUIDITY RISK

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

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

Statkraft issues debt primarily under its EUR 6.0 billion Euro Medium Term Note Programme listed on the Irish Stock Exchange. In addition, Statkraft has a backup facility of NOK 9.2 billion supported by the Group's core banks. The backup facility is maturing in 2023. Statkraft has an unused overdraft facility of NOK 2.0 billion which is also renewed on an annual basis.

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

CREDIT RISK

Credit risk is the risk that Statkraft incurs losses due to the failure of counterparties to honour their financial obligations. Statkraft is facing credit risk when entering into transactions with financial institutions. Credit risk against financial institutions arises from cash or current account, deposit, investment of interest-bearing securities, derivative transactions and incoming guarantees.

Excess liquidity is managed in a conservative manner with regard to credit risk, diversification and duration. Statkraft's excess liquidity is mainly held in Norwegian kroner and invested across various short-term financial instruments such as commercial papers, time deposits and bank deposits. Credit and duration limits are stipulated for each counterparty based on credit ratings and total assets.

As of 31 December 2020, approximately 5% of Statkraft's excess liquidity (including cash in subsidiaries participating in the cash pool) was held in time deposits and 95% in overnight bank deposits.

Statkraft AS has entered into agreements under which collateral is transferred or received based on the mark-to-market value of interest rate and foreign exchange derivatives between counterparties. Collateral is transferred or received on a weekly basis. Counterparty credit risk is significantly mitigated by collateral under these agreements.

Note 2 continued

CLIMATE RISK

Statkraft is directly exposed to climate change, as changes in precipitation will change the average output from hydropower plants, as well as the increased fluctuations. In addition, the transition to a low-carbon economy will entail extensive policy, legal, technology, and market changes, with a potential to have significant impact on Statkraft's revenues. More information on climate risks and how these are managed can be found in the Sustainability Report.

The COVID-19 pandemic continues to entail increased risk for breach and cancellation of contracts, but the effect on Statkraft's financial statements has so far been limited.

Note 3 Analysis of market risk

Specification of debt by currency [1]

NOK million	2020 Debt by currency before the effect of derivatives [2]	2020 Debt by currency adjusted for the effect of derivatives [3]	2019 Debt by currency before the effect of derivatives [2]	2019 Debt by currency adjusted for the effect of derivatives [3]
Debt in NOK [4]	3 050	-3 557	5 496	-2 088
Debt in EUR	22 950	24 626	21 603	23 970
Debt in USD	-	3 808	-	4 182
Debt in GBP	-	547	-	556
Total	26 001	25 424	27 099	26 621

[1] Management of foreign exchange risk and interest rate risk are presented in note 2.
[2] Includes long-term interest-bearing liabilities and first-year instalment on long-term interest-bearing debt.
[3] Includes effects from allocated forward exchange rate contracts and combined interest rate and currency swaps since Statkraft uses these derivatives to achieve the desired currency structure for the debt portfolio.
[4] The negative figure in NOK reflects the effects from the use of allocated forward exhange contracts and combined interest rate and currency swaps.

Specification of interest by currency [1]

	2020 Interest by currency before the effect of derivatives [2]	2020 Interest by currency adjusted for the effect of derivatives [3]	2019 Interest by currency before the effect of derivatives [2]	2019 Interest by currency adjusted for the effect of derivatives [3]
Nominal average interest rate, NOK [4]	4.00%	n.a.	3.00%	n.a
Nominal average interest rate, EUR	1.70%	0.80%	2.00%	1.10%
Nominal average interest rate, USD	n.a.	2.40%	n.a.	3.10%
Nominal average interest rate, GBP	n.a.	1.40%	n.a.	1.60%
Nominal average interest rate, BRL	n.a.	n.a.	n.a.	7.10%

[1] Management of foreign exchange risk and interest rate risk are presented in note 2.
[2] Includes long-term interest-bearing liabilities and first-year instalment on long-term interest-bearing debt.
[3] Includes effects from allocated forward exchange rate contracts and combined interest rate and currency swaps since Statkraft uses these derivatives to achieve the desired currency structure for the debt portfolio.
[4] Nominal average interest rate in NOK is not applicable because the figure is negative in the table Specification of debt by currency.

Fixed interest rate debt portfolio [1]

	Future interest rate adjustments				
NOK million	0-1 year	1–3 years	3–5 years	5 years and later	Total
Debt in NOK	-5 532	-2 525	1 450	3 050	-3 557
Debt in EUR	17 171	-1 392	2 606	6 240	24 626
Debt in USD	1 590	2 219	-	-	3 808
Debt in GBP	2 877	-	-815	-1 514	547
Total fixed interest 2020	16 105	-1 699	3 241	7 776	25 424
Total fixed interest 2019	17 058	-922	475	10 009	26 621

[1] The specification includes long-term interest-bearing liabilities, first-year instalment on long-term interest-bearing debt, the currency effect of allocated forward exchange rate contracts and the currency effect of combined interest rate and currency swaps. The split between years also take into account maturity of allocated forward exchange rate contracts, interest rate adjustments in interest rate swaps and combined interest rate and currency swaps. Negative figures reflect that Statkraft AS receives fixed interest from interest rate swaps.

Repayment schedule

NOK million	0-1 year	1–2 years	2–3 years	3–4 years	4–5 years	5 years and later	Total
Bonds issued in the Norwegian market	800	1 500	-	-	450	300	3 050
Debt issued in non-Norwegian markets	-	7 318	5 216	-	5 224	5 193	22 950
Other debt	-	-	-	-	-	-	-
Currency effect of allocated forward exchange rate contracts and currency effects of combined interest rate and currency swaps	89	-97	-569	-	-	-	-577
Total repayment schedule 2020	889	8 721	4 647	-	5 674	5 493	25 424
Total repayment schedule 2019	2 440	820	8 343	4 460	-	10 557	26 621

Note 4 Hedge accounting

GENERAL INFORMATION

Fair value hedging Statkraft AS treats a loan arrangement as a fair value hedge. Issued bond has been designated as hedging object in the hedging relationship, and the associated interest rate swap has been designated as a hedging instrument.

The hedging object is an issued fixed-interest bond with a total nominal value of NOK 1500 million. The hedging instrument is an interest rate swap with a nominal value of NOK 1500 million, entered into with a major bank as the counterparty. The agreement swaps interest rate from fixed to floating 3-month NIBOR. The critical terms of the hedging object and hedging instrument are deemed to be approximately the same. The inefficiency is recognised in the income statement. The hedge expires in 2022.

SIGNIFICANT ACCOUNTING POLICIES

Hedging The accounting treatment of financial derivatives designated as hedging instruments is recorded in line with the principles for fair value hedging. In the event of hedging of assets or liabilities in the balance sheet, the derivative is recognised at fair value. The carrying value of the hedged asset or liability is adjusted for the value of the financial derivative's change in value which is related to hedged risk.

Fair value of hedging instruments

NOK million	2020	2019
Hedging instruments used in fair value hedging	69	86

Other information on fair value hedging

NOK million	2020	2019
Net gain (+)/loss (-) in income statement on hedging instruments	-23	-122
Net gain (+)/loss (-) in income statement on hedging objects, in relation to the hedged risk	24	122
Hedge inefficiency	1	-

Note 5 Payroll costs and number of full-time equivalents

NOK million	2020	2019
Salaries	631	545
Employers' national insurance contribution	109	101
Pension costs [1)]	122	118
Other benefits	80	66
Total	942	829

[1)] Pension costs are described in further detail in note 6.

Remuneration to the Chairman and the Board of Directors is disclosed in note 37 in the Group accounts.

	2020	2019
Average number of full-time equivalents	536	480
Number of full-time equivalents as of 31.12	570	502

Note 6 Pensions

GENERAL INFORMATION

Statkraft AS is obligated to and fulfills the requirements of the act regarding mandatory occupational pension scheme ("Lov om obligatorisk tjenestepensjon").

Defined contribution schemes A defined contribution scheme is a retirement benefit scheme where Statkraft AS pays fixed contributions to a fund manager without incurring further obligations for the company once the payment has been made.

Statkraft AS' pension scheme for new employees from 1 January 2014 is a defined contribution scheme. The contributions are 6% of the pensionable salary up to 7.1 of the National Insurance Scheme's basic amount (G), and 18% of the pensionable salary between 7.1G and 12G. In addition to retirement pensions, the contribution scheme also entails risk coverage and private early retirement pension (AFP).

Defined benefit schemes Defined benefit schemes are post-employment benefit plans other than defined contribution plans. These plans create obligations to provide agreed benefits to current and past employees and effectively places actuarial and investment risk on the company.

Funded defined benefit schemes in the National Pension Fund (SPK) Statkraft AS has organised their defined benefit scheme in the National Pension Fund (SPK). The scheme covers retirement, disability and survivor pensions. The scheme also offers early retirement from the age of 62 under the Norwegian early retirement pension scheme. Employees in the scheme participate in public service occupational schemes in accordance with the Norwegian Public Service Pension Fund Act, the Norwegian Public Pension Service Pension Fund Transfer Agreement and the regulatory framework governing public service pensions.

The retirement benefit for employees born before 1963 is set as a percentage of the employee's salary. At maximum accrual, the retirement scheme provides pension benefits amounting to 66% of pensionable salary, up to 12G.The scheme benefits are coordinated with the benefits provided by the Norwegian National Insurance Scheme. From 1 January 2020 employees born in 1963 or later earn retirement benefits as a supplement to pensions in the National Insurance System.

Statkraft AS pays an annual premium and is responsible for the financing of the scheme in the National Pension Fund (SPK). Pension benefits from the SPK are guaranteed by the Norwegian state (Section 1 of the Pension Act). The SPK scheme is not asset based, but management of the pension fund assets is simulated as though the assets were invested in Norwegian government bonds with 1, 3, 5 or 10-year duration, in addition to a small share in the Government Pension Fund Global. The pension benefit scheme in SPK was closed for new employees 1 January 2014.

Unfunded defined benefit schemes In addition to the above, Statkraft AS has entered into an additional pension agreement that provides all employees whose pensionable incomes exceed 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G. The agreement was closed 30 April 2012.

SIGNIFICANT ACCOUNTING POLICIES

The liability recognised in the balance sheet which relates to the defined benefit scheme is the present value of the future retirement benefits that are reduced by the fair value of the plan assets. Net pension fund assets for overfunded schemes are classified as non-current assets and recognised in the balance sheet at fair value. Net retirement benefit liabilities for underfunded schemes and non-funded schemes that are covered by operations are classified as long-term liabilities.

The net retirement benefit cost for the period is included under salaries and payroll costs, and comprises the total of the retirement benefits accrued during the period, the interest on the estimated liability and the projected yield on pension fund assets. Gains and losses attributable to changes in actuarial assumptions or base data are recognised in equity.

ESTIMATES AND ASSUMPTIONS

The calculation of pension liabilities involves the use of judgement and estimates across a range of parameters. Present value of accrued pension entitlements for defined benefit schemes and present value of accrued pension entitlements for the year are calculated using the accrued benefits method. Net pension liabilities in the balance sheet are adjusted for expected future salary increases until retirement age. Calculations are based on staff numbers and salary data at the end of the year.

The discount rate The discount rate is based on high-quality corporate bonds (covered bonds – OMF). Statkraft AS of the opinion that the markets for covered bonds represent a deep and liquid market with relevant durations that qualify as a reference rate in accordance with IAS 19.

Actuarial gains Actuarial losses recognised in equity in 2020 are mainly due to a lower discount rate.

Note 6 continued

The following assumptions are used	31.12.2020	31.12.2019
Discount rate and expected return on pension assets	1.70%	2.30%
Salary adjustment	2.25%	2.25%
Adjustment of current pensions	1.25%	1.25%
Adjustment of the National Insurance Scheme's basic amount (G)	2.00%	2.00%
Demographic factors for mortality and disability	K2013/IR73	K2013/IR73

Members of defined benefit schemes	2020	2019
Employees	285	270
Pensioners and people with deferred entitlements	459	466

Pension cost recognised in the income statement

Defined benefit schemes

NOK million	2020	2019
Present value of accrued pension entitlements for the year	62	70
Interest costs	36	43
Expected return on pension assets	-17	-21
Scheme changes	-	-7
Employee contributions	-5	-5
Employer's national insurance contribution	11	11
Net pension cost defined benefit schemes	86	91

Defined contribution schemes

Employer's payments	35	27
Total pension costs	122	118

Breakdown of net defined benefit pension liability

NOK million	2020	2019
Present value of accrued pension entitlements for funded defined benefit schemes	1 517	1 309
Fair value of pension assets	960	910
Net pension liability for funded defined benefit schemes	557	399
Present value of accrued pension entitlements for unfunded defined benefit schemes	505	417
Employer's national insurance contribution	150	115
Net pension liabilities	1 212	930

Actuarial gains and losses recognised directly in equity

NOK million	2020	2019
Accumulated actuarial gains and losses recognised directly in equity before tax 31.12	546	294

Note 7 Other operating expenses

SIGNIFICANT ACCOUNTING POLICIES

Principles for expensing of costs Expensing of costs takes place in accordance with the accrual principle, whilst own research and development expenses are expensed as incurred.

NOK million	2020	2019
Purchase of third-party services [1)]	643	467
Materials	27	27
Rent	109	105
IT expenses	178	198
Marketing	44	15
Travel expenses	9	26
Insurance	28	23
Miscellaneous expenses	149	118
Total	1 187	979

[1)] Purchase of third-party services mainly includes consultants and other services.

Note 8 Financial items

Income from investments in subsidiaries

NOK million	2020	2019
Dividend from group companies	695	6 430
Group contribution	2 650	600
Total	3 345	7 030

Financial income

NOK million	2020	2019
Interest income from group companies	407	446
Interest income	50	227
Other financial income from group companies	134	105
Total	591	778

Financial costs

NOK million	2020	2019
Interest expenses to group companies	-64	-179
Interest expenses external debt	-346	-470
Other financial costs [1]	-278	-21
Total	-688	-670

[1] Of which NOK 256 million relates to paid interest following tax reassessments for the years 2010-2016, see note 22 for further information.

Net realised and unrealised securities

NOK million	2020	2019
Write-downs/reversal of write-downs from previous years [1]	645	2 239
Gains and losses on securities, realised and unrealised	17	-46
Total	662	2 193

[1] Write-downs/reversal of write-downs from previous years are related to the shares in Statkraft Germany GmbH, Statkraft Enerji A.S and Statkraft Vind Holding AS. Based on an assessment of impairment considerations of German gas-fired power plants, valuation of trading activities and currency effects, previous years accumulated write-downs of NOK 938 million have been reversed in 2020. In 2019, NOK 2360 million of previous years write-downs were reversed. Previous years write-down of shares in Statkraft Enerji A.S. have in 2020 been reversed with NOK 311 million due to an updated valuation of underlying assets and currency effects. In 2019, the value of the shares were written down with NOK 121 million. The value of the shares in Statkraft Vind Holding AS has been written down with NOK 605 million, based on an updated valuation of its ownership in Fosen Vind DA.

Net realised and unrealised currency and derivatives

NOK million	2020	2019
Currency gains and losses, realised	-929	-408
Currency gains and losses, unrealised	-1 013	965
Gains and losses derivatives, realised	234	-206
Gains and losses derivatives, unrealised	-139	251
Total	-1 847	603

Net financial items	2 063	9 934

Note 9 Income taxes

SIGNIFICANT ACCOUNTING POLICIES

Statkraft AS is subject to tax on profits that is calculated in accordance with ordinary tax rules. The tax charge in the income statement comprises taxes payable and changes in deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward. Deferred tax assets are only recognised in the balance sheet to the extent it is probable that the assets will be realised in the future. Tax related to equity transactions is recognised in equity.

The tax expense in the income statement

NOK million	2020	2019
Income tax payable [1]	-4	27
Withholding tax	8	4
Previous years payable tax expense	2 079	4
Change in deferred tax	66	170
Tax expense in the income statement	2 148	205

Taxes payable (+)/tax receivable (-) in the balance sheet

NOK million	2020	2019
Income tax payable	3	27
Previous years tax receivable	-7	-
Tax receivable in the balance sheet [1]	-4	27

Reconciliation of nominal tax rate and effective tax rate

NOK million	2020	2019
Profit before tax	1 315	9 310
Expected tax expense at a nominal rate of 22%	289	2 048
Effect on taxes of		
Tax-free income	-157	-1 411
Changes relating to previous years [2]	2 079	4
Withholding tax	8	4
Impairment/reversal of impairment previous years	-142	-493
Other permanent differences, net	70	52
Tax expense	2 148	205
Effective tax rate	163%	2%

Breakdown of deferred tax

NOK million	2020	2019
Current assets/current liabilities	-86	-162
Derivatives	-146	77
Other long-term items	484	18
Property, plant and equipment	-90	-98
Pension liabilities	-1 212	-930
Total temporary differences and tax loss carry forward	-1 050	-1 095
Total deferred tax (+)/deferred tax asset (-)	-231	-241
Applied tax rate	22%	22%
Deferred tax (+)/deferred tax asset (-) as of 01.01	-241	-424
Recognised in income statement	66	170
Recognised directly in equity	-56	13
Deferred tax (+)/deferred tax asset (-) as of 31.12	-231	-241

[1] Of which NOK 3 million is related to tax payable from taxable income in 2020 while NOK 7 million is related to tax receivable from previous years paid tax. Net amount is classified as receivable, see note 13.

[2] Of which NOK 2079 million relates to paid taxes following tax reassessments for the years 2010-2016, see note 22 for further information.

Note 10 Property, plant and equipment

SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment are recognised in the balance sheet and depreciated on a straight-line basis from the time the property, plant or equipment starts regular operations. The acquisition cost consists solely of directly attributable costs. Indirect administration costs are excluded when recognising own hours in the balance sheet.

NOK million	Buildings, office equipment and other	Assets under construction	Total
Balance at 01.01	191	9	**200**
Additions	26	4	**30**
Transferred from assets under construction	12	-12	**-**
Disposals	-	-	**-**
Depreciations and impairments	-36	-	**-36**
Balance at 31.12	193	1	**194**
Cost 31.12	625	1	**626**
Accumulated depreciations and impairments as of 31.12	-432	-	**-432**
Balance at 31.12	193	1	**194**
Period of depreciation	3–75 years		

Note 11 Shares in subsidiaries and associates

SIGNIFICANT ACCOUNTING POLICIES

Investment in subsidiaries and associated companies Subsidiaries are companies where Statkraft AS has controlling influence over financial and operational principles. Controlling influence is normally achieved when the company owns more than 50% of the voting shares. Associated companies are companies where Statkraft AS has significant influence. Significant influence is normally deemed to exist where the company owns or controls from 20 to 50% of the voting shares.

The investment is valued at cost for the shares unless impairment has been necessary. Impairment is done when the reduction in value is due to reasons that cannot be considered transitory. Impairment is reversed when the basis for the impairment no longer exists.

Dividends and group contributions received are recognised as income in the same year as allocated by the subsidiary, while dividends from other companies are recognised in accordance with the cash principle. If the dividend exceeds the share of retained profits after the purchase, the excess part represents repayment of invested capital and the disbursements received are deducted from the value of the investment in the balance sheet.

NOK million	Registered office	Shareholding and voting share	Equity 31.12.2020 [1]	Net profit 2020 [1]	Carrying value
Shares in subsidiaries					
Hitra Vind AS	Oslo	100.00%	101	-15	95
Kjøllefjord Vind AS	Oslo	100.00%	100	-11	102
Mer Norway AS [2] [3]	Kristiansand	100.00%	220	-40	442
Renewable Energies and Photovoltaics Spain S.L.	Malaga	70.00%	-	-	1
Smøla Vind 2 AS	Oslo	100.00%	210	-22	150
Statkraft Asset Holding AS	Oslo	100.00%	34 517	1 070	27 748
Statkraft Brussels SPRL	Brussels	99.90%	-	-	1
Statkraft Elektrik Enerjisi Toptan Satıs¸ Ltd. Sirketi	Istanbul	100.00%	14	-2	53
Statkraft Energi AS	Oslo	100.00%	16 271	3 000	14 294
Statkraft Enerji A.S.	Istanbul	100.00%	1 117	-19	2 488
Statkraft European Wind and Solar Holding AS	Oslo	100.00%	2 849	-25	2 879
Statkraft Financial Energy AB	Stockholm	100.00%	35	5	1
Statkraft Forsikring AS	Oslo	100.00%	459	14	80
Statkraft Germany GmbH	Düsseldorf	100.00%	9 968	-133	11 998
Statkraft IH Invest AS	Oslo	100.00%	16 133	-161	17 892
Statkraft Industrial Holding AS	Oslo	100.00%	13 484	583	17 613
Statkraft Mer Holding AS	Kristiansand	100.00%	59	-	59
Statkraft Treasury Centre SA	Brussels	100.00%	21	-1	1
Statkraft UK Ltd.	London	100.00%	4 418	66	2 616
Statkraft Vind Holding AS	Oslo	100.00%	4 655	-1 307	4 655
Statkraft Vind Utvikling DA [4]	Oslo	62.00%	2	-5	11
Total subsidiaries					103 176

[1] Based on preliminary unaudited financial statements 2020.

[2] Grønn Kontakt AS changed name to Mer Norway AS in 2020.

[3] Statkraft AS bought the remaining 4.28% of the shares in Grønn Kontakt AS in 2020.

[4] Statkraft Asset Holding AS owns the remaining 38% of Statkraft Vind Utvikling DA.

Note 12 Other non-current assets

SIGNIFICANT ACCOUNTING POLICIES

Long-term share investments and shareholdings All long-term investments are treated in accordance with the lowest value principle.

NOK million	2020	2019
Loans to group companies	15 491	9 973
Long-term receivables related to long-term power sales agreements [1]	4 367	-
Other shares and securities	22	22
Other non-current assets [2]	430	-
Total	20 310	9 995

[1] Back-to-back agreements with Statkraft Energi AS related to prepayments of long term power sales. See note 16.
[2] Other non-current assets consists of NOK 430 million related to the deferred positive value of a novated interest rate swap contract. The amount is recognised on a linear basis over the remaining time to maturity as financial costs.

Note 13 Receivables

SIGNIFICANT ACCOUNTING POLICIES

Accounts receivable and other receivables are recognised at nominal value after the deduction of expected loss. Loss allocations are made on the basis of individual evaluations of each receivable.

NOK million	2020	2019
Accounts receivable	15	13
Receivables related to cash collateral	125	218
Group cash pooling receivable	85	77
Short-term receivables from group companies [1]	3 834	13 531
Short-term receivables related to long-term power sales agreements [2]	316	-
Tax receivable[3]	4	-
Other receivables	183	125
Total	4 562	13 965

[1] Consists mainly of short-term loans, dividends and group contribution from subsidiaries.
[2] Back-to-back agreements with Statkraft Energi AS related to prepayments of long term power sales. See note 18.
[3] See note 9 for breakdown of amount.

As of 31 December 2020 no provision for bad debt has been identified.

Note 14 Cash and cash equivalents

SIGNIFICANT ACCOUNTING POLICIES

The line item cash and cash equivalents also includes commercial papers and bonds with short residual terms at the time of acquisition. Cash pool deposits and loans to subsidiaries are reported as net values, and the corresponding items are classified gross either as cash pool receivable or cash pool debt (note 13 and 17).

NOK million	2020	2019
Cash and cash deposits	8 031	8 072
Commercial papers and other interest-bearing securities	-	3 707
Total	8 031	11 779

Statkraft AS has unused committed credit lines of NOK 9 167 million and unused overdraft facilities of NOK 2 000 million.

Note 15 Equity

	Paid-in capital			
NOK million	Share capital	Share premium account	Retained earnings	Total equity
Equity as of 01.01.19	33 600	22 802	21 794	78 196
Profit for 2019	-	-	9 105	9 105
Actuarial gains/losses pensions	-	-	45	45
Dividends 2019	-	-	-6 362	-6 362
Equity as of 31.12.19	33 600	22 802	24 582	80 984
Profit for 2020	-	-	-833	-833
Actuarial gains/losses pensions	-	-	-197	-197
Dividends 2020	-	-	-3 673	-3 673
Equity as of 31.12.20	33 600	22 802	19 879	76 282

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

Note 16 Other non-current liabilities

NOK million	2020	2019
Prepayments related to long-term power sales agreements [1]	4 367	-
Other non-current liabilities	-	10
Total	4 367	10

[1] See note 32 in the Group consolidated financial statements.

Note 17 Interest-bearing liabilities

SIGNIFICANT ACCOUNTING POLICIES

Long-term liabilities Funding costs and premiums or discount are recognised in accordance with the effective interest rate method (amortised cost). The first year's repayments relating to long-term debt are presented as short-term liabilities.

Short-term liabilities Market settlements for derivatives connected with financial activities (cash collateral) are recognised in the balance sheet as receivable or short-term liabilities. Cash collateral is a transfer to/from counterparties as security for the net unrealised gains and losses that Statkraft AS has on interest rate swaps, combined interest rate and currency swaps and forward exchange contracts (see also note 13).

Repurchase of debt Repurchase of issued bonds are recognised as repayment of debt and any gain or loss is recognised up front in the net financial items.

NOK million	2020	2019
Short-term interest-bearing liabilities		
First year's instalment of long-term debt	800	2 445
Group cash pooling debt	21 028	11 900
Debt related to cash collateral	1 246	1 348
Short-term debt to Statkraft SF	200	179
Other short term debt	1 571	86
Total	24 845	15 958
Long-term interest-bearing liabilities		
Bonds issued in the Norwegian market	2 251	3 050
Debt issued in non-Norwegian markets	22 950	21 603
Total	25 201	24 654
Total interest-bearing liabilities	50 046	40 612

Note 18 Other interest-free liabilities

NOK million	2020	2019
Accounts payable	87	48
Indirect taxes payable	66	44
Dividends payable	3 673	6 362
Debt to group companies	24	25
Prepayments related to long-term power sales agreements [1)]	316	-
Other interest-free liabilities	286	299
Total	4 452	6 778

[1)] See note 32 in the Group consolidated financial statements.

Note 19 Derivatives

GENERAL INFORMATION

Statkraft trades in financial derivatives for different purposes, and the accounting treatment will depend on the purpose as described below.

SIGNIFICANT ACCOUNTING POLICIES

Interest rate derivatives Statkraft AS uses interest rate derivatives to balance interest rate exposure to the Group's debt portfolio. Recognition of gains and losses depends on whether the interest rate derivative has been classified as a hedging instrument. Interest rate derivatives that are not hedging instruments are recorded in accordance with the lowest value principle, while interest rate derivatives that are defined as hedging instruments are recognised at fair value. Interest rate derivatives are classified as non-current assets or long-term liabilities if the remaining duration is longer than one year, and as long-term interest-bearing liabilities if classified as hedging instrument irrespective of remaining duration.

Currency derivatives In order to hedge against fluctuations in the foreign currency rates, Statkraft uses currency derivatives in line with approved treasury strategy. Forward exchange rate contracts are valued at fair value. Changes in value are recorded in the income statement as net realised and unrealised currency and derivatives. Combined interest rate and currency swaps are recorded in accordance with the lowest value principle.

ESTIMATES AND ASSUMPTIONS

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

The interest rate swaps, including the interest portion of combined interest rate and currency swaps, are part of risk management and are accounted for as hedging or at the lowest value principle, depending on whether the requirements for hedge accounting are achieved.

Currency and interest rate agreements

Carrying value and fair value of currency and interest rate derivatives:

	31.12.2020		31.12.2019	
Derivatives – non-current assets	Carrying	Fair	Carrying	Fair
NOK million	Value	value [1]	Value	value [1]
Currency and interest rate derivatives				
Interest rate swaps	-	602	-	854
Forward exchange rate contracts	159	159	99	99
Combined interest rate and currency swaps	-	687	-	499
Total	159	1 448	99	1 451
Derivatives – current assets				
NOK million				
Currency and interest rate derivatives				
Interest rate swaps	-	7	-	4
Forward exchange rate contracts	446	446	247	247
Combined interest rate and currency swaps	-	-	-	-
Total	446	453	247	251
Derivatives – non-current liabilities				
NOK million				
Currency and interest rate derivatives				
Interest rate swaps	364	364	103	103
Forward exchange rate contracts	15	15	61	61
Combined interest rate and currency swaps	-	-	45	45
Total	379	379	209	209
Derivatives – current liabilities				
NOK million				
Currency and interest rate derivatives				
Interest rate swaps	17	17	9	9
Forward exchange rate contracts	244	244	180	180
Combined interest rate and currency swaps	110	110	-	-
Total	371	371	189	189

[1] Fair value does not include accrued interests.

Note 20 Fees paid to external auditors

Deloitte AS is the Statkraft Group's auditor. The total fees paid for auditing and other services for Statkraft AS (excluding VAT) were as follows:

NOK thousand	2020	2019
Statutory auditing	2 419	2 089
Other attestation services	361	284
Tax consultancy services	263	352
Other services [1]	452	351
Total	3 495	3 076

[1] The main items in the fees for other services in 2019 and 2020 relate to the attestation of the sustainability report.

Note 21 Obligations and guarantees

Statkraft AS has guarantees and off-balance-sheet obligations totaling NOK 21 603 million. Of this, NOK 19 633 million concerns parent company guarantees.

Statkraft AS leases office buildings in Lilleakerveien 4 and 6 in Oslo and Sluppenveien 17B in Trondheim. The lessors are Mustad Eiendom AS and Sluppenvegen 15 AS respectively. The lease agreements in Oslo expire in 2028 with an option to prolong for ten plus ten years. The annual lease totals NOK 106 million for the Oslo premises. The lease agreement in Trondheim expires in 2030 with an option to prolong for 5 years. The annual lease totals NOK 8 million for the Trondheim premises.

Note 22 Disputes, contingencies and uncertain tax positions

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 return 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 Group consolidated financial statements which is prepared under IFRS. Although no provision has been made according to IFRS, Statkraft AS has paid NOK 2335 million to the Norwegian tax authorities in 2020 related to this case and the period 2010-2016. The paid amount has been expensed in the parent company financial statement prepared under NGAAP. Of the total paid amount, NOK 2079 million is presented as tax expense in the income statement and NOK 256 million is presented as financial costs as it relates to interest expense on the tax claim. See note 34 in the Group consolidated financial statements for further information.

Note 23 Related parties

The Company's related parties are considered to be:

- Directly owned subsidiaries, see specification in note 11
- Other group companies, see specification in note 26 and 39 to the Consolidated Financial Statements
- The parent company of the Group, Statkraft SF
- Group management and the board of directors, see specification in note 37 to the Consolidated Financial Statements

Transactions with subsidiaries, associated companies and joint arrangements mainly relate to the following:

- Statkraft AS sells intra-group services from centralised service centres
- Dividends and group contributions are accrued through Statkraft AS' own shareholdings
- Statkraft AS is also the borrower for the majority of the Group's external debts and is the owner of the cash pooling facilities. The central treasury function in Statkraft AS coordinates and manages the financial risks relating to currency, interest rates and liquidity of the Group.
- Statkraft AS finances subsidiaries through loans.

All intra-group transactions are conducted at market terms.

Guarantees related to group companies are listed in note 21.

The share capital of Statkraft Enerji A. S. was in 2020 reduced by TRY 70 million and thereby reducing the cost price of the shares in the company.

The share capital of Statkraft Enerji A. S. was in 2019 reduced by TRY 170 million and thereby reducing the cost price of the shares in the company. Statkraft AS booked dividends of 374 MGBP and 325 MNOK from Statkraft UK Ltd and Statkraft Industrial Holding AS as reduced cost price of the shares in the companies in 2019.

Note 23 continued

Transactions and balances within the Group are presented below:

Income statement - NOK million	2020	2019
Operating revenues		
Statkraft Energi AS	648	584
Fosen Vind DA	110	103
Statkraft Markets GmbH	108	87
Statkraft Peru S.A.	59	28
Statkraft Sverige AB	39	37
Statkraft Varme AS	37	31
Other	314	240
Total	1 315	1 110
Other operating expenses		
Statkraft Energi AS	88	51
Statkraft Markets GmbH	15	13
Other	25	25
Total	128	89
Dividend and group contribution from group companies (recognised as financial income)		
Statkraft Energi AS	2 943	4 627
Statkraft Industrial Holding AS	400	1 305
Statkraft Asset Holding AS	-	1 000
Statkraft UK Ltd.	-	16
Other	2	82
Total	3 345	7 030
Financial income from group companies		
Statkraft Energi AS	246	287
Statkraft Markets GmbH	117	67
Skagerak Energi AS	113	120
Other	82	76
Total	558	550
Financial costs to group companies		
Statkraft Energi AS	26	70
Statkraft Industrial Holding AS	6	13
Statkraft Asset Holding AS	3	6
Statkraft SF	2	30
Statkraft UK Ltd.	1	11
Other	26	121
Total	64	251

Balance sheet - NOK million	2020	2019
Non-current assets		
Loan to Statkraft Energi AS	11 800	6 800
Loan to Skagerak Energi AS	3 250	2 786
Loan to Baltic Cable AB	428	387
Other non-current financial assets	15 478	9 973
Statkraft Energi AS	4 367	-
Other long-term receivables	4 367	-
Statkraft Markets GmbH	243	175
Statkraft Energi AS	47	17
Derivatives	290	192

Note 23 continued

Current assets		
North Irish Sea Array Wind	10	-
Boolyvannanan Renewable E	10	-
Coole Wind Farm Ltd	10	-
Baltic Cable AB	-	75
Other	55	2
Group cash pooling receivable	85	77
Statkraft Energi AS	4 270	8 721
Statkraft Industrial Holding AS	401	1 631
Skagerak Energi AS	328	624
Statkraft Varme AS	6	1 023
Statkraft Asset Holding AS	-	1 000
Other	153	532
Short-term receivables group companies	5 158	13 531
Statkraft Markets GmbH	97	93
Statkraft Energi AS	94	56
Derivatives	191	149
Long-term liabilities		
Statkraft Markets GmbH	17	20
Statkraft Energi AS	2	1
Derivatives	19	21
Current liabilities		
Statkraft Markets GmbH	6 148	2 426
Statkraft Energi AS	4 076	2 460
Statkraft Asset Holding AS	1 441	11
Statkraft Sverige Vind II AB	1 071	576
Statkraft Europe Wind & Solar Holding AS	927	-
Statkraft UK Ltd	481	214
Statkraft Sverige AB	403	426
Statkraft Industrial Holding AS	149	1 067
Other	6 332	4 720
Group cash pooling debt	21 028	11 900
Debt to Statkraft SF	200	179
Current interest-bearing liabilities to group companies	200	179
Statkraft Markets GmbH	34	33
Statkraft Energi AS	26	33
Other	4	-
Derivatives	64	66
Statkraft SF	3 673	6 362
Other	26	24
Current interest-free liabilities to group companies	3 699	6 386

Note 24 Transactions

2020: Statkraft AS entered into two long-term power sales agreements with customers. Back-to-back agreements have been entered into with Statkraft Energi AS transferring the risk and obligations of the power sales agreements to Statkraft Energi AS. These transactions have been presented net in the income statement and statement of cash flow. See note 32 in the Group consolidated financial statement for further information.

Statkraft Carbon Invest AS 100% owned by Statkraft AS has been liquidated in 2020. The remaining cash of NOK 21 million has been distributed to Statkraft AS. The excess cash received over the book value of shares of NOK million 4 has been booked as gain shares.

Statkraft AS bought the remaining 4.28% of the shares in Grønn Kontakt AS and now owns 100% of the shares.

2019: Statkraft Western Balkans d.o.o. 100% owned by Statkraft AS has been liquidated in 2019. The remaining cash of NOK 15 million has been distributed to Statkraft AS. The remaining share value of NOK 13 million was impaired and booked as loss on shares.

Statkraft AS bought 47.5% of the shares in Grønn Kontakt AS and now owns 95.72% of the shares.

Note 25 Subsequent events

There have been no significant subsequent events.

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To the General Meeting of Statkraft AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Statkraft AS, which comprise:

- The financial statements of the parent company Statkraft AS (the Company), which comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Statkraft AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairments and reversal of prior years' impairments

Key audit matter	How the matter was addressed in the audit
Refer to note 15 to the group financial statements for description of Statkraft's impairment process and key assessments. Refer also to note 2 for a description of Statkraft´s process to determine its long-term forecasts for energy prices in the markets in which they operate and the judgements and estimates that are involved in this process. The total carrying value of intangible assets, property, plant and equipment and investments in associates and joint ventures amounted to NOK 129.7 billion at 31 December 2020. The recoverability of these non-current assets are assessed for impairment or reversal of impairment at the end of each reporting period if indicators are identified. Impairment recognized in the year amounts to NOK 3.830 billion and reversal of prior years' impairment amounts to NOK 1.824 billion. To calculate and assess recoverability of these non-current assets, management must make assumptions about future energy prices, discount rates as well as future production levels, future capital expenditures and operating costs. The recoverable amount is in particular sensitive to changes in future energy prices and discount rates. Due to the level of complexity in assessing the appropriate accounting for impairment and the level of management judgement involved, this has been identified as a key audit matter.	We assessed Statkraft's impairment process and tested the design and implementation of internal controls established. We challenged management's assessment as to whether indicators of impairment or impairment reversal exist for these assets. For assets were indicators were identified we obtained the valuation models used to determine the recoverable amount. We evaluated and challenged management's judgements applied to the inputs in the models, in particular: • the models used by management to establish its forecasts for energy prices, • the significant assumptions on which the price forecasts are built, and • the discount rate applied. To assess estimated future energy prices, we compared inputs to relevant information from third party documentation where available, made use of Deloitte valuation specialists and considered sensitivity analyses in order to challenge management's estimates. To assess discount rates, we utilized Deloitte valuation specialists, obtained and assessed underlying calculations and compared inputs to relevant information from third part documentation where available. We performed audit procedures on the mathematical integrity of the models used to determine the value in use. We assessed the adequacy of the related disclosures in the financial statements.

Valuation of energy contracts

Key audit matter	How the matter was addressed in the audit
Refer to note 10 to the group financial statements for description of Statkraft's portfolio of energy contracts, the process and judgments to estimate fair values, presentation in the financial statements and how judgements related to the use of Statkrafts' business models affect the accounting treatment.	We assessed Statkraft's processes for identification, classification and valuation of energy contracts and tested the design and implementation of internal controls. We utilised Deloitte energy valuation specialists to assess the appropriateness of management's

Valuation of energy contracts

Key audit matter	How the matter was addressed in the audit
The carrying value of energy derivative assets measured at fair value amounted to NOK 10 billion at 31 December 2020, and the carrying value of energy derivative liabilities measured at fair value amounted to NOK -12.8 billion at 31 December 2020. Refer to note 10 to the group financial statements for a breakdown of the derivative position as of 31 December 2020. The nature and risk of the energy contracts vary. The main area of audit focus is on long-term industry contracts, long-term energy purchase contracts and origination contracts, with high degree of estimation uncertainty and judgments, involving management assessments. Key risks relate to; • valuation of embedded derivatives, • judgments applied to assess whether the physical long-term contracts are for own use, and • valuation of long term power contracts. Due to the level of complexity in assessing the appropriate accounting for energy contracts and the level of management judgement involved, this has been identified as a key audit matter.	valuation models, and tested the mathematical integrity of the models used. We tested a sample of contracts regarding whether classification as own use comply with relevant accounting standard. We tested a sample of contracts and embedded derivatives measured at fair value, where we specifically tested and challenged the evidence supporting unobservable inputs utilised in Level 2 and 3 measurements in the fair value hierarchy as outlined in note 10 to the financial statements. We also assessed the adequacy of the related disclosures in the financial statements.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial

statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in

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our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 17 February 2021
Deloitte AS

Aase Aa. Lundgaard
State Authorised Public Accountant (Norway)

Sustainability statement

Statkraft's sustainability reporting follows the same key principles as the company's financial reporting for subsidiaries, partly-owned power plants and associated companies. This implies that quantitative data include consolidated companies and projects (>50% ownership), and these data are included 100%. There are some minor deviations between the financial and the sustainability statement related to joint ventures and joint operations.

- Joint ventures: Silva Green Fuel AS, Silva Green Fuel DA and Wind UK Invest Ltd (all 51%) are fully included in the sustainability statement. In the consolidated financial statements, the companies are recognised according to the equity method meaning that the Group's share of the companies' profit after tax, adjusted for amortisation of excess value and any deviations from Statkrafts's accounting policies, is presented as share of profit/loss in equity accounted investments.
- Joint operations: Aktieselskabet Tyssefaldene (60,17%), Fosen Vind DA (52,1%), Harrsele AB (50,57%), Grytten (88%), Gäddede (70%), Kobbelv (82,5%), Sima (65%), Svartisen (70%), Vikfalli (88%), Volgsjöfors (73,1%) and Ulla-Førre (73,48%) are fully included in the sustainability statement, but only proportionately consolidated in the financial statement.

Health and safety data are included for companies and projects with >20% ownership.

Social disclosures

Health and safety

Fatalities	Unit of measurement	2020	2019	2018
Consolidated operations [1]				
Employees	Number	0	0	1
Contractors	Number	2	0	0
Third party	Number	0	0	0
Associates [2]				
Employees	Number	0	0	0
Contractors	Number	1	0	0
Third party	Number	0	0	0

[1] Activities where Statkraft has > 50% ownership.
[2] Activities where Statkraft has 20 - 50% ownership

Two of the three fatalities in 2020 occured in the construction project Tidong (India), while the third fatality occurred at the joint venture company Allain Duhangan (India).

Serious incidents [1]	Unit of measurement	2020	2019	2018
Serious injuries [2]	Number	7 [3]	7	7
Serious injuries rate [4]	SI rate	0.4	0.3	0.3
Incidents with, or with potential for, serious consequences	Number	21	53	31

[1] Incidents include accidents and near misses.
[2] Fatalities are included in serious injuries.
[3] In addition to the three fatalities, two contractor's employees (in Norway and Germany) and two Statkraft employees (in Norway) suffered serious injuries in 2020.
[4] Number of serious injuries per million hours worked.

Injuries	Unit of measurement	2020	2019	2018
Employees				
Lost-time injuries (LTI) [1]	Number	26	23	30
Lost-time injuries per million hours worked	LTI rate	2.2	2.1	2.9
Total recordable injuries (TRI) [2]	Number	44	42	57
Total recordable injuries per million hours worked	TRI rate	3.7	3.8	5.4
Contractors				
Lost-time injuries (LTI) [1]	Number	23	31	29
Lost-time injuries per million hours worked	LTI rate	2.9	3.1	3.0
Total recordable injuries (TRI) [2]	Number	40	59	50
Total recordable injuries per million hours worked	TRI rate	5.0	5.9	5.2
Third parties				
Injuries [3]	Number	0	1	0
Statkraft, total				
Lost-time injuries per million hours worked	LTI rate	2.5	2.6	2.9
Total recordable injuries per million hours worked	TRI rate	4.2	4.8	5.3

[1] Work-related injuries which have resulted in absence extending beyond the day of the injury.
[2] Work-related injuries, with and without absence. Includes injuries which resulted in absence, medical treatment or need for alternative work assignments.
[3] Recorded injuries requiring treatment by a doctor.

Sick leave [1]	Unit of measurement	2020	2019	2018

Sick leave, total	%	2.4	2.7	3.3
Of which short-term absence (16 days or less)	%	1.0	1.2	1.5
Of which long-term absence (more than 16 days)	%	1.4	1.5	1.8

[1] Sick leave due to illness or injuries, as percentage of normal working hours.

Judicial sanctions and fines, health and safety	Unit of measurement	2020	2019	2018
Cases where judicial or administrative sanctions have been applied due to material non-compliance with health and safety legislation	Number	0 [1]	0	1
Judicial fines applied due to material non-compliance with health and safety legislation	NOK million	0	0	0
Administrative fines applied due to material non-compliance with health and safety legislation	NOK million	0	0	0.02 [2]

[1] A civil case related to fatal accident in Devoll Hydropower Moglicë (Albania) in 2018 is pending in the court.
[2] Fine to Devoll Hydropower Moglicë (Albania) related to fatal accident in 2018.

Labour practices

Employees	Unit of measurement	2020 [1]	2019	2018
Employees 31.12	Number	4 467	3 973	3 557
Of which in Norway	Number	2307	2 173	2 040
Of which in other Nordic countries	Number	224	210	212
Of which in other European countries	Number	1 155	889	713
Of which in the rest of the world	Number	781	701	592
Full-time employees 31.12	%	95	95	95
Staff turnover rate [2]	%	4.6	4.3	4.2
Service time				
Average service time	Years	10.4	10.5	11.6
Average service time for employees resigned or dismissed [2]	Years	6.2	10.2	12.4
Apprentices employed 31.12	Number	89	89	77
Trainees employed 31.12	Number	15	13	3
Nationalities represented among Statkraft's employees	Number	64	61	57

[1] The reported number of employees per 31.12 includes employees in Solarcentury (168), that Statkraft acquired in November 2020. For all other indicators in the sustainability statement, Solarcentury is not included.
[2] Excluding retirements.

Gender equality	Unit of measurement	2020	2019	2018
Percentage of women				
Total	%	28	26	25
In Norway	%	27	26	25
In other Nordic countries	%	18	18	18
In other European countries	%	28	27	24
In the rest of the world	%	34	29	25
In management positions	%	26	23	21
In Norway	%	28	27	25
In other Nordic countries	%	6	9	11
In other European countries	%	22	19	18
In the rest of the world	%	29	24	17
In group top management positions	%	29	28	22
In Corporate Management	%	43	29	29
In Statkraft's Board of Directors	%	44	44	44
Among employees recruited in the reporting year	%	36	38	31
Among managers recruited in the reporting year	%	40	32	24
Among full-time employees	%	26	25	23
Among part-time employees	%	54	50	53

Equal salary	Unit of measurement	2020	2019	2018
Salary ratio among employees [1]	Ratio	0.94	0.93	0.94
In Norway	Ratio	1.00	0.99	0.97
In other Nordic countries	Ratio	1.00	1.04	1.03
In other European countries	Ratio	0.82	0.78	0.85
In the rest of the world	Ratio	0.91	0.88	0.88
Salary ratio among managers [1]	Ratio	0.95	0.92	0.87
In Norway	Ratio	1.03	0.99	0.95
In other Nordic countries	Ratio	1.02	0.90	0.83
In other European countries	Ratio	0.77	0.72	0.78
In the rest of the world	Ratio	1.01	1.02	0.83

[1] Average salary for women in relation to average salary for men.

Statkraft as employer	Unit of measurement	2020	2019	2018
Organisation and leadership evaluation [1]				
Employee engagement	Scale 0-100	91	84	78
Response rate	%	94	92	91
Employees who have completed the performance and career development review [2]	%	88	88	87
Ranking as preferred employer [3] among				
Business students	Ranking	62	57	65
Engineering students	Ranking	14	14	11
Business professionals	Ranking	39	38	45
Engineering professionals	Ranking	20	20	10

[1] From Statkraft's internal annual organisation and leadership evaluation survey. Statkraft's score can be compared with the Merces Sirota Global Benchmark which was 89 in 2020.
[2] The percentage reported is based on the number of employees responding to the Organisation and leadership evaluation.
[3] Ranking among final-year students and professionals, as defined and measured in the annual Universum Graduate Survey for Norway and the Universum Professional Survey for Norway.

Human rights

Training on human rights [1, 2]	Unit of measurement	2020	2019	2018
Employees that have received training on human rights issues in the reporting year	%	16	20	13
Senior management that have received training on human rights issues in the reporting year	%	40	40	100
Statkraft's Board members have received training on human rights issues in the last two years	Yes/No	Yes	-	-

[1] Includes training and awareness on human rights topics. Reported share which has received training on human rights does not cover more general trainings on human rights aspects, such as health and safety.
[2] The reported figures for 2018 cover training completed in the last two years.

Consultations with indigenous peoples	Unit of measurement	2020	2019	2018
Number of projects with ongoing consultations involving rights of indigenous peoples	Number	16 [1]	15	14

[1] The ongoing consultations with indigenous peoples are related to ongoing hydropower and wind power projects in Norway, Sweden, Chile and Brazil.

Incidents of violations involving rights of indigenous peoples	Unit of measurement	2020	2019	2018
Total number of confirmed incidents of violations involving the rights of indigenous peoples during the reporting period	Number	0	0	0

Judicial sanctions and fines, human rights [1]	Unit of measurement	2020	2019	2018
Cases where judicial or administrative sanctions have been applied due to material non-compliance with human rights legislation	Number	0	0	0
Judicial fines applied due to material non-compliance with human rights legislation	NOK million	0	0	0
Administrative fines applied due to material non-compliance with human rights legislation	NOK million	0	0	0

[1] Material judicial sanctions for discrimination, forced labour, child labour or violations of the freedom of association, indigenous peoples rights or labour rights.

Environmental disclosures

Climate

Greenhouse gas emissions	Unit of measurement	2020 [1]	2019	2018
Emissions of CO_2 equivalents, consolidated activities [2]	Tonnes	1 566 400	1 468 800	525 800
Of which from gas power plants (scope 1)	Tonnes	1 536 700	1 418 800	479 400
Of which from district heating plants [3] (scope 1)	Tonnes	11 900	28 900	28 500
Of which from SF_6 emissions (scope 1)	Tonnes	3 300	2 500	200
Of which halon emissions (scope 1)	Tonnes	0	0	0
Of which from fuel consumption [4] (scope 1)	Tonnes	12 800	14 900	14 900
Of which from electricity consumption [5] (scope 2, market based)	Tonnes	0	0	0
Of which from business travel [6] (scope 3)	Tonnes	1 700	3 700	2 800
Emissions of CO_2 equivalents from affiliated gas power plants [7] (scope 1)	Tonnes	281 100	180 400	83 600
Emissions of CO_2 equivalents from Heimdal incineration plant [3]	Tonnes	78 800	74 200	74 400
Emissions of biogenic CO_2 from district heating plants	Tonnes	299 800	224 800	306 500
SF_6 emissions	kg	145	112	28
Halon emissions	kg	0	0	0

[1] Emission figures reported for 2020 from gas power plants in Germany are yet not finally approved by the EU ETS authorities. Earlier reported figures for 2018-2019 have been adjusted to be fully aligned with emissions approved by the EU ETS authorities.
[2] The reported figure includes activities where Statkraft's ownership is >50%. Total emissions comprise scope 1 emissions, scope 2 emissions and business travel (scope 3).
[3] Emissions of CO_2 from Heimdal incineration plant is not included in Statkraft's total CO_2 statement, according to established reporting practice for the district heating industry.
[4] CO_2 from fuel consumption from the Group's machinery and vehicles.
[5] 100% of Statkraft'selectricity consumption is certified renewable.
[6] Comprises travel by air and car in the Norwegian operations.
[7] Statkraft's share.

CO_2 emission calculations are based on the principles of the GHG Protocol Corporate Standard. Global Warming Potential (GWP) values for SF_6 and halon are based on the IPCC Fourth Assessment Report (AR4) for a 100-year horizon. GHG emissions covered by the EU Emissions Trading Scheme (EU ETS) are measured and calculated in accordance with the EU ETS Regulations. Where site specific GHG emissions factors are not available or GHG emissions are not directly reported from energy or service providers, conversion factors are based on GHG Conversion factors for Company Reporting for 2020 from Department for Environment, Food and Rural Affairs (DEFRA, UK).

Greenhouse gas emissions per scope	Unit of measurement	2020 [1]	2019	2018
Scope 1: Direct emissions [2]	Tonnes	1 845 800	1 645 500	606 600
Scope 2, market based: Indirect emissions, related to electricity consumption [3]	Tonnes	0	0	0
Scope 2, location based: Indirect emissions, related to electricity consumption [4]	Tonnes	175 800	-	-
Scope 3: Other indirect emissions (business travel only)	Tonnes	1 700	3 700	2 800

[1] Emission figures reported from gas power plants in Germany are yet not finally approved by the EU ETS authorities. Reported figures for 2018-2019 have been adjusted according to finally numbers approved by the authorities.
[2] Includes Statkraft's share of emissions of CO_2 in the jointly controlled power plant Herdecke (Germany).
[3] 100% of Statkraft'selectricity consumption is certified renewable.
[4] Pumped storage electricity consumption is included in the reported figure. The calculation is based on conversion factors from The Norwegian Resources and Energy Directorate (NVE) for Norway (factors from 2019), European Environment Agency (EEA) for EU countries (factors from 2018) and GHG Conversion factors for Company Reporting from Department for Environment, Food and Rural Affairs (DEFRA) for other countries (factors from 2015).

Relative greenhouse gas emissions	Unit of measurement	2020 [1]	2019	2018
CO_2-equivalent emissions per MWh power generation, total [2]	kg/MWh	28	27	10
CO_2-equivalent emissions per MWh power generation, gas power [2]	kg/MWh	356	355	375
CO_2-equivalent emissions per MWh district heating production [3]	kg/MWh	11	26	26

[1] Emission figures reported from gas power plants in Germany are yet not finally approved by the EU ETS authorities. Reported figures for 2018-2019 have been adjusted according to finally numbers approved by the authorities.
[2] Includes Statkraft's share of production and emissions of CO_2 in the jointly controlled power plant Herdecke (Germany).
[3] Emissions of CO_2 from Heimdal incineration plant is not included in Statkraft's total CO_2 statement, according to established reporting practice for the district heating industry.

Biodiversity and impact on nature

Impact on watercourses [1], [2]	Unit of measurement	2020	2019	2018
Impacted river courses with:				
Anadromous fish	Number	49	49	49
Catadromous fish	Number	10	10	10
Impacted Norwegian national salmon rivers	Number	13	13	13
Impacted protected rivers	Number	14 [3]	14	14

[1] Impact entails change of waterflow, water levels or other living conditions for fish.
[2] More detailed information related to impact on watercourses is presented in the table 'Impact on watercourses'.
[3] Due to strengthened regulations in Sweden from 2020, another six protected rivers in Sweden have been included from 2018.

Fish cultivation	Unit of measurement	2020	2019	2018
Restocking of fish and smolt [1]	Number	664 100	624 800	658 900
Of which in Norway	Number	290 800	315 000	325 200
Of which in other Nordic countries	Number	373 300	309 800	323 000
Of which in other European countries	Number	-	-	10 700
Restocking of juveniles [2]	Number	1 007 600	909 300	1 168 800
Of which in Norway	Number	858 200	598 900	923 900
Of which in other Nordic countries	Number	149 400	310 400	244 900
Stocking of fish roe [3]	Number	846 400	1 101 800	1 332 800

[1] Includes salmon, inland trout, sea trout, grayling and eel.
[2] Includes salmon, inland trout, sea trout, grayling and eel. Juveniles is defined as startfed fry, one-year old fry and two-summer old fry.
[3] Includes salmon in Norway and eel in Sweden.

Red list species [1), 2)]	Unit of measurement	2020	2019	2018
Red list species with habitat in areas impacted by Statkraft's operations in:				
Norway	Number	33	33	33
Other Nordic countries	Number	6	6	6
Other European countries	Number	13	13	13
Rest of the world	Number	83	83	83

[1] Reported figures include fauna, not including insects. More detailed information on red list species is presented in the table 'Red list species (fauna)'.
[2] Includes species defined as red list species by either International Union for Conservation of Nature (IUCN) or national authorities.

Operational sites in, or adjacent to, protected areas [1]	Unit of measurement	2020	2019	2018
Operational sites in, or adjacent to, protected areas	Number	34	34	29
Of which in Norway	Number	19	19	18
Of which in other Nordic countries	Number	9	9	6
Of which in other European countries	Number	6	6	5

[1] Limited to natural parks and nature or wildlife reserves.

Consumption

Electricity and district heating consumption	Unit of measurement	2020	2019	2018
Electricity and district heating consumption	GWh	864	1 041	1 067
Of which pumped-storage power	GWh	470	665	709
Of which electric boilers for district heating	GWh	81	72	89
Of which other operations	GWh	313	304	269

Fuel consumption	Unit of measurement	2020	2019	2018
Fossil fuel consumption, total	GWh	6 976	-	-
Natural gas, gas power plants	Mill. Nm^3	744	699	258
Natural gas, gas power plants	GWh	6 874	-	-
Fuel gas, district heating plants	Tonnes	3 442	8 670	7 918
Fuel gas, district heating plants	GWh	43	-	-
Fuel oil, district heating plants	Tonnes	606	1 117	1 674
Fuel oil, district heating plants	GWh	4	-	-
Engine fuel [1]	Tonnes	4 344	7 993	4 707
Engine fuel [1]	GWh	55	-	-
Other fuel consumption, total	GWh	1 987	-	-
Waste for district heating plants	Tonnes	219 000	206 100	206 800
Waste for district heating plants	GWh	496	-	-
Bio fuel, solid (district heating and bio power plants)	Tonnes	474 100	484 200	450 800
Bio fuel, solid (district heating and bio power plants)	GWh	1 485	-	-
Bio oil	Tonnes	569	-	-
Bio oil	GWh	6	-	-

[1] Includes consumption of fuel for vehicles and machinery (for example generators).

Use of water	Unit of measurement	2020	2019	2018
Cooling water, gas power plants	m^3	4 281 700	1 030 900	1 731 000
Process water [1]	m^3	409 400	387 300	177 800
Of which used in gas power plants	m^3	300 000	225 000	32 000
Of which used in bio power plants	m^3	51 200	96 600	83 300
Of which used in district heating plants	m^3	58 200	65 700	62 500
District heating pipe leakages	m^3	34 000	40 100	30 200

[1] Used for treatment of gas emissions.

Waste

Waste	Unit of measurement	2020	2019	2018
Hazardous waste	Tonnes	24 600	22 600	21 200
Of which from waste incineration plants [1]	Tonnes	6 500	5 400	4 500
Of which from bio power plants	Tonnes	17 000	14 000	15 800
Of which other hazardous waste	Tonnes	1 100	3 200	900
Non-hazardous waste	Tonnes	45 000	40 600	46 400
Of which non-hazardous waste separated at source	Tonnes	44 200	36 600	45 100
Of which non-hazardous waste from biopower plants	Tonnes	300	300	800
Of which non-hazardous waste from waste incineration plants	Tonnes	37 800	36 400	36 500
Of which non-hazardous waste from district heating plants	Tonnes	1 800	-	-
Of which residual non-hazardous waste	Tonnes	800	4 000	1 300

[1] Consists of filter dust and filter cake.

Environmental incidents

Environmental incidents	Unit of measurement	2020	2019	2018
Serious environmental incidents [1]	Number	0	0	0
Less serious environmental incidents [2]	Number	242	288	283

[1] An incident that causes serious or irreversible environmental impact on critical or protected resources.
[2] An incident that causes minor or moderate negative environmental impact.

Most of the less serious environmental incidents in 2020 were related to minor breaches of emission regulations for biomass plants, breaches of minimum flow and minor oil spills.

Judicial sanctions and fines, environment	Unit of measurement	2020	2019	2018
Cases where judicial or administrative sanctions have been applied due to material non-compliance with environmental legislation	Number	0	0	4
Judicial fines applied due to material non-compliance with environmental legislation	NOK million	0	0	0
Administrative fines applied due to material non-compliance with environmental legislation	NOK million	0	0	0.2 [1]

[1] Breach of concession terms at four hydropower plants in Sweden (occurred in the period 2015-2017).

Economic disclosures

Power generation and district heating production

Installed capacity per technology and geography	Unit of measurement	2020	2019	2018
Installed capacity power generation	MW	18 878	18 445	17 831
Of which hydropower	MW	14 402	14 399	14 190
Of which wind power	MW	2 037	1 607	1 203
Of which gas power [1]	MW	2 390	2 390	2 390
Of which other [2]	MW	49	49	49
Installed capacity, district heating	MW	853	828	836
Installed capacity per geography, power generation				
Norway	MW	12 950	12 513	12 127
Other Nordic countries	MW	1 813	1 813	1 813
Other European countries	MW	3 194	3 181	2 974
Rest of the world	MW	921	937	917
Installed capacity per geography, district heating				
Norway	MW	694	669	673
Other Nordic countries	MW	159	159	164

Installed capacity per technology and geography	Unit of measurement	2020	2019	2018
Installed capacity per technology, power generation				
Hydropower	%	76.3	78.1	79.6
Wind power	%	10.8	8.7	6.7
Gas power [1]	%	12.7	13.0	13.4
Other [2]	%	0.3	0.3	0.3
Installed capacity per geography, power generation				
Norway	%	68.6	67.8	68.0
Other Nordic countries	%	9.6	9.8	10.2
Other European countries	%	16.9	17.2	16.7
Rest of the world	%	4.9	5.1	5.1
Installed capacity per geography, district heating				
Norway	%	81.4	80.8	80.5
Other Nordic countries	%	18.6	19.2	19.6

[1] Includes Statkraft's share of the jointly controlled Herdecke (Germany) power plant.
[2] Includes bio power and solar power.

Capacity under development per technology and geography [1]	Unit of measurement	2020 [3]	2019	2018
Capacity under development, power generation	MW	1 284	750	865
Of which hydropower	MW	202	386	292
Of which wind power [2]	MW	882	364	574
Of which solar power	MW	200	0	0
Capacity under development per geography, power generation				
Norway [2]	MW	209	364	559
Other European countries	MW	354	184	23
Rest of the world	MW	721	202	282

Capacity under development per technology and geography [1]	Unit of measurement	2020 [3]	2019	2018
Capacity under development per technology, power generation				
Hydropower	%	15.7	51.5	33.7
Wind power [2]	%	68.7	48.5	66.3
Solar power	%	15.6	0	0
Capacity under development per geography, power generation				
Norway [2]	%	16.3	48.5	64.6
Other European countries	%	27.6	24.5	2.7
Rest of the world	%	56.2	26.9	32.7

[1] Includes projects with an investment decision.
[2] Includes Statkraft's share of the Fosen project for 2018-2019.
[3] The reported figures for 2020 include projects where the investment is > 300 mill NOK.

Power generation and district heating production per technology and geography	Unit of measurement	2020	2019	2018
Power generation, total	TWh	65.4	61.1	61.7
Of which hydropower	TWh	55.7	53.4	57.2
Of which wind power	TWh	4.3	3.0	2.7
Of which gas power [1]	TWh	5.1	4.5	1.5
Of which other [2]	TWh	0.3	0.3	0.3
District heating	TWh	1.0	1.1	1.1
Renewable power generation [3]	%	92.2	92.6	97.6
Renewable district heating [3]	%	95.2	89.5	89.2
Power generation per geography				
Norway	TWh	47.5	44.9	48.6
Other Nordic countries	TWh	7.4	6.2	6.0
Other European countries	TWh	6.4	5.6	2.8
Rest of the world	TWh	4.1	4.4	4.3
District heating per geography				
Norway	TWh	0.8	0.9	0.9
Other Nordic countries	TWh	0.2	0.2	0.2

Power generation and district heating production per technology and geography	Unit of measurement	2020	2019	2018
Power generation per technology				
Hydropower	%	85.2	87.3	92.7
Wind power	%	6.6	4.9	4.4
Gas power [1]	%	7.8	7.4	2.4
Other [2]	%	0.5	0.5	0.5
Power generation per geography				
Norway	%	72.6	73.5	78.8
Other Nordic countries	%	11.3	10.1	9.7
Other European countries	%	9.8	9.2	4.5
Rest of the world	%	6.3	7.2	7.0
District heating per geography				
Norway	%	80.0	81.8	81.8
Other Nordic countries	%	20.0	18.2	18.2

[1] Includes Statkraft's share of the jointly controlled Herdecke (Germany) power plant.
[2] Includes bio power and solar power.
[3] Non-renewable production consists of gas power and share of district heating based on fossil fuel. Production at Heimdal, the incineration plant in Trondheim, is counted as 100% renewable district heating production (alligned with SSB, Statistics Norway, reporting practice).

Contribution to society

Value creation	Unit of measurement	2020	2019	2018
Gross operating revenues	NOK million	38 060	48 679	56 623
Unrealised changes in the value of energy contracts	NOK million	339	-801	-789
Paid to suppliers for goods and services [1]	NOK million	21 434	22 157	33 137
Gross value added	NOK million	16 965	25 722	22 698
Depreciations, amortisations and impairments	NOK million	5 445	3 689	3 734
Net value added	NOK million	11 520	22 033	18 964
Financial income	NOK million	354	1 401	5 781
Gain or loss from divestments	NOK million	119	55	1 449
Share of profit from associates	NOK million	835	1 249	790
Minority interests	NOK million	213	416	680
Values for distribution	NOK million	12 615	24 323	26 303

[1] Includes energy purchases, transmission costs and operating expenses.

Distribution of value created	Unit of measurement	2020	2019	2018
Employees				
Gross salaries and benefits	NOK million	4 115	3 503	3 198
Lenders/owners				
Interest	NOK million	1 984	669	1 369
Dividend [1]	NOK million	3 673	6 500	8 500
Taxes [2]	NOK million	3 197	9 241	9 027
The company				
Change in equity	NOK million	-354	4 411	4 210
Total wealth distributed	NOK million	12 615	24 323	26 303

[1] Includes dividend and Group contribution from Statkraft AS to Statkraft SF.
[2] Includes taxes, property tax, licence fees and employers' contribution.

Taxes [1]	Unit of measurement	2020	2019	2018
Total	NOK million	3 412	7 109	7 391
Of which in Norway	NOK million	2 381	6 029	6 857
Of which in other Nordic countries	NOK million	77	246	113
Of which in other European countries	NOK million	948	820	364
Of which in the rest of the world	NOK million	6	14	57

[1] Taxes payable in the statement of financial position.

Business ethics and anti-corruption

Training on anti-corruption [1]	Unit of measurement	2020	2019	2018
Employees that have received training on anti-corruption in the last two years	Percentage	100	100	100
Employees in senior management positions that have received training on anti-corruption in the last two years	Percentage	100	100	100
Statkraft's Board members have received training on anti-corruption in the last two years	Yes/No	Yes	Yes	Yes

[1] This indicator covers the Group, excluding Skagerak Energi.

Incidents of corruption	Unit of measurement	2020	2019	2018
Confirmed breaches of Statkraft's Code of Conduct related to corruption	Number	2 [1]	0	0
Public legal cases regarding corruption [2]	Number	0	0	0

[1] The registered two cases are related to third party contractors offering small facilitation payment. The cases did not involve Statkraft employees. Actions were taken and the contracts were terminated.

[2] Cases brought against the organisation or its employees.

Judicial sanctions and fines, business ethics [1]	Unit of measurement	2020	2019	2018
Cases where judicial or administrative sanctions have been applied due to material non-compliance with business ethics legislation	Number	0	0	0
Judicial fines applied due to material non-compliance with business ethics legislation	NOK million	0	0	0
Administrative fines applied due to material non-compliance with business ethics legislation	NOK million	0	0	0

[1] Material judicial sanctions for accounting fraud, corruption, anti-competetive behaviour, anti-trust and monopoly practices.

Reported concerns covering the scope of the Code of Conduct

Reported concerns (whistleblowing) [1]	Unit of measurement	2020	2019	2018
Total number of reported concerns	Number	46	60	55
Of which related to business ethics and anti-corruption	Number	11	28	32
Of which related to discrimination	Number	5	8	2
Investigations initiated by Corporate Audit in the reporting year	Number	5	3	3

[1] The scope of the whistleblowing procedures relates to the full scope of Statkraft's Code of Conduct, e.g. human rights, environment, health and safety, business ethics and anti-corruption.

When a reported concern is received, a risk assessment is done in order to decide how to follow up the concern. Most of the reported concerns are handled by the respective business areas according to Statkraft's procedures for handling of reported concerns. Concerns with potentially high consequences for the Statkraft Group are handled by Corporate Audit. In cases where a formal investigation is required, this is the responsibility of the Head of Corporate Audit.

Impact on watercourses

Protected rivers and rivers with migrating fish impacted by Statkraft's activities

NORWAY	River with anadromous fish	River with eel population (catadromous fish)	National salmon river	Protected river
Region North Norway and South America				
Altaelva	X		X	
Beiarelva	X		X	
Bjerkaelva	X			
Engabrevassdraget	X			
Kobbelvvassdraget	X			
Målselvvassdraget	X		X	X
Ranaelva	X		X	
Røssåga	X			
Skjoma	X			
Vefsna	X		X	
Glomdalselva				X
Region Mid Norway				
Auravassdraget	X			
Bævra	X			
Daleelva	X			
Dalselva	X			
Hopra	X			
Indredalselva	X			
Glutra/Henselva	X			
Jostedalselva	X			
Litledalselva	X			
Nærøydalselva	X		X	
Rauma	X		X	X
Surna	X		X	
Vikja	X		X	
Ytredalselva	X			
Nidelva	X	X	X	
Region South Norway				
Austdøla/Norddøla	X			
Austrepollelva	X			
Bondhuselva	X			
Førreåna	X			
Eio/Bjoreio	X			
Jondalselva	X			
Sima	X			
Suldalslågen	X		X	X
Ulla	X			
Øyreselva	X			
Årdalselva	X			
Klebastølåi				X
Gaularvassdraget			X	
Eidselva		X		
Numedalsågen	X	X	X	
Austbygdåi				X
Dagali				X
Skagerak Energi AS				
Siljanvassdraget				X
Kragerøvassdraget		X		
Skienselva	X	X		
SWEDEN				
Skellefteåälven	X			
Gideälven	X			X
Moälven	X			X
Nätraälven	X			
Lagan	X	X		X
Nissan	X	X		
Ångermanälven				X
Indalsälven				X
Ljungan	X			X
GERMANY				
Fulda	X	X		
Werra	X	X		
Weser	X	X		
UK				
Rheidol	X			

Red list species (fauna)

Red list species (fauna) with habitat in areas affected by Statkraft's activitities

Information for Turkey, Albania, Nepal, Peru, Brazil and Chile is based on 2019 review.

Red list species	Vulnerability not known	Level of vulnerability: IUCN list					Level of vulnerability: National list				
		Critically endangered	Endangered	Vulne-rable	Near threatened	Least concern	Critically endangered	Endan-gered	Vulne-rable	Near threatened	Least concern
NORWAY											
Eagle owl						X		X			
Goshawk						X				X	
Red-throated diver						X					X
Black-throated diver						X					X
Willow grouse						X				X	
Rough-legged buzzard						X					X
Eel		X							X		
Pearl mussel			X						X		
Osprey						X				X	
Hare						X				X	
Little bunting						X			X		
Great snipe					X					X	
Common reed bunting						X				X	
Northern lapwing					X			X			
Northern shoveler						X			X		
Black-headed gull						X			X		
Sand martin						X				X	
Gyrfalcon						X				X	
Patch singer						X		X			
Tail tooth						X			X		
Bean goose						X			X		
Horned grebe					X				X		
Ruff						X		X			
Lesser white-fronted goose			X				X				
Rock ptarmigan					X					X	
Rustic bunting				X						X	
Mountain fox						X	X				
Great crested grebe					X						X
Brown bear						X		X			
Lynx						X		X			
Wood warbler						X					X
Corncrake						X	X				
Common tern						X		X			
SWEDEN											
Sea lamprey										X	
Crayfish				X			X				
Otter					X					X	
Golden eagle										X	
Eel		X					X				
Pearl mussel			X					X			
GERMANY											
Eel		X									
Pearl mussel		X									
UK											
Red kite					X						
TURKEY											
Dalmatian pelican					X						
Wild Goat				X							
Lesser horseshoe bat						X					
Mediterranean Horseshoe Bat					X						
Egyptian vulture			X								
Greek tortoise				X							
Euphrates softshell turtle			X								
Central Anatolian Spined Loach			X								
Orontes Spotted Bleak				X							
European sea or Atlantic sturgeon		X									
ALBANIA											
Dalmatian pelican					X						
NEPAL											
Chinese pangolin		X									
Asian small-clawed otter				X							
East Himalayan Yew			X								
Himalayan Musk Deer			X								
Western Tragopan					X						
PERU											
Sechuran fox					X						
BRAZIL											
Mountain Lion						X					
Araucaria Tit-spinetail					X						
Azure Jay					X						

Red list species (fauna) with habitat in areas affected by Statkraft's activitities (continued)

Red list species	Vulnerability not known	Level of vulnerability: IUCN list					Level of vulnerability: National list					
		Critically endangered	Endan-gered	Vulne-rable	Near threate ned	Least concern	Critically endangered	Endan-gered	Vulne-rable	Near threatened	Least concern
BRAZIL												
Black Spiny-necked Swamp Turtle												
Brazilian Dwarf Brocket				X								
Brazilian Three-banded Armadillo				X								
Canebrake Groundcreeper					X							
Green-throated Euphonia					X							
Helmeted Woodpecker				X								
Black-fronted Piping-guan or *Jacutinga*			X									
Jaguar					X							
Margay					X							
Neotropical Otter					X							
Ochre-breasted Pipit				X								
Northern Tiger Cat or *Oncilla*				X								
Pampas Deer					X							
Red Myotis					X							
Sharp-tailed Tyrant				X								
Southern Bristle-tyrant					X							
Southern Long-Nosed Armadillo					X							
Southern Tiger Cat				X								
Straight-billed Reedhaunter					X							
Swallow-tailed Cotinga					X							
Vinaceous-breasted Parrot			X									
White-browed Guan				X								
Wild Common Carp					X							
William's South-American Side-necked	X											
Yellow-browed Woodpecker					X							
Yellow-legged Timanou	X											
Mottled Piculet					X							
Black-capped Piprites				X								
Pinheiro-bravo	X											
Creamy-bellied Gnatcatcher					X							
Argintine Horned Frog (Sapo-de-chifres)	X											
Bare-throated Bellbird				X								
Mantled Hawk					X							
Saffron Toucanet					X							
Black-horned Capuchin					X							
Coypu or *Rato-do-banhado*						X						
Marsh Tapaculo			X									
Ornate Hawk-eagle				X								
Sporophila melanogaster					X							
Rusty Barred Owl *(Strix hylophila*)					X							
Solitary Tinamou					X							
Saffron-cowled Blackbird				X								
Black-and-white Monjita				X								
CHILE												
Puye Chico / Inanga	X											
Pejerrey Cauque	X											
Bagre Pintado				X								
Tollo de Agua Dulce			X									
Puye	X											
Pocha del Sur						X						
Pouched Lamprey	X											
Carmelita Común						X						
Peladilla						X						
Perca Trucha						X						
Brown Trout					X							
Atlantic Salmon						X						
Chiloe Island Ground Frog						X						
Rosy Ground Frog						X						
Grey Wood Frog						X						
Chile Four-eyed Frog						X						
Yellow-billed Pintail						X						
Chiloé wigeon						X						
Great White Egret						X						
Cocoi Heron						X						
Churrete	X											
Chacoan Peccary or *Tagua*			X									
Amazon Kingfisher or *Martin Pescador*	X											
Neotropic Cormorant or *Pato Yeco*	X											
Great Grebe or *Huala*						X						
Pied-billed Grebe or *Picurio*						X						
White-tufted Grebe or *Pimpollo /Hualita*						X						
Tollo, Bagre, Tollo de Agua Dulce	X											
Torrent Duck						X						
Andean condor					X							
Guanaco						X						
Mountain Lion						X						

Statkraft's GRI index

The GRI Standards represent the global best practice for sustainability reporting. The standards comprise both general disclosures, as well as economic, environmental and social disclosures. Companies can report according to two reporting levels - Core or Comprehensive.

Statkraft's sustainability reporting is based on the GRI Standards, at reporting level Core. Statkraft has engaged Deloitte AS to conduct a review to provide a limited level of assurance on the company's sustainability information in Statkraft's Annual Report 2020. The review is based on the assurance standard ISAE 3000, and the auditor's conclusion is presented in the Auditor's report.

Explanations for the GRI index
Reported = The disclosure is reported according to the GRI Standards.
Partly = The disclosure is partly reported according to the GRI Standards.
GRI alignment in process = A reporting process aligned with the GRI Standards is under development.
EU = Specific disclosure for the energy utilities sector.

DISCLOSURES		REFERENCE / RESPONSE	STATUS
GENERAL DISCLOSURES: ORGANISATIONAL PROFILE			
102-1	Name of the organisation	Statkraft AS	Reported
102-2	Activities, brands, products and services	Statkraft at a glance Report from the Board of Directors	Reported
102-3	Location of headquarters	Oslo, Norway	Reported
102-4	Location of operations	Statkraft at a glance	Reported
102-5	Ownership and legal form	State-owned limited company	Reported
102-6	Markets served	Statkraft at a glance Report from the Board of Directors	Reported
102-7	Scale of the organisation	Key figures Statkraft at a glance	Reported
102-8	Information on employees and other workers	Sustainability statement: Labour practices	Reported
102-9	Supply chain	Social disclosures: Supply chain management	Reported
102-10	Significant changes to the organisation and its supply chain	Report from the Board of Directors Note 5: Business combinations and other transactions	Reported
102-11	Precautionary principle or approach	Sustainability management Environmental disclosures: Biodiversity Environmental disclosures: Climate change Economic disclosures: Water management	Reported
102-12	External initiatives	Sustainability management Corporate governance	Reported
102-13	Membership of associations	Sustainability management	Reported
GENERAL DISCLOSURES: STRATEGY			
102-14	Status from senior decision-maker	Letter from the CEO Report from the Board of Directors	Reported
GENERAL DISCLOSURES: ETHICS AND INTEGRITY			
102-16	Values, principles, standards and norms of behaviour	Report from the Board of Directors Sustainability management Economic disclosures: Business ethics Corporate governance	Reported
GENERAL DISCLOSURES: GOVERNANCE			
102-18	Governance structure	Corporate governance	Reported
GENERAL DISCLOSURES: STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	Sustainability management	Reported
102-41	Collective bargaining agreements	Social disclosures: Labour practices	Reported
102-42	Identifying and selecting stakeholders	Sustainability management	Reported
102-43	Approach to stakeholder engagement	Sustainability management	Reported
102-44	Key topics and concerns raised	Sustainability management Social disclosures: Human rights Economic disclosures: Water management	Reported
GENERAL DISCLOSURES: REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	Note 39: Consolidated companies	Reported
102-46	Defining report content and topic boundaries	Sustainability management	Reported
102-47	List of material topics	Sustainability management	Reported
102-48	Restatements of information	Sustainability statement	Reported
102-49	Changes in reporting	Sustainability statement	Reported
102-50	Reporting period	2020	Reported
102-51	Date of most recent report	Statkraft's Annual Report 2019	Reported
102-52	Reporting cycle	Annual	Reported
102-53	Contact point for questions regarding the report	info@statkraft.com	Reported
102-54	Claims of reporting in accordance with the GRI Standards	The sustainability information has been prepared in accordance with the GRI Standards: Core option	Reported
102-55	GRI content index	Statkraft's GRI index	Reported
102-56	External assurance	Sustainability management Auditor's statement	Reported

GRI G4 GUIDELINES: UTILITIES SECTOR			
G4-EU1	Installed capacity	Sustainability statement: Power generation and district heating production	Reported
G4-EU2	Net energy output	Sustainability statement: Power generation and district heating production	Reported
G4-EU3	Number of different customer accounts	See customer related information under: www.statkraft.com www.skagerakenergi.no www.statkraftvarme.no	Partly
G4-EU25	Injuries and fatalities to the public involving company assets	Sustainability statement: Health and safety	Reported
ECONOMIC DISCLOSURES: ECONOMIC PERFORMANCE			
103: 1-3	Management approach for economic disclosures	Report from the Board of Directors Sustainability management Corporate governance	Reported
201-1	Direct economic value generated and distributed	Sustainability statement: Contribution to society	Reported
201-2	Financial implications and other risks and opportunities due to climate change	Report from the Board of Directors Environmental disclosures: Climate change Economic disclosures: Water management	Partly
201-3	Defined benefit plan obligations and other retirement plans	Note 17: Pensions	Reported
ECONOMIC DISCLOSURES: INDIRECT ECONOMIC IMPACTS			
203-1	Infrastructure investments and services supported	Social disclosures: Human rights	Partly
203-2	Significant indirect economic impacts	Statkraft's contribution	Partly
ECONOMIC DISCLOSURES: ANTI-CORRUPTION			
205-1	Operations assessed for risks related to corruption	Economic disclosures: Business ethics	Reported
205-2	Communication and training about anti-corruption policies and procedures	Economic disclosures: Business ethics Sustainability statement: Business ethics and anti-corruption	Reported
205-3	Confirmed incidents of corruption and actions taken	Economic disclosures: Business ethics Sustainability statement: Business ethics and anti-corruption	Reported
ECONOMIC DISCLOSURES: TAX			
207-4	Country-by-country reporting	Sustainability statement: Taxes	Partly
ENVIRONMENTAL DISCLOSURES: ENERGY			
103: 1-3	Management approach for environmental disclosures	Report from the Board of Directors Sustainability management	Reported
302-1	Energy consumption within the organisation	Sustainability statement: Consumption	Reported
ENVIRONMENTAL DISCLOSURES: WATER AND EFFLUENTS			
303-3	Water withdrawal	Sustainability statement: Consumption	Reported
ENVIRONMENTAL DISCLOSURES: BIODIVERSITY			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Sustainability statement: Biodiversity and impact on nature	Reported
304-2	Significant impacts of activities, products, and services on biodiversity	Environmental disclosures: Biodiversity Economic disclosures: Water management Sustainability statement: Biodiversity and impact on nature	Reported
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Sustainability statement: Biodiversity and impact on nature Sustainability statement: Red list species	Reported
ENVIRONMENTAL DISCLOSURES: EMISSIONS			
305-1	Direct GHG emissions (scope 1)	Sustainability statement: Climate	Reported
305-2	Energy indirect GHG emissions (scope 2)	Sustainability statement: Climate	Reported
305-3	Other indirect GHG emissions (scope 3)	Sustainability statement: Climate	Reported
305-4	GHG emissions intensity	Sustainability statement: Climate	Reported
ENVIRONMENTAL DISCLOSURES: EFFLUENTS AND WASTE			
306-2	Waste by type and disposal method	Sustainability statement: Waste	Reported
306-3	Significant spills	Sustainability statement: Environmental incidents	Reported
ENVIRONMENTAL DISCLOSURES: COMPLIANCE			
307-1	Non-compliance with environmental laws and regulations	Sustainability statement: Environmental incidents	Reported
ENVIRONMENTAL DISCLOSURES: SUPPLIER ENVIRONMENTAL ASSESSMENT			
308-1	New suppliers that were screened using environmental criterias	Sustainability management Social disclosures: Supply chain management	Reported
SOCIAL DISCLOSURES: EMPLOYMENT			
103: 1-3	Management approach on social disclosures	Report from the Board of Directors Sustainability management Social disclosures: Health and safety, Security, Human rights, Labour practices, Supply chain management	Reported
401-1	New employee hires and employee turnover	Sustainability statement: Labour practices	Reported

SOCIAL DISCLOSURES: OCCUPATIONAL HEALTH AND SAFETY			
403-8	Workers covered by an occupational health and safety management system	Social disclosures: Health and safety Social disclosures: Labour practices	Reported
403-9	Work related injuries	Social disclosures: Health and safety Sustainability statement: Health and safety	Reported
SOCIAL DISCLOSURES: TRAINING AND EDUCATION			
404-2	Programs for upgrading employee skills and transition assistance programs	Social disclosures: Labour practices	Partly
404-3	Percentage of employees receiving regular performance and career development reviews	Social disclosures: Labour practices Sustainability statement: Labour practices	Reported
SOCIAL DISCLOSURES: DIVERSITY AND EQUAL OPPORTUNITY			
405-1	Diversity of governance bodies and employees	Sustainability statement: Labour practices	Reported
405-2	Ratio of basic salary and remuneration of women to men	Sustainability statement: Labour practices	Reported
SOCIAL DISCLOSURES: NON-DISCRIMINATION			
406-1	Incidents of discrimination and corrective actions taken	Sustainability management Sustainability statement: Reported concerns covering the scope of the Code of Conduct	Reported
SOCIAL DISCLOSURES: FREEDOM OF ASSICIATION AND COLLECTIVE BARGAINING			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Sustainability management Social disclosures: Labour practices Social disclosures: Supply chain management	GRI alignment in process
SOCIAL DISCLOSURES: CHILD LABOUR			
408-1	Operations and suppliers at significant risk for incidents of child labour	Sustainability management Social disclosures: Labour practices Social disclosures: Supply chain management	GRI alignment in process
SOCIAL DISCLOSURES: FORCED OR COMPULSORY LABOUR			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Sustainability management Social disclosures: Labour practices Social disclosures: Supply chain management	GRI alignment in process
SOCIAL DISCLOSURES: RIGHTS OF INDIGENOUS PEOPLES			
411-1	Incidents of violations involving rights of indigenous peoples	Social disclosures: Human rights Sustainability statement: Human rights	Reported
SOCIAL DISCLOSURES: HUMAN RIGHTS ASSESSMENT			
412-1	Operations that have been subject to human rights reviews or impact assessments	Sustainability management Social disclosures: Human rights	GRI alignment in process
412-2	Employee training on human rights policies and procedures	Social disclosures: Human rights Sustainability statement: Human rights	Reported
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Sustainability management Social disclosures: Human rights Social disclosures: Supply chain management	GRI alignment in process
SOCIAL DISCLOSURES: LOCAL COMMUNITIES			
413-1	Operations with local community engagement, impact assessments and development programs	Social disclosures: Human rights Economic disclosures: Water management	GRI alignment in process
413-2	Operations with significant actual and potential negative impacts on local communities	Social disclosures: Human rights Economic disclosures: Water management	GRI alignment in process
SOCIAL DISCLOSURES: SUPPLIER SOCIAL ASSESSMENT			
414-1	New suppliers that were screened using social criteria	Sustainability management Social disclosures: Supply chain management	Reported
SOCIAL DISCLOSURES: SOCIOECONOMIC COMPLIANCE			
419-1	Non-compliance with laws and regulations in the socioeconomic area	Sustainability statement: Business ethics and anti-corruption Sustainability statement: Human rights	Reported

Statkraft's Global Compact index

Global Compact comprises ten fundamental principles relating to human rights, labour rights, protection of the environment and combating corruption. Companies that endorse Global Compact commit to support and respect the principles and report their performance in the various areas annually.

HUMAN RIGHTS

PRINCIPLE	DESCRIPTION	REFERENCE
1	Business should support and respect the protection of internationally proclaimed human rights, and	Report from the Board of Directors Sustainability management Social disclosures, Human rights
2	make sure that they are not complicit in human rights abuses.	Sustainability management Social disclosures, Human rights

LABOUR

PRINCIPLE	DESCRIPTION	REFERENCE
3	Business should uphold the freedom association and the effective recognition of the right to collective bargaining,	Sustainability management Social disclosures, Labour practices
4	the elimination of all forms of forced and compulsory labour,	Sustainability management Social disclosures, Labour practices
5	the effective abolition of child labour, and	Sustainability management Social disclosures, Labour practices
6	the elimination of discrimination in respect of employment and occupation.	Sustainability management Social disclosures, Labour practices

ENVIRONMENT

PRINCIPLE	DESCRIPTION	REFERENCE
7	Business should support a precautionary approach to environmental challenges,	Report from the Board of Directors Sustainability management Environmental disclosures, Biodiversity Environmental disclosures, Climate change Economic disclosures, Water management
8	undertake initiatives to promote greater environmental responsibility, and	Environmental disclosures, Biodiversity Environmental disclosures, Climate change Economic disclosures, Water management
9	encourage the development and diffusion of environmentally friendly technologies.	Statkraft's contribution Environmental disclosures, Biodiversity Environmental disclosures, Climate change Economic disclosures, Water management

ANTI-CORRUPTION

PRINCIPLE	DESCRIPTION	REFERENCE
10	Business should work against corruption in all its forms, including extortion and bribery.	Report from the Board of Directors Sustainability management Economic disclosures, Business ethics

Auditor's statement

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To the Board of Directors of Statkraft AS

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON STATKRAFT'S SUSTAINABILITY REPORTING FOR 2020

We have been engaged by the Board of Directors of Statkraft to provide limited assurance in respect of the sustainability information in Statkraft Annual Report 2020, the chapters Sustainability and Sustainability Statement ("the Report"). Our responsibility is to provide a limited level of assurance on the subject matters concluded on below.

Responsibilities of the Board of Directors

The Board of Directors are responsible for the preparation and presentation of the Report prepared in accordance with GRI Standards, level Core, and other reporting criteria described in the Report. They are also responsible for establishing such internal controls that they determine are necessary to ensure that the information is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion on the information in the Report. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

Deloitte AS is subject to International Standard on Quality Control 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Considering the risk of material misstatement, our work included analytical procedures and interviews with management and individuals responsible for sustainability management, as well as a review on a sample basis of evidence supporting the information in the Report.

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters.

Deloitte.

Conclusions

Based on our work, nothing has come to our attention causing us not to believe that:

- Statkraft has established management processes and systems to manage material aspects related to corporate responsibility, as described in the Report.
- Statkraft has applied procedures to identify, collect, compile and validate information for 2020 to be included in the Report, as described in the Report. Information presented for 2020 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- Statkraft applies a reporting practice for its corporate responsibility reporting aligned with the Global Reporting Initiative (GRI) Standards reporting principles and the reporting fulfils level Core according to the GRI Standards. Statkraft's GRI index presented in the Report appropriately reflects where information on each of the disclosures of the GRI Standards is to be found within the Statkraft Annual Report 2020.

Oslo, 17 February 2021
Deloitte AS

Aase Aa. Lundgaard
State Authorised Public Accountant (Norway)

Frank Dahl
Sustainability expert

In the Low Emissions Scenario, all new passenger cars will be electric in 2050 and almost 60% of heavy vehicles will be powered by battery or hydrogen.

LOW EMISSIONS 2020 SCENARIO

Declaration | 2020


Statkraft

Declaration from the Board of Directors and the President and CEO

We confirm to the best of our knowledge that:

- the consolidated financial statements for 2020 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act,
- the financial statements for the parent company for 2020 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway,
- the information presented in the financial statements gives a true and fair view of the company's and group's assets, liabilities, financial position and result for the period viewed in their entirety,
- the board of directors report, the chapters on corporate governance and sustainability, including sustainability statement, give a true and fair view of the development, performance and financial position of the company and group, and includes a description of the key risks and uncertainties the companies are faced with.

The Board of Directors of Statkraft AS
Oslo, 17 February 2021

Thorhild Widvey
Chair of the Board

Peter Mellbye
Deputy chair

Marit Salte
Director

Mikael Lundin
Director

Ingelise Arntsen
Director

Bengt Ekenstierna
Director

Vilde Eriksen Bjerknes
Director

Thorbjørn Holøs
Director

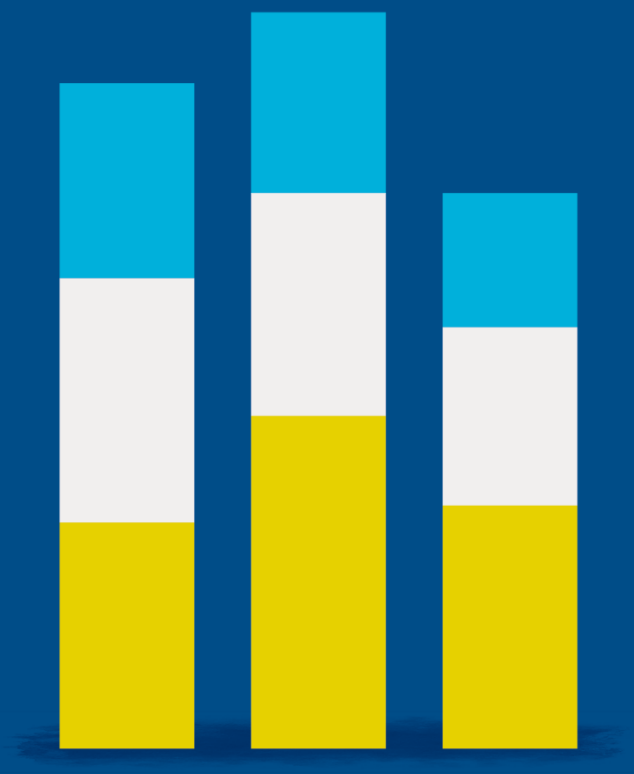
Asbjørn Sevlejordet
Director

Christian Rynning-Tønnesen
President and CEO

Electrification will cut emissions significantly in buildings, industry and transport, according to our Low Emissiosn Scenario.

LOW EMISSIONS 2020 SCENARIO

Key figures and Alternative Performance Measures | 2020



Key Figures

FINANCIAL KEY FIGURES

	Unit	2020	2019	2018	2017	2016
Income statement						
Gross operating revenues and other income underlying	NOK mill	38 060	47 836	56 237	53 300	47 762
Net operating revenues and other income underlying	NOK mill	20 960	29 318	26 539	23 767	20 811
EBITDA, underlying	NOK mill	10 736	20 569	18 134	14 903	11 641
Operating profit/loss (EBIT) underlying	NOK mill	6 670	16 744	14 567	11 241	8 084
Operating profit/loss (EBIT) IFRS	NOK mill	5 749	16 978	15 446	11 928	2 612
Share of profit/loss in equity accounted investments	NOK mill	835	1 249	790	-79	474
Net financial items	NOK mill	-1 631	733	4 412	3 818	2 137
Profit/loss before tax	NOK mill	4 953	18 959	20 649	15 668	5 223
Net profit/loss	NOK mill	3 532	11 327	13 390	11 710	-179
Items excluded from underlying business						
Unrealised value changes from embedded EUR derivatives*)	NOK mill	339	42	-403	872	-681
Gains/losses from divestments of business activities*)	NOK mill	119	55	1 449	315	16
Impairments/reversal of impairments*)	NOK mill	-1 379	136	-167	-500	-4808
Balance sheet						
Property, plant & equipment and intangible assets	NOK mill	116 170	114 485	109 653	106 506	107 161
Equity accounted investments	NOK mill	13 492	12 917	13 105	13 335	19 438
Other assets	NOK mill	51 595	50 413	58 955	48 305	39 357
Total assets	NOK mill	181 257	177 815	182 388	169 108	166 630
Equity	NOK mill	98 028	100 764	98 004	91 627	83 519
Cash flow						
Cash flow from operating activities	NOK mill	12 045	11 861	15 286	8 865	8 371
Dividend paid to owners (incl. non-controlling interests)	NOK mill	6 718	8 593	6 093	3 089	226
Cash and cash equivalents (incl. restricted cash)	NOK mill	11 155	15 203	23 175	14 217	7 308
Investments						
Maintenance investments 1)	NOK mill	3 027	2 712	2 067	1 820	1 763
Investments in new capacity 2)	NOK mill	4 516	3 738	3 053	1 964	3 736
Investments in shareholdings 3)	NOK mill	2 357	972	1 862	111	158
Financial metrics						
ROACE 4)	%	5.7	15.1	13.9	10.6	7.3
ROAE 5)	%	6.3	9.5	5.9	-0.5	2.5
Ratio/Rating						
Net Interest-bearing debt ratio 6)	%	21.8	13.9	11.6	21.3	28.0
Equity ratio 7)	%	54.1	56.7	53.7	54.2	50.1
Long-term rating - Standard & Poor's		A- / Stable	A- / Stable	A- / Stable	A-	A-
Long-term rating - Fitch Ratings		BBB+ / Stable	BBB+ / Stable	BBB+ / Stable	n/a	n/a

Statkraft has amended the definition of its underlying operating profit and capital employed with effect from 2020.

*) See section regarding Alternative Performance Measures (APM).

1) Book value of maintenance investments to sustain current generating capacity.

2) Book value of investments to expand generating capacity.

3) Purchase of shares as well as equity increase in other companies.

4) $\frac{\text{Operating profit (EBIT) underlying (rolling 12 months) * 100}}{\text{Average capital employed (rolling 12 months)}}$

5) $\frac{\text{Share of profit/loss in equity accounted investments (rolling 12 months) * 100}}{\text{Average equity accounted investments (rolling 12 months)}}$

6) $\frac{\text{Net interest-bearing debt * 100}}{\text{Net interest-bearing debt + equity}}$

7) $\frac{\text{Total equity * 100}}{\text{Total assets}}$

POWER GENERATION AND DISTRICT HEATING PRODUCTION

	Unit	2020	2019	2018	2017	2016
Installed capacity, power generation	MW	18 878	18 445	17 831	17 478	17 418
Of which hydropower	MW	14 402	14 399	14 190	14 099	14 075
Of which wind power	MW	2 037	1 607	1203	947	703
Of which gas power [1]	MW	2 390	2 390	2 390	2 390	2 600
Of which biomass and solar power	MW	49	49	49	43	40
Installed capacity, district heating	MW	853	828	836	835	820
Capacity under development, power generation [2]	MW	1 284	750	865	718	729
Of which hydropower	MW	202	386	292	184	207
Of which wind power [3]	MW	882	364	574	520	522
Of which solar power	MW	200	0	0	14	0
Capacity under development, district heating [2]	MW	0	0	0	0	0
Total production capacity, potential [4]	TWh	60.7	59.4	59.6	61.9	61.3
Power generation, actual	TWh	65.4	61.1	61.7	62.6	66.0
Of which hydropower	TWh	55.7	53.4	57.2	57.4	61.2
Of which wind power	TWh	4.3	3.0	2.7	2.7	2.3
Of which gas power [1]	TWh	5.1	4.5	1.5	2.2	2.2
Of which biomass and solar power	TWh	0.3	0.3	0.3	0.3	0.3
District heating production	TWh	1.0	1.1	1.1	1.1	1.1
Renewable power generation [5]	%	92.2	92.6	97.6	96.5	96.7
Renewable district heating [5]	%	95.2	89.5	89.2	91.6	91.8

[1] Includes Statkraft's share of the jointly controlled Herdecke (Germany) power plant.

[2] Includes projects with an investment decision.

[3] Includes Statkraft's share of the Fosen project.

[4] Excluding gas-fired power and district heating. Annual mean generation.

[5] Non-renewable production consists of gas power and share of district heating based on fossil fuel. Production at Heimdal, the incineration plant in Trondheim, is counted as 100% renewable district heating production (alligned with SSB, Statistics Norway, reporting practice).

EMISSIONS AND ENVIRONMENTAL INCIDENTS

	Unit	2020	2019	2018	2017	2016
Emissions of CO_2 equivalents, consolidated activities	Tonnes	1 566 400	1 468 800	525 800	818 000	773 400
Greenhouse gas emissions per scope [1]						
Scope 1: Direct emissions [2]	Tonnes	1 845 800	1 645 500	606 600	909 700	n/a
Scope 2, market based: Indirect emissions, related to electricity consumption [2]	Tonnes	0	0	0	0	0
Scope 2, location based: Indirect emissions, related to electricity consumption [3]	Tonnes	175 800	-	-	n/a	n/a
Scope 3: Other indirect emissions (business travel only)	Tonnes	1 700	3 700	2 800	n/a	n/a
Relative greenhouse gas emissions						
CO_2-equivalent emissions per MWh power generation, total [2]	kg/ MWh	28	27	10	14	12
CO_2-equivalent emissions per MWh district heating production [3]	kg/ MWh	11	26	26	19	23
Environmental incidents						
Serious environmental incidents	Number	0	0	0	0	0
Less serious environmental incidents	Number	242	288	283	187	233

[1] Emission figures reported from gas power plants in Germany are yet not finally approved by the EU ETS authorities. Reported figures for 2018-2019 have been adjusted according to finally numbers approved by the authorities.

[2] Includes Statkraft's share of production and emissions of CO_2 in the jointly controlled power plant Herdecke (Germany).

[3] Emissions of CO_2 from Heimdal incineration plant is not included in Statkraft's total CO_2 statement, according to established reporting practice for the district heating industry.

CONTRIBUTION TO SOCIETY

	Unit	2020	2019	2018	2017	2016
Distribution of value created						
Dividend [1]	NOK mill	3 673	6 500	8 500	6 100	0
Taxes [2]	NOK mill	3 197	9 241	9 027	5 743	7 581
Interest	NOK mill	1 984	669	1 369	3 303	-1 757
Employees	NOK mill	4 115	3 503	3 198	3 262	3 202
The company	NOK mill	-354	4 411	4 210	5 705	-117

[1] Includes dividend and Group contribution from Statkraft AS to Statkraft SF.

[2] Includes taxes, property tax, licence fees and employer's contribution.

REPORTED CONCERNS COVERING THE SCOPE OF THE CODE OF CONDUCT

	Unit	2020	2019	2018	2017	2016
Total number of reported concerns (whistleblowing) [1]	Number	46	60	55	57	46
Of which related to business ethics and anti-corruption	Number	11	28	32	40	23
Of which related to discrimination	Number	5	8	2	n/a	n/a

[1] The scope of the whistleblowing procedures relates to the full scope of Statkraft's Code of Conduct, e.g. human rights, environment, health and safety, business ethics and anti-corruption.

EMPLOYEES AND GENDER EQUALITY

	Unit	2020	2019	2018	2017	2016
Employees per 31.12	Number	4 467	3 973	3 557	3 593	3 804
Percentage of women						
Total	%	28	26	25	25	25
In management positions	%	26	23	21	22	22
In group top management positions	%	29	28	22	n/a	n/a
Among new employees	%	36	38	31	22	24

HEALTH AND SAFETY

	Unit	2020	2019	2018	2017	2016
Fatalities, consolidated operations [1]						
Employees	Number	0	0	1	0	0
Contractors	Number	2	0	0	0	1
Third parties	Number	0	0	0	0	0
Fatal accidents, associated activities [2]						
Employees	Number	0	0	0	0	0
Contractors	Number	1	0	0	0	0
Third parties	Number	0	0	0	0	0
Serious incidents [3] [4]						
Serious injuries	Number	7[5]	7	7	4	5
Incidents with, or with potential for, serious consequences	Number	21	53	31	48	40
Serious injuries rate [4]	Rate	0.4	0.3	0.3	n/a	n/a
Total recordable injuries per million hours worked [3]	TRI rate	4.2	4.8	5.3	5.3	4.9
Sick leave, total	%	1	1.2	1.5	3.5	3.0

[1] Activities where Statkraft has > 50% ownership.

[2] Activities where Statkraft has 20-50% ownership.

[3] Includes activities where Statkraft has ≥ 20% ownership.

[4] Number of serious injuries per million hours worked

[5] In addition to the three fatalities in 2020, two contractor's employees (in Norway and Germany) and two Statkraft employees (in Norway) suffered serious injuries.

MARKET VARIABLES

	Unit	2020	2019	2018	2017	2016
System price, Nord Pool	EUR/MWh	10.9	39.0	44.0	29.4	26.9
Spot price, European Energy Exchange	EUR/MWh	30.4	37.7	44.4	34.2	29.0
Electricity consumption in the Nordic market	TWh	378	387	395	388	386
Electricity generated in the Nordic market, actual	TWh	402	388	397	397	389
Statkraft's share of Nordic electricity production	%	13.7	13.2	13.8	13.9	15.1

POWER PLANTS

	Pro-rata[1]		Consolidated plants	
	No. of plants	Capacity (MW)	No. of plants	Capacity (MW)
Hydropower	**346**	**15 949**	**270**	**14 403**
Norway	237	12 910	171	11 648
Sweden	59	1 267	59	1 267
Germany	10	262	10	262
UK	3	49	3	49
Albania	2	269	2	269
Turkey	2	122	2	122
Brazil	18	259	13	285
Peru	9	448	9	448
Chile	3	209	1	53
Nepal	1	17	-	-
India	2	136	-	-
Wind power	**22**	**1 573**	**19**	**2 037**
Norway	9	796	9	1 302
Sweden	4	546	4	546
Brazil	4	105	4	130
UK	4	103	1	36
Ireland	1	23	1	23
Solar power	**2**	**6**	**2**	**6**
India	2	6	2	6
Gas power	**5**	**2 390**	**5**	**2 390**
Germany	5	2 390	5	2 390
Biomass	**2**	**43**	**2**	**43**
Germany	2	43	2	43
Total, power generation	**377**	**19 961**	**298**	**18 878**

DISTRICT HEATING PLANTS

	Pro-rata[1]		Consolidated plants	
	No. of locations	Capacity (MW)	No. of locations	Capacity (MW)
Norway	24	648	24	694
Sweden	4	159	4	159
Total, district heating	**28**	**807**	**28**	**853**

[1] *Statkraft equity share in all power plants (pro-rata share of direct and indirect ownership), including those in partly-owned companies*

Alternative Performance Measures

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

Changes to operating profit (EBIT) underlying:
Statkraft has made changes in the operating profit/loss (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. Comparable figures for 2019 are restated, leading to a change in 12 months rolling operating profit/loss (EBIT) underlying from NOK 17 587 million to NOK 16 744 million.

Changes to capital employed:
From 2020, Statkraft has also changed the definition of capital employed. Previous years capital employed has included several balance sheet items, whereas from 2020 capital employed only includes property, plant and equipment, intangible assets as well as solar- and wind projects presented under inventory in the statement of financial position. This is a simplification that makes the definition easier to understand, compare and to follow up, while still including the very majority of assets that Statkraft consider to be significant in explaining the value creation and profitability in the Group. It is also closer to what assets that management follow up and consider when assessing current financial performance and planning for future financial performance. Comparable figures for 2019 are restated, leading to average capital employed changing from NOK 107 997 million to NOK 111 138 million.

Changes to net interest-bearing liabilities:
In previous years, Statkraft presented both hedging instruments and hedged items net on the line item interest-bearing liabilities in the statement of financial position. From 2020, hedging instruments are presented on the line items for derivatives and the hedged items are presented as interest bearing liabilities. The reason for the change is that the hedged item and hedging instrument can not be settled net.The comparable figures have been restated with an increase of interest-bearing liabilities of NOK 267 million for 2019. In addition, restricted cash is from 2020 excluded from cash and cash equivalents. Comparable figures for 2019 have been restated, leading to a decrease in cash and cash equivalents included in net interest-bearing liabilities of NOK 36 million. In total, this led to a change in the net interest-bearing liabilities – equity ratio from 13.7% to 13.9% for 2019.

Statkraft uses the following APMs:

EBITDA underlying is defined as operating profit/loss (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/loss before tax as an indicator of the company's operations in accordance with generally accepted accounting principles. Nor is EBITDA underlying an alternative to cash flow from operating activities in accordance with generally accepted accounting principles.
Operating profit/loss (EBIT) underlying is an APM used to measure performance from operational activities.

Items excluded from operating profit/loss (EBIT) underlying:
Statkraft adjusts for the following three items when reporting operating profit (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 these 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 the asset is impaired, or previous period's 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 note 4 in the Group financial statements.

ROACE is defined as operating profit/loss (EBIT) underlying divided by capital employed. ROACE is calculated on a rolling 12-month average and is used to measure return from the operational activities as well as benchmarking performance.

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

Capital employed is the capital allocated to perform operational activities.

Net interest-bearing liabilities is used to measure indebtedness.

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

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

Cost of operations, Nordic hydropower generation (øre/kWh) is an APM that is used to measure the cost of operations per kWh for Nordic hydropower assets in the segment European flexible generation. Total operating expenses for these assets are divided by the seven-year average output from Nordic hydropower plants under own management in the segment. Total operating expenses include salaries and payroll costs, depreciation and amortisation, property tax and licence fees and other operating expenses. Net financial items and taxes related to these assets are not included. In addition, the costs related to both hydropower assets outside the Nordics and other technologies in the segment are not included in this APM.

ALTERNATIVE PERFORMANCE MEASURES

NOK million	2020	2019
OPERATING PROFIT/LOSS (EBIT) MARGIN UNDERLYING		
Operating profit/loss (EBIT) underlying, see note 4 in the Group Financial Statements	6 670	16 744
Gross operating revenues and other income underlying	38 060	47 836
Operating profit/loss (EBIT) margin underlying	17.5%	**35.0%**
RECONCILIATION OF OPERATING PROFIT/LOSS (EBIT) UNDERLYING TO EBITDA UNDERLYING		
Operating profit/loss (EBIT) underlying	6 670	16 744
Depreciations and amortisations	4 066	3 824
EBITDA underlying	10 736	**20 569**
FINANCIAL STATEMENT LINE ITEMS INCLUDED IN CAPITAL EMPLOYED		
Intangible assets	4 113	4 633
Property, plant and equipment	112 057	109 852
Inventory - work in progress and development projects	2 483	-
Capital employed	118 653	**114 485**
Average capital employed [1]	117 531	**111 138**
RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)		
Operating profit/loss (EBIT) underlying, rolling 12 months	6 670	16 744
Average capital employed	117 531	111 138
ROACE	5.7%	**15.1%**
RETURN ON AVERAGE EQUITY ACCOUNTED INVESTMENTS (ROAE)		
Share of profit/loss in equity accounted investments, rolling 12 months	835	1 249
Average equity accounted investments [1]	13 202	13 107
ROAE	6.3%	**9.5%**
NET INTEREST-BEARING LIABILITIES		
Non-current interest-bearing liabilities	32 664	28 427
Current interest-bearing liabilities	6 459	4 479
Cash and cash equivalents incl. restricted cash **(A)**	-11 155	-15 203
Restricted cash **(B)**	31	36
Cash and cash equivalents included in net interest-bearing liabilities **(A+B)**	-11 125	-15 167
Current financial investments	-606	-1 470
Net interest-bearing liabilities	27 393	**16 268**
NET INTEREST-BEARING LIABILITIES-EQUITY RATIO		
Net interest-bearing liabilities	27 393	16 268
Equity	98 028	100 764
Sum of net-interest bearing liabilities and equity	125 421	**117 032**
Net interest-bearing liabilities - equity ratio	21.8%	**13.9%**
COST OF OPERATIONS, NORDIC HYDROPOWER GENERATION IN SEGMENT EUROPEAN FLEXIBLE GENERATION (EF)		
Net operating revenues and other income underlying	11 401	17 184
- operating profit/loss (EBIT) underlying	4 995	11 404
Operating expenses, underlying	6 407	5 780
- items in EF not related to Nordic hydropower generation [2]	1 460	1 079
= Cost of operations, Nordic hydropower generation	4 947	4 701
7-year average generation, Nordic hydropower (GWh)	48 825	49 613
= Cost of operations, Nordic hydropower generation in EF (øre/kWh)	10.1	**9.5**

[1] *Average capital employed and average equity accounted investments are based on the average for the last four quarters.*

[2] *Includes all operating expenses related to hydropower generation outside the Nordics and other technologies. Figures for 2019 have been restated from NOK 1280 million to NOK 1079 million.*

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