

STATKRAFT AS  
INTERIM REPORT Q1/10

Q1

## Key figures

	Unit	Q1 2010	2009	The year 2009
<b>From the income statement</b>				
Gross operating revenues	NOK mill.	10 507	8 031	25 675
Net operating revenues	NOK mill.	7 822	5 720	16 983
EBITDA	NOK mill.	5 922	4 094	9 769
Operating profit	NOK mill.	5 282	3 430	7 027
Share of profit from associates and joint ventures	NOK mill.	643	269	1 179
Net financial items	NOK mill.	1 567	649	4 281
Profit before tax	NOK mill.	7 492	4 348	12 487
Profit after tax	NOK mill.	4 532	2 723	7 716
<b>Items excluded from underlying operations</b>				
Unrealised changes in value energy contracts	NOK mill.	-211	-513	-2 813
Write-downs and reversed write-downs	NOK mill.	-	-	-108
Unrealised changes, associates and joint ventures	NOK mill.	404	431	547
Material non-recurring items, associates and joint ventures	NOK mill.	-	-560	-401
Unrealised changes in financial items	NOK mill.	1 924	1 176	5 977
Currency effect, realised internal loans	NOK mill.	-	-	-1 518
Final settlement, sale of shareholding i E.ON Sverige AB	NOK mill.	-	329	149
<b>Underlying operations</b>				
Gross operating revenues	NOK mill.	10 507	8 031	25 675
Underlying net operating revenues	NOK mill.	8 033	6 233	19 796
Underlying EBITDA	NOK mill.	6 133	4 607	12 582
Underlying operating profit	NOK mill.	5 493	3 943	9 948
Underlying share of profit from associates and joint ventures	NOK mill.	239	398	1 033
Underlying net financial items	NOK mill.	-357	-857	-327
Underlying profit before tax	NOK mill.	5 375	3 485	10 654
Underlying net profit	NOK mill.	2 955	1 786	6 468
Underlying EBITDA margin	%	58.4	57.4	49.0
Maintenance investments	NOK mill.	231	162	1 308
Investments in new generating capacity	NOK mill.	221	333	2 447
Investments in shareholdings	NOK mill.	51	40	1 152
Net changes in cash flow from operating activities	NOK mill.	6 222	6 653	12 714
Cash and cash equivalents	NOK mill.	11 950	9 657	6 663
Assets	NOK mill.	148 197	145 982	144 005
Interest-bearing debt ratio	%	40.4	39.1	41.3
Average system price, Nord Pool	EUR/MWh	59.8	38.2	35.0
Average spotprice, European Energy Exchange (EEX)	EUR/MWh	41.1	47.4	38.9
Production, volume sold	TWh	18.4	17.1	57.0
- of which hydropower	TWh	16.0	16.1	50.2
- of which wind power	TWh	0.1	0.2	0.6
- of which gas power	TWh	2.2	0.8	6.1
- of which bio power	TWh	0.0	0.0	0.1
Full-time jobs (equivalents)	No.	3 382	3 231	3 378

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## Main items

### Q1 2010 (compared with Q1 2009)

▪ Gross operating revenues	+ 31%
▪ Underlying EBITDA	+ 33%
▪ Underlying profit before tax	+ 54%
▪ Underlying profit after tax	+ 65%

The first quarter result was characterised by a Nordic system price that was 56 per cent higher than during the same period in 2009. Hydropower production was high during the first two months of the year, but fell in March as demand decreased, temperatures rose and two Swedish nuclear power plants resumed production. Total hydropower production for the quarter was at the same level as in the corresponding period last year. The prices on the Continent were substantially lower than in the Nordic countries. The average spot price in Germany was 13 per cent lower than in the first quarter last year. The decline in prices in Germany was offset by an increase in Continental gas power production, which was 1.2 TWh higher than in the first three months of 2009.

The high production combined with dry weather resulted in a lower reservoir level than normal for the season. Combined with lower electricity prices in the forward market, this is expected to result in lower production in the short-term.

On 1 May 2010, Christian Rynning-Tønnesen assumed his position as Statkraft's new President and CEO, replacing Bård Mikkelsen.

### Highlights in the quarter

#### Hydropower

Statkraft decided to invest more than NOK 1 billion in upgrades of its Norwegian hydropower plants. The new power plants Eiriksdal and Makkoren in Høyanger municipality in Sogn og Fjordane will replace three older facilities. The new power plants will produce around 330 GWh. The development will also involve a number of environmental improvements in the area. Statkraft has decided to modernise Nedre Røssåga power plant in Hemnes municipality in Nordland as the first step in a major upgrade of the Røssåga facilities.

#### Wind power

The UK authorities granted the Forewind consortium, where Statkraft owns 25 per cent, the right to develop offshore wind farms in the Dogger Bank zone. The zone is the largest to be awarded in the third licensing round for

development of offshore wind farms in the UK, and has a potential of 9 GW.

Statkraft Agder Energi Vind DA's licence to develop a wind farm in Bjerkeim municipality in Rogaland was appealed to the Ministry of Petroleum and Energy in the first quarter. The wind farm will have an installed capacity of up to 150 MW.

In the UK, Baillie Wind Farm Ltd., in which Statkraft owns 33.9 per cent of the shares, was granted a licence for a wind farm in northern Scotland. Catamount Energy Ltd., in which Statkraft owns 50 per cent of the shares, was granted a licence for a wind farm in northern England. The projects have an installed capacity of 52.5 and 18 MW respectively. The licences are valid and in force.

In February, Statkraft Södra Vindkraft AB, in which Statkraft owns 90.1 per cent of the shares, was granted a licence for the Em wind farm in southern Sweden. The total installed capacity is 9.2 MW.

In March, Arise Windpower AB was listed on the stock exchange. Following the share issue and subsequent listing on the stock exchange, Statkraft now owns 7.9 per cent of the shares. The company has an installed capacity of 46.5 MW and a portfolio of approximately another 900 MW.

#### Gas power

Following the termination of the power purchase agreement with Essent in 2009, the production related to the gas-fired power plant Knapsack in Germany is now fully integrated into the group's income statement.

The upgrade of the gas-fired power plant Robert Frank has been completed. The power plant increased its capacity by 10 MW. Efforts are being made to increase capacity further as a result of the upgrade.

#### SN Power

In February, a severe earthquake struck Chile. None of SN Power's employees in Chile were seriously injured, and the quake only caused minor material damage to the facilities.

However, two of the development projects were delayed due to the earthquake.

#### **District heating**

Statkraft decided to develop 48 MW of district heating in Harstad.

Statkraft decided to invest in a comprehensive retrofit and modernisation of the district heating plant in Trosa, Sweden. This will increase operational reliability and ensure better supply security and environmental performance.

#### **Power agreements**

Statkraft entered into several new energy service agreements with power-intensive industry. Energy service is a solution which entails that industrial enterprises are granted cost-efficient access to the physical power market without having to establish the necessary infrastructure themselves.

#### **Industrial ownership**

Discussions have been initiated between Statkraft and the other shareholders in BKK relating to a potential restructuring of the ownership in BKK.

Fjordkraft purchased Vitel's list of customers, acquiring 13 500 new customers. This is in addition to the approximately 82 000 new customers acquired through the transfer of Trondheim Energi Kraftsalg's from the Customer segment at the end of last year.

#### **Other**

In March, Skagerak Energi submitted an indicative bid for Kragerø Energy AS.

After the end of the quarter, Trondheim Energi AS and TrønderEnergi AS reached an agreement regarding the sale of 100 per cent of the shares in Trondheim Energi Nett AS. Takeover is scheduled for 15 June 2010. TrønderEnergi AS will purchase the company, including debt and liabilities, for a cash sum of about NOK 900 million. In 2009, Trondheim Energi Nett AS had a turnover of approximately NOK 432 million and an operating profit of NOK 91 million.

#### **HSE**

One person died at the Allain Duhangan plant in India, where SN Power has an ownership interest of 43 per cent. The incident happened when a sub-contractor employee fell from a mast. Fatalities in connection with development projects in growing economies constitute a challenge for the Group. Statkraft has gradually gained support for implementing stricter safety measures, and measures are continually being implemented in the various projects to prevent such accidents.

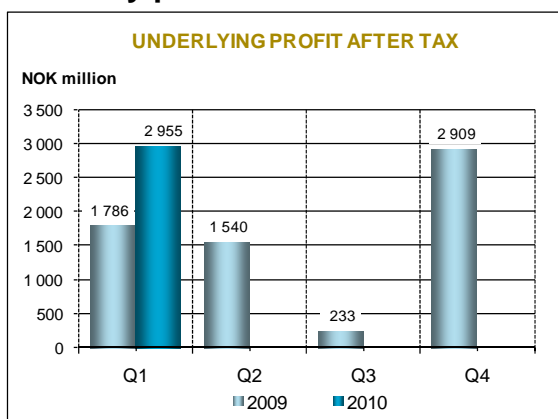
Further information on important events for the quarter can be found in the segment review sections below.

## Financial performance<sup>1</sup>

The Group posted a profit before tax of NOK 7 492 million in the first quarter (NOK 4 348 million) and a profit after tax of NOK 4 532 million (NOK 2 723 million). The improvement was due to an increase in operating income and a positive unrealised change in value related to energy contracts and financial items.

In the text below, the main emphasis has been on analysis of the result from underlying operations. Unrealised changes in value and significant non-recurring items in consolidated and associated activities are explained in the section "Items excluded from the underlying profit".

### Quarterly profit



In the first quarter, the Group posted before and after tax profits from underlying operations of NOK 5 375 million (NOK 3 485 million) and NOK 2 995 million (NOK 1 786 million), respectively. The result is characterised by significantly higher income than in the corresponding quarter last year, mainly as a result of high power prices in the Nordic region and an increase in gas power production in Germany.

### Return on investment

The Group achieved a return on average capital employed (ROACE) before tax of 17.7 per cent over the last 12 months, compared with 15.2 per cent for 2009. The increase of 2.5 percentage points was due to higher operating profit. Capital employed remained largely unchanged.

The return on equity after tax was 12.2 per cent, compared with 10.2 per cent for full-year

<sup>1</sup> The report shows comparable figures for the corresponding period in 2009 in parentheses.

2009, while the total return on capital after tax was 6.4 per cent, compared with 5.8 per cent for 2009. The increase was attributed to higher profit. Equity remained at the same level as at the end of the previous year.

### Operating income

The Group's gross operating revenues increased by 31 per cent to NOK 10 507 million in the first quarter (NOK 8 031 million).

The average system price for the year on the Nord Pool power exchange was 59.8 EUR/MWh (38.2 EUR/MWh) and the average spot price on the European Energy Exchange (EEX) in Germany was 41.1 EUR/MWh (47.4 EUR/MWh). This represents an increase of 56.4 per cent in the Nordic region and a decline of 13.3 per cent in Germany. The average gas price on NBP was 13.9 EUR/MWh (17.5 EUR/MWh), a decline of 21 per cent compared with the first quarter of 2009.

The Group produced 18.4 TWh (17.1 TWh) in total. The increase is mainly related to gas power in Germany.

Higher prices in the Nordic region resulted in substantially higher income from Net physical spot sales than in the first quarter last year. At the same time, the high power prices in the Nordic region resulted in a decline in income from dynamic hedging. Income from trading and origination increased as substantial gains were realised in the first quarter this year. This has, however, reduced the unrealised value of this portfolio. Income from end-user activities increased as a result of higher power prices in the Nordic region.

OPERATING REVENUES			
STATKRAFT AS GROUP	Year to date		The year
Figures in NOK million	2010	2009	2009
Net physical spot sales, incl. green certificates	6 267	3 802	10 464
Concessionary sales at statutory prices	89	98	384
Sales of electricity to industry at statutory price	405	424	1 671
Long-term commercial contracts	803	646	2 820
Dynamic hedging	-76	644	1 654
Trading and origination	474	333	1 616
Distribution grid	534	497	1 485
End-users	2 060	1 532	4 285
District heating	156	174	505
Other/eliminations	-459	-237	-169
<b>Sales revenues</b>	<b>10 253</b>	<b>7 913</b>	<b>24 715</b>
Other operating revenues	254	118	960
<b>Gross operating revenues</b>	<b>10 507</b>	<b>8 031</b>	<b>25 675</b>

An increase in the activities of Skagerak Energi more than doubled other operating income to NOK 254 million for the quarter (NOK 118 million).

Energy purchases totalled NOK 1 954 million (NOK 1 425 million). The increase is primarily attributed to the purchase of gas for energy production and power to end-user activities.

Transmission costs in connection with transport of power totalled NOK 520 million (NOK 373 million). The increase was attributed to higher tariffs and power prices.

Net operating revenues amounted to NOK 8 033 million (NOK 6 233 million).

## Operating expenses

The operating expenses were NOK 2 540 million in the first quarter (NOK 2 290 million), an increase of 11 per cent from 2009.

Salaries and payroll costs rose by NOK 42 million to NOK 678 million, or 7 per cent. Many exploration, engineering and development projects have resulted in an increase in the number of full-time equivalents of 5 per cent from the end of the first quarter in 2009. General wage growth and provisions for pension liabilities explain the rest of the cost increases.

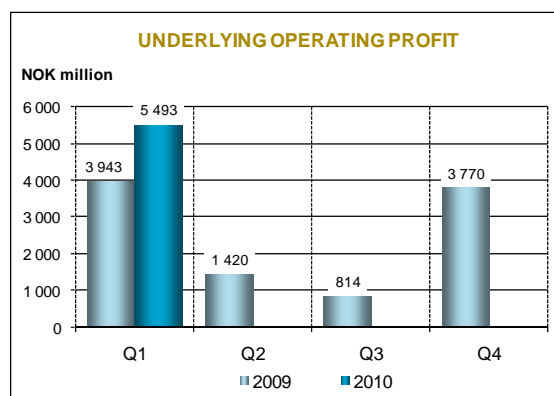
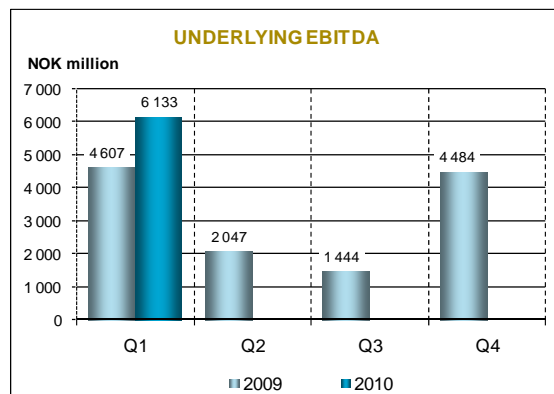
The decline in depreciation of NOK 24 million was due to a lower basis of depreciation as a result of write-downs last year. In total, depreciation for the year amounted to NOK 640 million.

Property tax and licence fees increased by NOK 59 million to NOK 322 million.

Other operating expenses increased by NOK 173 million to NOK 900 million. The increase is primarily due to the Group's increased ownership interest in AS Tyssefaldene and to the fact that Skagerak Energi now consolidates Naturgass Grenland as a subsidiary. Until 30 June last year, the company was reported as an associate.

## EBITDA and operating profit

In summary, the underlying operations have improved by 33 per cent at EBITDA level and 39 per cent at operating result level.



## Share of profit from associates

The share of profit from associates amounted to NOK 239 million for the first quarter (NOK 398 million). The decline is mainly attributed to reduced contributions from BKK as a result of low production and a loss in the hedge portfolio for energy contracts.

## Financial items

Net financial items amounted to NOK -357 million during the first quarter (NOK -857 million).

Financial income was reduced by NOK 45 million compared with the same period last year. The decline is primarily due to lower realised currency gains. Statkraft places significant amounts in banks and securities at times, particularly ahead of major payments. Counterparties are continually followed up to reduce the risk of losses. The return on placements was marginally higher due to higher than average invested amounts.

The Group has four loan portfolios in NOK, SEK, EUR and USD, respectively. The portfolios are exposed to both variable and fixed interest rates, with exposure to variable interest rates amounting to 67 per cent. The average current interest rates for the first quarter for loans denoted in NOK, SEK, EUR and USD have been 4.4 per cent, 1.2 per cent,

3.4 per cent and 4.2 per cent, respectively. Debt in USD is in relation to project financing in SN Power.

The financial expenses were reduced by NOK 544 million compared with the first quarter of 2009. Interest expenses fell by NOK 55 million, mainly as a result of lower market interest rates. Other financial expenses were NOK 489 million lower this year. Realised currency losses on external liabilities and internal loans were reduced. From the second quarter of 2009, the latter were included in material non-recurring items.

Statkraft has entered into agreements with its financial counterparties for the settlement of interest and currency rate changes in value so counterparty risk resulting from derivative contracts is limited to one week's changes in value (cash collateral).

### Items excluded from the underlying profit

ITEMS EXCLUDED FROM UNDERLYING OPERATIONS			
STATKRAFT AS GROUP	Q1		The year
Figures in NOK million	2010	2009	2009
Unrealised changes in value energy contracts	-211	-513	-2 813
Unrealised changes, associates and joint ventures	404	431	547
Unrealised changes in financial items	1 924	1 176	5 977
Unrealised changes	2 117	1 094	3 711
Material non-recurring items	-	-231	-1 878
Unrealised changes and material non-recurring items after tax	1 577	938	1 248

In the first quarter of the year, total unrealised changes in value and material non-recurring items after tax amounted to NOK 1 577 million (NOK 938 million).

Unrealised changes in the value of energy contracts were negative at NOK 211 million (negative at NOK 513 million). The Group's contracts are, for example, indexed against various commodities, currencies and indices. In addition to realised gains, lower gas and coal prices, combined with a weaker EUR, were the main reason for the unrealised loss for the contracts.

Unrealised changes in value of associates and joint ventures amounted to NOK 404 million (NOK 431 million).

Unrealised changes in value for financial items amounted to NOK 1 924 million (NOK 1 176 million), and are primarily related to currency effects. This applies to currency effects on external liabilities in EUR and SEK, currency hedging contracts as well as internal loans. In addition, currency effects for the

E.ON AG shares are presented as unrealised changes in value.

Debt in SEK and EUR resulted in an aggregate unrealised currency gain of NOK 499 million. The NOK strengthened against the EUR, resulting in a currency gain of NOK 543 million, whilst a weaker SEK yielded a currency loss of NOK 44 million.

Statkraft uses currency hedging contracts to hedge future cash flows. The contracts are mainly related to power sales denoted in EUR. Of the unrealised changes in value for financial items, currency hedging contracts and short currency positions amounted to NOK 425 million, mainly attributed to the strengthening of the NOK against the EUR.

Currency gains on internal loans amounted to NOK 1 722 million of the unrealised changes in value for financial items. The gain arose mainly as a result of the strengthened NOK against the EUR. The gain has no cash effect and a contra item is recognised in equity for the foreign currency effects on the consolidation of the relevant companies (see comments on the financial statement, note 6).

Unrealised changes in value related to the E.ON AG shares which can be attributed to currency factors are shown as currency loss under financial items and amounted to NOK 681 million. Currency effects are recognised in the income statement as part of the unrealised changes in value in order to reduce the effect of currency changes on internal and external liabilities in EUR.

Changes in value for interest rate and inflation derivatives amounted to NOK -33 million.

There were no non-recurring items in the first quarter this year. Non-recurring items in the same period last year amounted to NOK -231 million, and related to the write-down of the investment in Naturkraft of NOK 560 million and to the final settlement in connection with the sale of the shares in E.ON Sverige AB for NOK 329 million.

### Taxes

The recognised tax expense amounted to NOK 2 960 million (NOK 1 625 million), which corresponds to an effective tax rate of 40 per cent (37 per cent).

Resource rent tax amounted to NOK 809 million (NOK 509 million), which corresponds to 27 per cent of the Group's total accounting

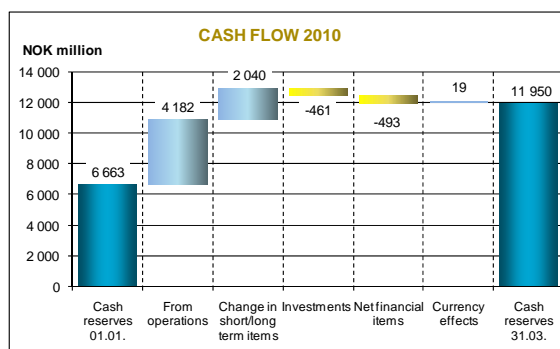
tax expense, compared with 11 per cent in the same quarter in 2009.

The unrealised changes in value and non-recurring items increased tax costs by NOK 540 million this year, whilst reducing tax costs by NOK 75 million in the first quarter last year.

The tax expense on the underlying profit amounted to NOK 2 420 million in the first quarter (NOK 1 699 million), which corresponds to an effective tax rate of 45 per cent (49 per cent).

## Cash flow and capital structure

Operating activities generated a cash flow of NOK 4 182 million in the first quarter (NOK 2 729 million). Long and short-term items had a net positive change of NOK 2 040 million (NOK 3 924 million). The net change in liquidity from the activities was thus NOK 6 222 million (NOK 6 653 million).

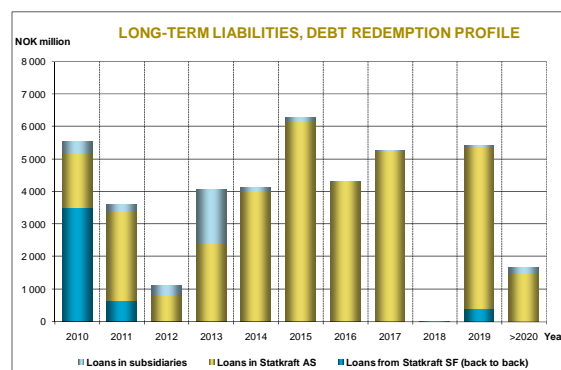


Investments amounted to NOK 461 million (NOK 557 million). In addition to maintenance investments, the largest items were related to hydropower in Norway and Turkey, solar power in Italy and wind power in the UK.

New borrowings totalled NOK 571 million in the first quarter, and consisted mainly of short-term external loans in subsidiaries. Repayment of debt amounted to NOK 1 222 million. In addition, there was a share issue in an SN Power subsidiary of NOK 158 million.

CASH FLOW			
STATKRAFT AS GROUP Figures in NOK million	Q1		The year
	2010	2009	2009
Net cash flow from operating activities	6 222	6 653	12 714
Net cash flow from investing activities	-461	-557	-4 678
Net cash flow from financing activities	-493	1 535	-3 333
Net change in cash and cash equivalents	5 268	7 631	4 703
Currency effect on cash flows	19	-183	-249
Cash and cash equivalents 01.01.	6 663	2 209	2 209
Cash and cash equivalents 31.03.	11 950	9 657	6 663

There was a positive change in net liquidity of NOK 5 268 million (NOK 7 631 million), and the Group's cash and cash equivalents amounted to NOK 11 950 million, compared with NOK 6 663 million at the start of the year.



Interest-bearing liabilities were NOK 45 283 million at the end of the first quarter, compared with NOK 45 660 million at the start of the year. The interest-bearing debt-to-equity ratio was 40.4 per cent, compared with 41.3 per cent at year-end 2009.

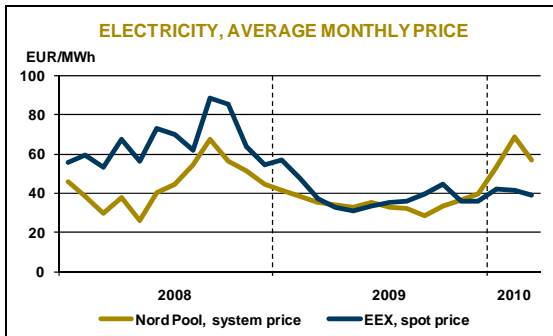
Loans from Statkraft SF to Statkraft AS amounted to NOK 4.6 billion at the end of the quarter compared with NOK 4.5 billion at the beginning of the year. Guarantee premium payments to the Norwegian state amounted to NOK 6 million in the first quarter.

One of the paramount goals for Statkraft's financing is to establish and maintain financial flexibility and secure an even distribution of liability maturities. Efforts are being made to adapt new borrowings to the maturity profile.

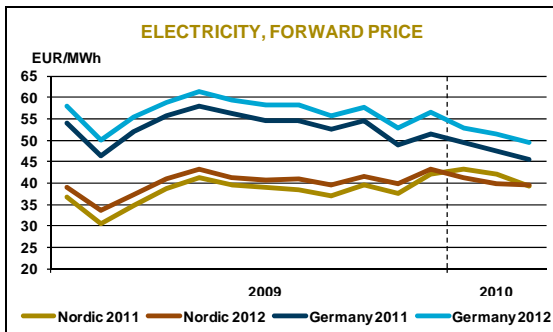
At the end of the quarter current assets, excluding cash and cash equivalents, totalled NOK 14 867 million and short-term interest-free liabilities amounted to NOK 18 124 million. Energy and financial derivatives amounted to NOK 4 388 million of current assets and NOK 3 853 million of short-term interest free debt respectively.

At the end the first quarter, Statkraft's equity totalled NOK 66 894 million, compared with NOK 64 901 million at the start of the year. This corresponds to 45.1 per cent of total assets, the same as at year-end 2009.

## The energy market



The majority of Statkraft's output is generated in the Nordic region and Germany. The Group is also exposed in markets outside Europe through its ownership of SN Power. Power prices are influenced by hydrological factors and commodity prices for thermal power plants. Gas is also an input factor in Statkraft's own production. Power prices in the Nordic region reached record-high levels in the first quarter. Prices on the Continent were lower than expected, in spite of cold weather until mid-March. The system price in the Nordic region fell in March as a result of milder weather, reduced consumption, an increase in Swedish nuclear power production and a decline in the German market.



Forward prices in the Nordic region and Germany fell in the first quarter. In the Nordic region, this was primarily attributed to milder weather and an increase in the Swedish nuclear power production, whilst in Germany the reduction was due to lower gas and coal prices.

### The Nordic energy market

The average system price in the Nordic market was substantially higher in the first quarter of 2010 than in the same period in 2009, ending at 59.8 EUR/MWh compared with 38.2 EUR/MWh last year.

There were substantial price differences in the Nordic market in January and February as a

result of poor transmission capacity between the various price areas. The price differences evened out somewhat in March.

The NorNed cable has been out of operation since 2 February. This has reduced transmission capacity between Norway and the Continent. The cable was fully operational again on 27 April.

### POWER CONSUMPTION AND OUTPUT IN THE NORDIC AREA

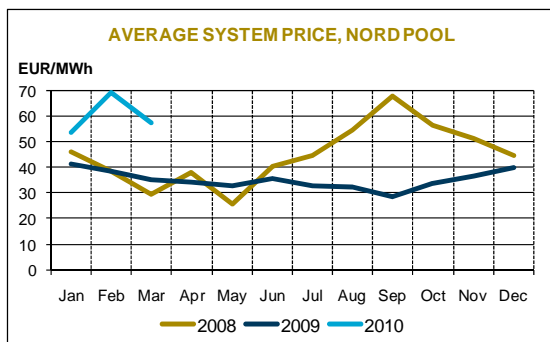
TWh	2010	2009	2008	Change 2010-2009
Nordic consumption	117.9	111.3	113.1	5.9 %
Nordic output	111.2	110.9	114.3	0.3 %
Net Nordic imports (+)/ exports (-)	6.7	0.4	-1.2	-
Norwegian consumption	40.0	37.8	37.5	6.0 %
Norwegian output	37.9	38.8	40.1	-2.2 %
Norwegian imports (+)/ exports (-)	2.1	-1.0	-2.6	-

Sources: "Nord Pool Nordic electricity market information" and "Nord Pool Landsrapport Norge" (Nord Pool Country Report Norway).

Consumption in the first quarter of 2010 was higher than in the same period the preceding year. Total consumption increased by 5.9 per cent. This was mainly attributed to lower temperatures. Total consumption in Norway was 40 TWh in the first quarter of 2010. This is an increase of 6.0 per cent compared with the first quarter of 2009. General consumption in Norway was 31.2 TWh in the first quarter of 2010. This is an increase of 9.4 per cent compared with the first quarter of 2009. Consumption in the energy-intensive industry was 7.1 TWh, a decrease of 2.1 per cent from the preceding year. The lower consumption in the energy-intensive industry was caused by the global recession.

Nordic energy production in the first quarter of 2010 was 0.3 TWh higher than in the first quarter of 2009. This constituted an increase of 0.3 per cent. Net import to the Nordic region was 6.7 TWh, whilst net imports for the first quarter of 2009 were 0.4 TWh.

Norwegian power production was 2.2 per cent lower in the first quarter compared with the same period in 2009. Net imports were 2.1 TWh in the first quarter of 2010, compared with a net export of 1.0 TWh in the first quarter of 2009.

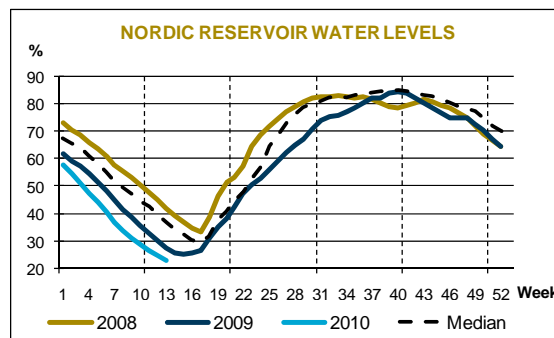


Source: Nord Pool

Cold weather in January and February resulted in record-high power consumption. This, combined with continuous problems with Swedish nuclear power production and low reservoir levels, resulted in a few days of extremely high prices. The average spot price in January and February was very high, peaking at 53.4 EUR/MWh and 68.9 EUR/MWh respectively, compared with 41.4 EUR/MWh and 38.2 MWh in the corresponding period in 2009. The dry weather and a strained hydrological balance continued in March, whereas temperatures rose compared with the previous two months. Moreover, two Swedish nuclear power plants resumed production, increasing the average nuclear power production by about 1000 MW from February to March. Overall, this reduced prices in March. The average system price in March ended at 57.0 EUR/MWh (35.1 EUR/MWh).

Statnett introduced two new price areas in the first quarter. On 11 January, NO1 was split in two as a result of bottlenecks in the grid between south-western and eastern Norway. On 15 March, the north-western parts of Rogaland as well as the western parts of Hordaland and Sogn og Fjordane were divided into a separate market area, NO5. This was done to ensure that the power lines in the area are fully utilised in order to save water in the power plant reservoirs. Cold and dry weather in western and central Norway resulted in high consumption and low inflow. Consequently, reservoir levels are low, resulting in low supply and high prices in the area. As a result of the increased demand, the grid may periodically be run at reduced operating reliability to further increase the import to the area.

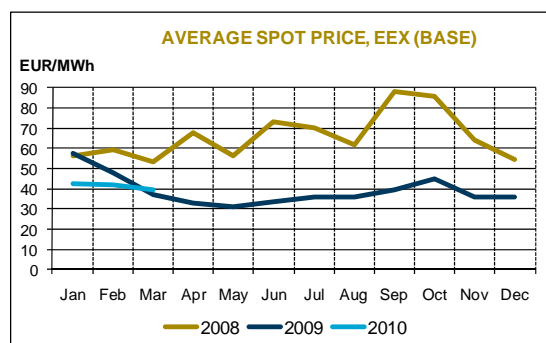
The forward prices fell towards the end of the first quarter as a result of milder weather, increased nuclear power production in Sweden and falling prices in Germany.



At the end of March, the overall water level in the Nordic region's reservoirs was 62.7 per cent of normal levels, corresponding to 27.9 TWh. The water level was 23.0 per cent of maximum capacity, which is 121.2 TWh.

### The energy market in Germany

The average spot price in the German market was lower in the first quarter than in the same period in 2009, at 41.1 EUR/MWh compared with 47.4 EUR/MWh last year.

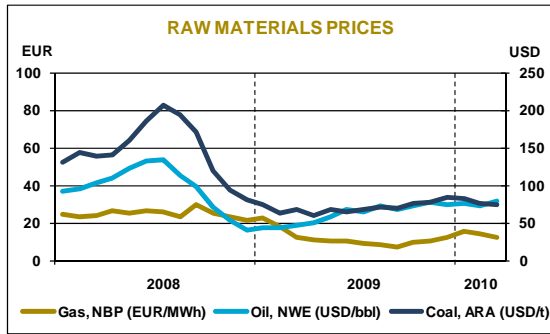


Source: European Energy Exchange (EEX)

The prices in the German market remained low in January and February despite increased demand due to a prolonged cold spell and moderate wind power production. The German market met the increase in demand by increasing thermal energy production. In March, temperatures rose to a more normal level, thus reducing power prices somewhat.

The German forward curve fell for all products in March. The decline has particularly affected off-peak prices. The monthly contracts fell by about 1 EUR/MWh, whereas annual contracts fell by about 2.6 EUR/MWh as a result of weaker gas and coal prices.

## Commodity prices



At the beginning of the new year, the oil price was characterised by a restrictive banking policy in the US and China, as well as a weak financial situation in southern Europe. Markets improved throughout the quarter and the US dollar stabilised. The oil price rose from an interval of USD 70-80 per barrel at the beginning of the new year, to USD 80-90 per barrel at the end of the quarter.

Gas prices were volatile in the first quarter with temperatures on the Continent as the main

driver. Prices fell from February to March due to expectations of higher temperatures. The long end of the gas curve dropped even further in March.

Coal prices rose at the beginning of January as a result of extremely cold weather in Asia, Europe and America, combined with major coal delivery problems in China. Prices dropped again from mid-January, mainly due to lower demand in China as the cold spell drew to a close. In March, prices were relatively stable.

The Climate Summit in Copenhagen had a negative impact on the CO<sub>2</sub> market. However, prices rose in January due to the cold weather. There was low correlation to energy commodities such as oil and German power. CO<sub>2</sub> prices remained unchanged in February and March despite declining gas prices. The CO<sub>2</sub> price ended at 12.8 EUR/hr in March.

# Staffing and HSE

## Full-time equivalents

At the end of the first quarter, the Group employed 3 382 full-time equivalents, four more than at the end of 2009, and 151 more than at the end of the first quarter in 2009. The increase is related to increased activity.

## HSE

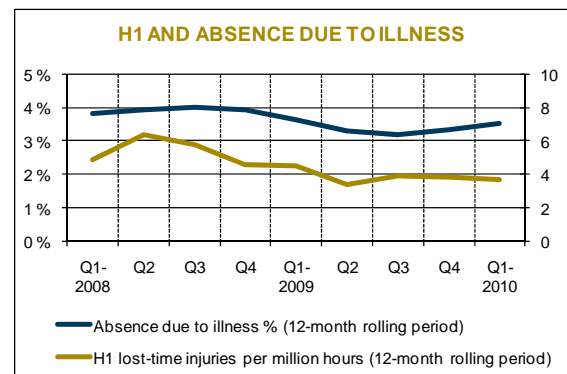
KEY FIGURES, HSE			
STATKRAFT AS GROUP	Q1		The year
	2010	2009	2009
H1 (lost-time injuries per million hours)	3.2	3.5	3.8
H2 (all injuries per million hours)	5.3	9.0	8.3
F (days lost through injury per million hours)	12.2	22.2	36.4
Absence due to illness (%)	4.0	3.2	3.3

In the first quarter, one person died at the Allain Duhangan plant in India, where SN Power has an ownership interest of 43 per cent. The accident happened when an employee of the project's sub-contractor fell from a mast. SN Power has investigated the accident and is following up with expanded training for safe work at heights, use of safety equipment and regular safety meetings.

There were six lost-time injuries in the first quarter compared with five during the corresponding period in the preceding year. However, the H1 value improved from 3.5 to 3.2 due to a higher number of employees and thus more working hours. The injuries were distributed between the segments Generation and Markets, Customers and Skagerak Energi. Total days absent were 23, giving an F-value of 12.2 (22.2). The number of injuries without lost time was down from eight in the first quarter of 2009 to four in the first quarter this year.

Fatalities in connection with development projects in growing economies constitute a challenge for the Group. Statkraft has gradually gained support for implementing stricter safety measures, and measures are continually being implemented in the various projects to prevent the recurrence of such accidents. Accident investigations are an important part of the improvement process. Exchange of experience across the Group's business units is also employed as a policy instrument to improve safety.

Absence due to illness in the first quarter was 4.0 per cent (3.2 per cent). This was in line with Statkraft's objective to achieve a sickness absence rate below 4 per cent. The absence rate is higher than 4 per cent in some parts of the organisation. To reduce the absence rate, Statkraft has implemented measures which will provide employees on sick leave with closer follow-up through specific plans and coordinated follow-up with the company health service and IA. Moreover, individual plans will be prepared to reintroduce employees on long-term sick-leave back into the workplace.

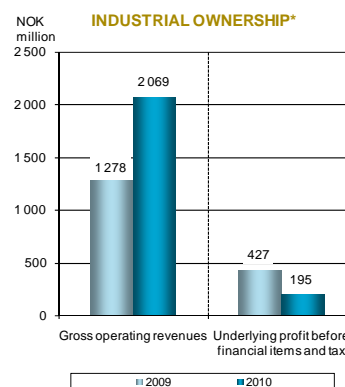
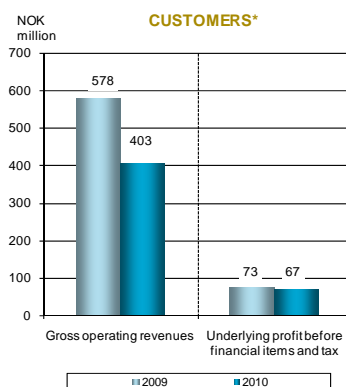
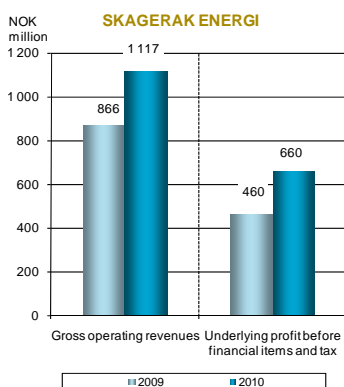
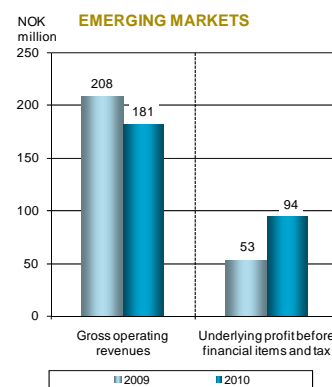
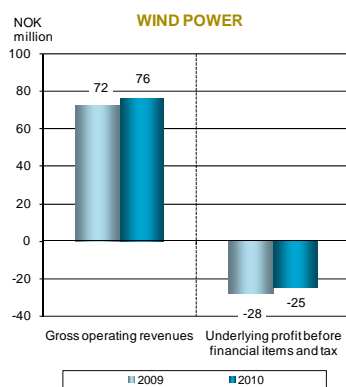
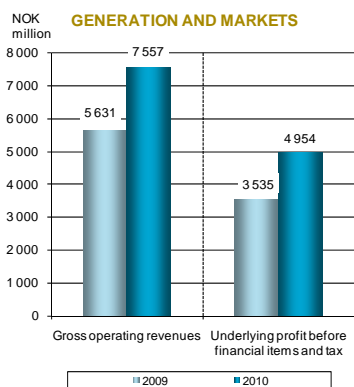


There were no serious environmental incidents in the first quarter.

## Segments

The Group reports in accordance with how the Group management makes, follows up and evaluates its decisions. The segment structure is presented on the basis of internal management information that is periodically reviewed by management and used for resource allocation and key performance review.

Statkraft's business is organised into six segments – Generation and Markets, Wind Power, Emerging Markets, Skagerak Energi, Customers and Industrial Ownership. Areas not shown as separate segments are presented under the heading Other. This includes Southeast Europe Hydro, Solar Power, Small-scale Hydro, Innovation and Growth and the 4.17 per cent shareholding in E.ON AG.



\*At the end of 2009, the power sales activities in the segment Customers were sold to Fjordkraft, included in the segment Industrial ownership. In 2009, the activities generated gross operating revenues of NOK 90 million and NOK 28 million in operating profit.

## Generation and Markets

### KEY FIGURES - UNDERLYING OPERATIONS

Figures in NOK million	Year to date		Change	The year 2009
	2010	2009		
Gross operating revenues	7 557	5 631	1 926	18 539
Net operating revenues	6 339	4 824	1 514	15 242
EBITDA	5 344	3 910	1 434	11 114
<b>Operating profit</b>	<b>4 949</b>	<b>3 509</b>	<b>1 440</b>	<b>9 435</b>
Share of profit from associates and joint ventures	5	25	-21	99
<b>Profit before financial items and tax</b>	<b>4 954</b>	<b>3 535</b>	<b>1 419</b>	<b>9 534</b>
Urealised changes in value and material non-recurring items	-24	-1 146	1 123	-3 427
Maintenance investments	124	88	36	594
Investments in new generating capacity	101	85	16	548
Investments in shareholdings	8	-	8	-

The Generation and Markets segment is responsible for the operation and maintenance of hydropower plants and gas-fired power plants in Europe, as well as physical and financial trading in energy and energy-related products in Europe. The production plants are generally flexible and include 182 wholly and partially-owned hydropower plants, five gas-fired power plants and two biomass plants. The total installed capacity is 12 956 MW. In addition to own power generation, extensive trading is performed in standardised and structured power contracts, gas, coal, oil and carbon quotas. Statkraft owns two-thirds of a 600 MW subsea cable between Sweden and Germany through the company Baltic Cable AB.

#### Highlights in the quarter

Statkraft decided to invest more than NOK 1 billion in upgrades of its Norwegian hydropower plants. The new power plants Eiriksdal and Makkoren in Høyanger municipality in Sogn og Fjordane will replace three older facilities. The new power plants will produce around 330 GWh. The development will also involve a number of environmental improvements in the area. The new power plants will be built into the mountain. Statkraft is planning to connect the Eiriksdal power plant to the new power line which is being prepared between Ørskog and Fardal. The estimated cost of the development is about NOK 700 million, and represents substantial opportunities for the local and regional business community.

Nedre Røssåga power plant in Hemnes municipality in Nordland will be modernised as

the first step in a major upgrade of the Røssåga facilities. Three of the units will be upgraded first, followed by modernisation or replacement of the support and control systems. This will cost an estimated NOK 400 million. Statkraft is also considering an upgrade of the three other units in the power station, or building a new parallel power station to replace them.

Permanent river management regulations for the Alta power plant were stipulated by Royal Decree of 18 February 2010. The power plant has had temporary river management regulations since the plant came online in 1987, extended by five years at a time. The regulations which have now been adopted do not change the basis for power production, and establish that the power plant should be operated in line with the current practice adopted since 2002.

In March and April, Statkraft entered into several new agreements with power-intensive industry. The agreements concerned energy service and will come into force on 1 May. Energy service, a solution which entails that industrial enterprises are granted cost-efficient access to the physical power market without having to establish the necessary infrastructure themselves, now constitutes a significant share of Statkraft's services to power-intensive industry. In Statkraft's total short-term industrial portfolio, 15 power-intensive companies, owning a total of 21 plants, now receive physical deliveries from Statkraft under energy service agreements. The total annual consumption of these plants is up to 15.5 TWh per year, and Statkraft is the most important supplier of power.

Following the termination of the power purchase agreement with Essent in 2009, the production related to the gas-fired power plant Knapsack in Germany is now fully integrated into the group's income statement.

The upgrade of the gas-fired power plant Robert Frank has been completed. The power plant increased its capacity by 10 MW. Efforts are being made to increase capacity further as a result of the upgrade.

### **Financial performance**

The segment's underlying profit before financial items and tax was NOK 4 954 million in the first quarter (NOK 3 535 million). The improvement in performance was primarily attributed to higher sales revenues as a result of high prices in the Nordic region and increased production compared with the first quarter of 2009. There was a negative contribution to profit as a result of low spark spread for the gas-fired power plants on the Continent.

Gross operating revenues increased by NOK 1 926 million. Income from net physical spot sales increased by NOK 2 427 million as a result of the high production and high prices in the Nordic region. Furthermore, the high power prices resulted in a NOK 720 million reduction in the realised profit from dynamic hedging trading in the Nordic region compared with the first quarter of 2009. Dynamic hedging trading on the Continent yielded a realised profit on a par with the first three months of last year. Income from long-term commercial industry contracts increased by NOK 224 million due to a higher contract volume. Realised income from Trading and origination increased by NOK 141 million as a result of substantial realised gains in the Nordic region. Unrealised gains in the portfolio

were thereby reduced. Sales revenues from Trading and origination (realised and change unrealised) totalled NOK 253 million in the first quarter (NOK 368 million)

Operating expenses increased by NOK 75 million to NOK 1 390 million. The increase mainly related to an increased ownership interest in AS Tyssefaldene.

The segment posted an operating profit of NOK 4 949 million (NOK 3 509 million).

The share of results from associates was NOK 5 million (NOK 25 million).

### **Operations**

The segment achieved stable operations and production in the first quarter. The saleable hydropower production amounted to 13.6 TWh (13.9 TWh) whilst the saleable gas power production amounted to 2.2 TWh (0.8 TWh).

Utility-adjusted downtime of Nordic hydropower, production interruptions that are expected to result in lost income, was 1.2 per cent in the first quarter. This is better than the target of 4.2 per cent. Actual downtime of hydro and gas production in Germany and the UK was 18.1 per cent. The downtime was caused by maintenance of the gas-fired power plant Robert Frank and problems with the steam turbine control system at the gas-fired power plant in Emden.

There were two lost-time injuries and one injury without lost time for own employees in the first quarter. In addition, there were five lost-time injuries for sub-contractors.

Absence due to illness was 3.4 per cent in the first quarter.

## Wind power

### KEY FIGURES - UNDERLYING OPERATIONS

Figures in NOK million	Year to date		Change	The year 2009
	2010	2009		
Gross operating revenues	76	72	3	261
Net operating revenues	69	66	3	246
EBITDA	5	0	6	29
<b>Operating profit/loss</b>	<b>-20</b>	<b>-27</b>	<b>7</b>	<b>-64</b>
Share of profit from associates and joint ventures	-5	-2	-3	-15
<b>Profit before financial items and tax</b>	<b>-25</b>	<b>-28</b>	<b>3</b>	<b>-78</b>
Urealised changes in value and material non-recurring items	-	-	-	-
Maintenance investments	1	13	-12	26
Investments in new generating capacity	15	-	15	348
Investments in shareholdings	15	262	-247	826

The Wind Power segment is responsible for the development, construction, operation and ownership follow-up of onshore and offshore wind farms in Norway and Europe. Responsibility for development and commercialisation of offshore wind power technology also rests with the segment. Development and construction projects are currently being implemented in Norway, Sweden and the United Kingdom. The segment has four wind farms in operation, Smøla, Hitra and Kjøllefjord in Norway and Alltwalis in the UK. The combined installed capacity of these wind farms is 268 MW.

Further investments in land-based wind power in Norway will take place through the company Statkraft Agder Energi Vind DA, in which Statkraft owns 62 per cent and Agder Energi 38 per cent.

#### Highlights in the quarter

In January, the UK authorities granted the Forewind consortium, consisting of the partners Statkraft, Statoil, RWE npower and Scottish and Southern Energy plc., the right to develop offshore wind farms in the Dogger Bank zone. The zone is located in the North Sea, between 125 and 195 kilometres off the coast of Yorkshire, and is the largest zone awarded in the third licensing round for development of offshore wind farms in the UK. The development has a potential of 9 GW. Statkraft owns 25 per cent of the Forewind consortium and, together with its partners, is responsible for developing the project until a licence has been granted. In this connection, Statkraft was required to offer the Crown Estate a parent company guarantee of

50 million British pounds for the period leading up to 2021 to cover our obligations in the project.

Statkraft SCA Vind AB's licences to construct wind farms in northern Sweden have been appealed. The project is in the process of responding to the six appeals. Total installed capacity for the six wind farms is 1140 MW.

Statkraft Agder Energi Vind DA's licence to construct a wind farm at Moi/Lakesvelafjellet mountain was appealed to the Ministry of Petroleum and Energy in the first quarter. The project in Bjerkreim municipality in Rogaland has an installed capacity of up to 150 MW.

In January, Baillie Wind Farm Ltd. in the UK, where Statkraft owns 33.9 per cent of the shares, won a license for a wind farm in northern Scotland. The project has an installed capacity of up to 52.5 MW. The license is legally in force.

In January, Catamount Energy Ltd. in the UK, in which Statkraft owns 50 per cent of the shares, won a license for Barmoor wind farm in northern England. The project has an installed capacity of up to 18 MW. The license is legally in force.

In February, Statkraft Södra Vindkraft AB, in which Statkraft owns 90.1 per cent of the shares, was granted a licence for the first project in the portfolio. The Em wind farm will consist of four wind turbines with a total installed capacity of 9.2 MW. The wind farm will be located north of Mönsterås in southern Sweden. Operations are scheduled to commence in the first quarter of 2011.

Arise Windpower, in which Statkraft owns 11.7 per cent of the shares, was listed on the stock exchange in March. Following the share issue and subsequent listing on the stock exchange, Statkraft now owns 7.9 per cent of the shares. The company has an installed capacity of 46.5 MW and a portfolio of approximately another 900 MW.

### **Financial performance**

The segment posted an underlying loss before financial items and tax of NOK 25 million<sup>2</sup> in the first quarter (NOK -28 million).

Production from operative wind farms in Norway was lower than in the first quarter last year. However, revenues were still higher as a result of higher prices. Moreover, the segment also generated revenues from the Alltwalis wind farm in the UK which started production in October last year.

Gross operating revenues were NOK 76 million (NOK 72 million). NOK 62 million of the revenues came from wind farms (NOK 64 million).

Transmission costs totalled NOK 7 million, which was at the same level as in the previous year.

Operating expenses comprised NOK 89 million (NOK 92 million).

The segment posted an operating loss of NOK 20 million (loss of NOK 27 million).

The share of results from associates was NOK -5 million (NOK -2 million)

### **Operations**

Total output for the wind farms amounted to 149 GWh in the first quarter (182 GWh).

Four dead sea eagles were found following collisions with turbines in April. Statkraft is engaged in research aimed at preventing such collisions.

No injuries have been reported for the segment year-to-date. Nor have any lost-time injuries been reported by the sub-contractors.

Absence due to illness was 2.6 per cent in the first quarter.

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<sup>2</sup> The result so far in 2010 is negatively impacted by an intra-group income correction for the wind farms relating to the fourth quarter of 2009. Adjusted for this, the revenues and 2010 result would have been improved by NOK 22 million

## Emerging Markets

### KEY FIGURES - UNDERLYING OPERATIONS

Figures in NOK million	Year to date		Change	The year 2009
	2010	2009		
Gross operating revenues	181	208	-27	746
Net operating revenues	171	202	-31	686
EBITDA	58	113	-54	282
<b>Operating profit</b>	<b>28</b>	<b>66</b>	<b>-38</b>	<b>181</b>
Share of profit from associates and joint ventures	66	-13	79	198
<b>Profit before financial items and tax</b>	<b>94</b>	<b>53</b>	<b>41</b>	<b>379</b>
Urealised changes in value and material non-recurring items	-	-	-	-107
Maintenance investments	-	-	-	150
Investments in new generating capacity	-	86	-86	599
Investments in shareholdings	15	-270	285	-271

The Emerging Markets segment is responsible for the management and further development of ownership interests outside Europe, and currently consists of the ownership interest in SN Power (60 per cent). Norfund owns the remaining 40 per cent. In addition, Theun Hinboun Power Company (THPC) in Laos (20 per cent shareholding) is managed on behalf of Statkraft SF. THPC is not included in the segment's financial figures. At the end of last year, SN Power had ownership interests in 17 hydropower plants in South America and Asia, as well as in one wind farm and one gas power plant in Latin America. The power plants have a combined installed capacity of 1011 MW. In addition, together with its partners, SN Power is also currently constructing and refurbishing 610 MW of capacity. THPC owns one 210 MW hydropower plant which will be upgraded to 220 MW, and has two further hydropower plants with a combined installed capacity of 280 MW under construction in Laos.

#### Highlights in the quarter

On 8 March, one person died at the Allain Duhangan plant in India, where SN Power has an ownership interest of 43 per cent. The incident happened when a sub-contractor employee fell from a mast whilst preparing to install a transmission line. An investigation has been conducted and SN Power and the project company have implemented several measures to avoid similar incidents, including pre-job safety meetings, refresher training in the use of safety equipment and stricter supervision on sites where transmission lines or masts are being installed.

On 28 February, an earthquake measuring 8.8 on the Richter scale struck Chile. No SN Power employees in Chile were seriously injured, and the quake only caused minor material damage to the facilities. The Totoral wind farm (80 per cent ownership interest) quickly resumed operations. However, the development projects La Higuera (45 per cent ownership interest) and La Confluencia (50 per cent ownership interest) will be further delayed as a result of the earthquake.

#### Financial performance

The segment's underlying profit before financial items and tax was NOK 94 million in the first quarter (NOK 53 million).

Gross operating revenues totalled NOK 181 million (NOK 208 million). Measured in US dollars, operating revenues were on a par with the first quarter of 2009. However, measured in NOK, operating revenues were lower due to a stronger NOK.

Operating expenses increased by NOK 8 million to NOK 143 million.

The segment posted an operating profit of NOK 28 million (NOK 66 million).

The profit share from associated companies increased by NOK 79 million to NOK 66 million. The increase was attributed to higher revenues, combined with a reduction in financial expenses in the affiliated companies.

#### Operations

Production in the first quarter was 0.5 TWh, which is on a par with the production in the

same period last year. The up-time for the power plants in Peru, India, Nepal, Sri Lanka and the Binga power plant in the Philippines has been consistently good in the first quarter. There was a reduction in production at the Magat plant in the Philippines as the authorities lowered the water level in the Magat reservoir in November last year due to the risk of another typhoon striking the area causing uncontrolled overflow and flooding.

As previously reported, there are significant delays and cost overruns in connection with the development projects Allain Duhangan (43 per cent ownership interest) in India and La Higuera (45 per cent ownership interest) in Chile. Moreover, demanding geological conditions for parts of the La Confluencia

development have caused delays also to this project. The earthquake in Chile has delayed the start-up of the La Higuera and La Confluencia plants (50 per cent ownership interest) by another few months. Full or partial operation is scheduled to commence at all three projects in the course of 2010. The Ambuklao hydropower plant (50 per cent ownership interest) in the Philippines is under rehabilitation and is scheduled to come online at the end of 2010/beginning of 2011.

There was one lost-time injury and no injuries without lost time for own employees in the first quarter. In associates, an additional eight lost-time injuries were reported by the sub-contractors in projects.

## Skagerak Energi

### KEY FIGURES - UNDERLYING OPERATIONS

Figures in NOK million	Year to date		Change	The year 2009
	2010	2009		
Gross operating revenues	1 117	866	252	2 726
Net operating revenues	1 095	853	242	2 690
EBITDA	778	599	178	1 609
<b>Operating profit</b>	<b>661</b>	<b>476</b>	<b>185</b>	<b>1 123</b>
Share of profit from associates and joint ventures	-1	-16	15	-21
<b>Profit before financial items and tax</b>	<b>660</b>	<b>460</b>	<b>200</b>	<b>1 103</b>
Urealised changes in value and material non-recurring items	16	43	-27	68
Maintenance investments	31	46	-15	289
Investments in new generating capacity	35	38	-3	401
Investments in shareholdings	-	-	-	1

This segment comprises the group Skagerak Energi and the activities focus on generation and sale of power, district heating and distribution grid activities. Other activities involve fibre, natural gas distribution and electrical contractor activities and settlement activities. Skagerak Energi is owned by Statkraft (66.6 per cent shareholding) and the local authorities in Skien (15.2 per cent), Porsgrunn (14.8 per cent) and Bamble (3.4 per cent). The production assets comprise 45 wholly and partially-owned hydropower plants with a total installed capacity of 1315 MW. The company has about 179 000 distribution grid customers.

#### Highlights in the quarter

In March, Skagerak Energi submitted an indicative bid for Kragerø Energy AS. Kragerø municipality is positive to receiving offers for their shares in the company.

#### Financial performance

The segment's underlying profit before financial items and tax was NOK 660 million in the first quarter (NOK 460 million).

Gross operating revenues totalled NOK 1 117 million (NOK 866 million). The increase is mainly attributed to an increase in power sales revenues as a result of higher prices and volumes.

Operating expenses comprised NOK 434 million (NOK 376 million). The increase is primarily due to the consolidation of Skagerak Naturgass as a subsidiary. Until 30 June last

year, the company was reported as an associate. Costs also increased as a result of higher activity in Skagerak Electro, more employees and increased project activity.

The segment posted an operating profit of NOK 661 million (NOK 476 million).

The share of results from associates was a negative position of NOK 1 million (negative position of NOK 16 million).

#### Operations

The segments produced 1.9 TWh in the first quarter, up 0.2 TWh compared with the same period last year.

Grunnåi power plant resumed operations on 19 March after a breakdown in a transformer in November last year.

Due to better weather conditions, there were significantly fewer disruptions to grid activities than in the first quarter of 2009.

The district heating business experienced one technical failure at the Skien facility in the first quarter. The fault was repaired and since then operations have remained stable.

There were two lost-time injuries and two injuries without lost time for own employees in the first quarter. No lost-time injuries have been reported for the sub-contractors.

Absence due to illness was 5.3 per cent.

## Customers

### KEY FIGURES - UNDERLYING OPERATIONS

Figures in NOK million	Year to date		Change	The year 2009
	2010	2009		
Gross operating revenues	403	578	-175	1 791
Net operating revenues	237	249	-12	802
EBITDA	121	115	6	297
<b>Operating profit</b>	<b>72</b>	<b>71</b>	<b>2</b>	<b>103</b>
Share of profit from associates and joint ventures	-6	2	-8	6
<b>Profit before financial items and tax</b>	<b>67</b>	<b>73</b>	<b>-7</b>	<b>109</b>
Urealised changes in value and material non-recurring items	-	-	-	-23
Maintenance investments	14	14	-	143
Investments in new generating capacity	14	13	1	67
Investments in shareholdings	-	-	-	-

The Customers segment comprises grid and district heating activities operated by Trondheim Energi. The segment has about 96 000 distribution grid customers. The district heating system in Trondheim and Klæbu has a total installed capacity of 297 MW, and supplies around 750 business customers and 7 000 households with district heating. In Sweden, the segment has an installed district heating capacity of 211 MW which it supplies to about 1 450 customers. The segment also covers property management.

#### Highlights in the quarter

Trondheim Energi Fjernvarme won the competitive tendering for the processing of about 40 000 tonnes of residual waste per year from Trondheim Municipality. This represents between 20 and 25 per cent of the desired incineration volume of Heimdal heat station. The Agreement is valid for two years with an option to extend for another two years.

Statkraft decided to develop 48 MW of district heating in Harstad. Investments will total NOK 198 million.

Statkraft decided to invest about SEK 60 million in an extensive rebuild and upgrade of the district heating plant in Trosa. The investment includes a new bio-fuelled baseload boiler with flue gas condensation and a new oil-fired peakload boiler. The investment will increase operational stability, security of supply and improved environmental performance. The new facility will have a 6 MW bio-fuel baseload capacity, and an 11 MW oil-fired peakload capacity.

Statkraft has signed a partnership agreement with Istad Nett AS concerning the potential development of district heating in Molde town centre.

#### Financial performance

The segment's underlying profit before financial items and tax was NOK 67 million in the first quarter (NOK 73 million).

Gross operating revenues totalled NOK 403 million in the first quarter (NOK 578 million). The decline is primarily attributed to the sale of the power sales activities to Fjordkraft at the end of 2009. Gross operating revenues for these activities totalled NOK 266 million in the first quarter of 2009. There was a slight increase in revenues from district heating and grid distribution due to higher volumes and prices. In addition, the established revenue cap for the distribution grid company for 2010 increased as a result of higher interest rate levels, higher electricity prices and an expected price increase.

Energy purchases and transmission costs fell by NOK 163 million to NOK 166 million. The sale of the power sales activities resulted in a reduction of NOK 245 million, whereas grid distribution and district heating costs increased by NOK 30 million and NOK 52 million respectively as a consequence of higher prices and volumes.

Operating expenses totalled NOK 164 million (NOK 178 million). The reduction was attributed to the sale of the power sales activities. Operating costs related to district

heating and grid distribution were on the same level as in the first quarter of 2009.

The segment posted an operating profit of NOK 72 million (NOK 71 million). In the first quarter of 2009, the sold activity contributed with about NOK 10 million to the operating profit.

### **Operations**

Temperatures were lower than normal in the first quarter, and at certain periods in January and February, the temperature dropped below the design capacity of the segment's district heating facility. In spite of this, the cold spell

was handled in a satisfactory manner in all district heating grids in the segment. On 6 January, a new registered capacity record was set with a consumption of 210 MW. In total, 388 GWh of heating was delivered to customers in Norway and Sweden in the first quarter.

There was one lost-time injury and one injury without lost time for own employees in the first quarter. In addition, one lost-time injury was reported by the sub-contractors.

Absence due to illness was 5.3 per cent in the first quarter.

## Industrial ownership

### KEY FIGURES - UNDERLYING OPERATIONS

Figures in NOK million	Year to date		Change	The year 2009
	2010	2009		
Gross operating revenues	2 069	1 278	791	3 418
Net operating revenues	81	90	-9	245
EBITDA	14	33	-19	40
<b>Operating profit/loss</b>	<b>6</b>	<b>25</b>	<b>-20</b>	<b>8</b>
Share of profit from associates and joint ventures	189	401	-212	796
<b>Profit before financial items and tax</b>	<b>195</b>	<b>427</b>	<b>-232</b>	<b>803</b>
Urealised changes in value and material non-recurring items	140	479	-339	577
Maintenance investments	45	-	45	-
Investments in new generating capacity	-	3	-3	8
Investments in shareholdings	-	-	-	5

The Industrial Ownership segment is responsible for managing and developing Norwegian shareholdings where Statkraft has industrial ambitions. The segment comprises the companies Fjordkraft<sup>3</sup>, BKK (49.9 per cent shareholding) and Agder Energi (45.5 per cent shareholding). The former company is included in the consolidated financial statements, while the other two companies are reported as associates. End user company Fjordkraft has approximately 400 000 customers.

#### Highlights in the quarter

Discussions have been initiated between Statkraft and the other shareholders in BKK relating to a potential restructuring of the ownership in BKK.

The severe winter with low precipitation levels has posed significant challenges to energy producers, grid companies, power companies and customers alike. Some power companies decided to discontinue their operations due to the establishment of several price areas and major price differences between the areas. One such company was Vitel. Fjordkraft purchased Vitel's customer list in February, and consequently acquired 13 500 new customers. This is in addition to the approximately 82 000 new customers acquired through the transfer of Trondheim Energi Kraftsalg's Customer segment at the end of last year.

The cold the winter has confirmed that the grid situation to and within BKK's area is highly strained. The four main lines in question were

constructed during the period from the late 1960s to the early 1980s. As a result of a steep increase in consumption, the main lines no longer have sufficient capacity to supply the Bergen region. Consequently, it is important for the security of supply in the area that the license applications for grid reinforcement projects are approved. This applies primarily to Statnett's transmission line between Sima and Samnanger. New grid connections will also make it possible to upgrade existing lines, and allow for more new renewable energy in the region.

Agder Energi has launched a grid reinforcement investment programme. So far this year, the company has invested NOK 68 million in the programme.

#### Financial performance

The segment's underlying profit before financial items and tax was NOK 195 million in the first quarter (NOK 427 million). The decline from the same period in 2009 was primarily caused by a reduction in BKK's underlying profit due to low production and a loss in the hedge portfolio for energy contracts. However, underlying profits were somewhat lower also for Agder Energi and Fjordkraft.

#### Operations

BKK's production was substantially lower than normal due to less precipitation. Agder Energi's production also dropped slightly in the first quarter of 2009. There were some smaller grid disruptions due to the severe cold spell in the first part of the quarter.

<sup>3</sup> Fjordkraft is owned by Statkraft (3.15 per cent), Skagerak Energi (48.0 per cent) and BKK (48.85 per cent).

## Other

The Other segment includes the business units Southeast Europe Hydro, Solar Power, Small-Scale Hydro, Innovation and Growth, along with the 4.17 per cent shareholding in E.ON AG, and Group functions and eliminations.

### Southeast Europe Hydro

The business unit is responsible for all hydropower activities in southeast Europe. This includes acquisitions and rehabilitation of existing assets, as well as development and construction of new hydropower projects. The main focus is directed towards the further development of Statkraft's existing project portfolio in Albania and Turkey, with a potential total installed capacity of about 710 MW and a production of about 2.3 TWh (Statkraft's share). Total project investments are estimated at about EUR 950 million.

### Solar power

The business unit is responsible for Statkraft's initiatives within development of solar power plants. Statkraft is currently working on projects in Italy and Spain.

On 11 March, Statkraft's first solar park, Casale, was officially opened. The park, which is located south of Rome, Italy, has been operative since December, and has an installed capacity of 3.3 MW and an annual production of 4.5 GWh.

On 10 March, Statkraft signed a framework agreement with Siemens Energy to develop up to 40 MW of new solar power capacity in 2010. The framework agreement covers the entire Statkraft project portfolio in Italy and construction of the first new solar park is expected to commence in the spring of 2010.

### Small-Scale Hydro

The business unit is responsible for ownership follow-up of shareholdings and initiatives within the area of small-scale hydropower (hydropower plants with an installed capacity of between 1 and 10 MW). The activity in Norway is organised in the company Småkraft AS.

In mid-April, Småkraft AS signed its 200th landowner contract. Since the company was established in 2002, Småkraft has entered into contracts with around 800 landowners across

80 municipalities. Due to an uncommonly cold and dry winter, no new small-scale power plants were established in the first quarter. Production from the company's 19 power plants was also lower than expected. Eight or ten of the 13 small-scale power plants that are under construction are expected to come online in 2010. At the end of the first quarter, Småkraft had been granted final licences for ten projects. Seven projects with licences have been appealed to the Ministry of Petroleum and Energy. Småkraft also has 66 licence applications with a potential combined output of around 800 GWh currently being reviewed by the Norwegian Water Resources and Energy Directorate (NVE). An additional 54 projects totalling almost 550 GWh are being prepared for processing by the NVE.

### Innovation and Growth

The business unit is responsible for developing new result areas, products and services, and coordinating and initiating research and development activities.

In February, Statkraft decided to downscale its tidal energy activities in marine energy from active project development to technology monitoring.

In order to promote innovation within renewable energy, Innovation and Growth is organising Cleantech Capital Day in Oslo on 2-3 June together with Enova, Investinor and the network organisation Cleantech Scandinavia.

### Shares in E.ON AG

The group owns 4.17 per cent of E.ON AG. The dividend from E.ON AG for 2009 totalled EUR 125 million (EUR 1.5 per share) and will be recognised as income in the second quarter of 2010. The shares are classified as financial assets (see comments on the financial statement, note 5).

### Financial performance

The Other segment posted an underlying loss before financial items and tax, including Group functions and eliminations, of NOK 212 million in the first quarter of the year (loss of NOK 178 million). The decline in the result can mainly be attributed to insurance technical provisions.

## Outlook

Statkraft is a leader in renewable energy in Europe with production and trading both in Scandinavia and on the Continent. Through SN Power, the Group has established a solid foothold within renewable energy in South America and Asia.

High production at the start of 2010, combined with lower than average reservoir levels, indicate lower production in the short-term. The annual profit is therefore expected to be on par with 2009. However, there is great uncertainty attached to the further development of the hydrological resource situation. Moreover, substantial uncertainty remains as regards the industrial activity level, both in the Nordic region and on the Continent. This may influence the demand for power and, as a result, the prices. Forward prices for 2010 indicate a somewhat higher price level than in 2009, also in the months ahead. However, the increase in the Nordic region is expected to be significantly lower than in the first quarter.

Statkraft has developed a major portfolio of projects which support the Group's threefold strategy; industrial developer in Norway,

European flexible power producer and green global developer. This strategy is based on the Group's industrial advantages, and supports Norway's environmental ambitions, the EU's climate goals and the need for sustainable development faced by countries in South America and Asia. The current market is still characterised by the effects the financial crisis has had for many players. This paves the way for some interesting opportunities for Statkraft, with its strong industrial position.

The majority government's political platform, presented in October 2009, stated the following: "The government will facilitate Statkraft's further development as a driving force within renewable energy".

On 4 February 2009, the board presented Statkraft's strategic platform with the appurtenant financial plan to the Ministry of Trade and Industry in the form of a recommendation for strengthened equity and reduced dividend levels. As a clarification is yet to be obtained, the Board is planning to conduct a review of the Group's strategy.

Oslo, 19 May 2010  
The Board of Directors of Statkraft AS

# Statkraft AS Group Interim Financial Statements

## CONSOLIDATED INCOME STATEMENT

Figures in NOK million	1st Quarter 2010	2009	The year 2009
Sales revenues	10 253	7 913	24 715
Other operating revenues	254	118	960
<b>Gross operating revenues</b>	<b>10 507</b>	<b>8 031</b>	<b>25 675</b>
Energy purchase	-1 954	-1 425	-4 825
Transmission costs	-520	-373	-1 054
Unrealised changes in the value of energy contracts	-211	-513	-2 813
<b>Net operating revenues</b>	<b>7 822</b>	<b>5 720</b>	<b>16 983</b>
Salaries and payroll costs	-678	-636	-2 517
Depreciation, amortisation and impairments	-640	-664	-2 743
Property tax and licence fees	-322	-263	-1 166
Other operating expenses	-900	-727	-3 530
<b>Operating expenses</b>	<b>-2 540</b>	<b>-2 290</b>	<b>-9 956</b>
<b>Operating profit</b>	<b>5 282</b>	<b>3 430</b>	<b>7 027</b>
<b>Share of profit from associates and joint ventures</b>	<b>643</b>	<b>269</b>	<b>1 179</b>
Financial income	77	451	2 060
Financial expenses	-434	-978	-3 756
Unrealised changes in the value of currency and interest contracts	1 924	1 176	5 977
<b>Net financial items</b>	<b>1 567</b>	<b>649</b>	<b>4 281</b>
<b>Profit before tax</b>	<b>7 492</b>	<b>4 348</b>	<b>12 487</b>
Tax expense	-2 960	-1 625	-4 771
<b>Net profit</b>	<b>4 532</b>	<b>2 723</b>	<b>7 716</b>
Of which minority interest	206	118	184
Of which majority interest	4 326	2 605	7 532

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in NOK million	31.03.10	31.03.09	31.12.09
<b>ASSETS</b>			
Intangible assets	2 175	3 331	2 277
Property, plant and equipment	78 184	78 948	78 239
Investments in associates and joint ventures	17 352	14 218	16 509
Other non-current financial assets	20 018	17 512	21 939
Derivatives	3 650	3 558	3 358
<b>Non-current assets</b>	<b>121 379</b>	<b>117 567</b>	<b>122 322</b>
Inventories	544	336	1 247
Receivables	9 502	8 538	8 707
Short-term financial investments	433	357	421
Derivatives	4 388	9 527	4 645
Cash and cash equivalents	11 950	9 657	6 663
<b>Current assets</b>	<b>26 817</b>	<b>28 415</b>	<b>21 683</b>
<b>Assets</b>	<b>148 197</b>	<b>145 982</b>	<b>144 005</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital	31 569	31 569	31 569
Retained earnings	27 730	27 752	26 065
Minority interests	7 595	7 423	7 267
<b>Equity</b>	<b>66 894</b>	<b>66 744</b>	<b>64 901</b>
Provisions	13 925	17 107	13 653
Long-term interest-bearing liabilities	35 659	34 689	36 342
Derivatives	3 971	2 997	4 016
<b>Long-term liabilities</b>	<b>53 555</b>	<b>54 793</b>	<b>54 011</b>
Short-term interest-bearing liabilities	9 624	8 208	9 318
Taxes payable	3 344	3 204	2 372
Other interest-free liabilities	10 927	5 840	9 336
Derivatives	3 853	7 193	4 067
<b>Current liabilities</b>	<b>27 748</b>	<b>24 445</b>	<b>25 093</b>
<b>Equity and liabilities</b>	<b>148 197</b>	<b>145 982</b>	<b>144 005</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in NOK million	1st Quarter		
	2010	2009	2009
Net profit	4 532	2 723	7 716
Change in the fair value of financial instruments	-1 181	-5 474	463
Estimate deviation pensions	-	-	81
Translation differences	-1 526	-3 901	-8 304
<b>Total comprehensive income</b>	<b>1 825</b>	<b>-6 652</b>	<b>-44</b>
Total comprehensive income attributable to:			
Shareholders of the parent	1 655	-6 762	647
Minority interest	170	110	-691

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in NOK million	Paid-in capital	Other equity	Accumulated translation differences	Retained earnings	Total majority	Minority interest	Total equity
<b>Balance as of 01.01.2009</b>	<b>31 569</b>	<b>35 608</b>	<b>2 375</b>	<b>37 983</b>	<b>69 552</b>	<b>2 772</b>	<b>72 324</b>
Total comprehensive income for the period	-	-2 869	-3 893	-6 762	-6 762	110	-6 652
Business combinations including the liability of the option to increase shareholding in subsidiary	-	-3 469	-	-3 469	-3 469	3 741	272
Capital increase	-	-	-	-	-	800	800
<b>Balance as of 31.03.2009</b>	<b>31 569</b>	<b>29 270</b>	<b>-1 518</b>	<b>27 752</b>	<b>59 321</b>	<b>7 423</b>	<b>66 744</b>
<b>Balance as of 01.01.2009</b>	<b>31 569</b>	<b>35 608</b>	<b>2 375</b>	<b>37 983</b>	<b>69 552</b>	<b>2 772</b>	<b>72 324</b>
Total comprehensive income for the period	-	8 048	-7 401	647	647	-691	-44
Dividend and group contribution	-	-10 000	-	-10 000	-10 000	-260	-10 260
Business combinations including the liability of the option to increase shareholding in subsidiary	-	-2 561	-	-2 561	-2 561	4 475	1 914
Equity holdings to associates and joint ventures	-	-4	-	-4	-4	-	-4
Capital increase	-	-	-	-	-	971	971
<b>Balance as of 31.12.2009</b>	<b>31 569</b>	<b>31 091</b>	<b>-5 026</b>	<b>26 065</b>	<b>57 634</b>	<b>7 267</b>	<b>64 901</b>
Total comprehensive income for the period	-	3 143	-1 488	1 655	1 655	170	1 825
Changes in equity relating to associates and joint ventures	-	10	-	10	10	-	10
Capital increase	-	-	-	-	-	158	158
<b>Balance as of 31.03.2010</b>	<b>31 569</b>	<b>34 244</b>	<b>-6 514</b>	<b>27 730</b>	<b>59 299</b>	<b>7 595</b>	<b>66 894</b>

## CONSOLIDATED CASH FLOW STATEMENT

Figures in NOK million	1st Quarter 2010	2009	The Year 2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax	7 492	4 348	12 487
Profit/loss on sales of non-current assets	-4	-3	13
Depreciation, amortisation and impairments	640	664	2 743
Share of profit from associates and joint ventures	-643	-269	-1 179
Unrealised changes in value	-1 713	-663	-3 164
Taxes	-1 590	-1 348	-3 119
<b>Cash flow from operating activities</b>	<b>4 182</b>	<b>2 729</b>	<b>7 781</b>
Changes in long-term items	-38	52	-305
Changes in short-term items *	2 078	3 872	4 155
Dividend from associates	-	-	1 083
<b>Net cash flow from operating activities</b>	<b>6 222</b>	<b>6 653</b>	<b>12 714</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in property, plant and equipment - maintenance	-231	-162	-1 308
Investments in property, plant and equipment - new capacity	-221	-333	-2 447
Proceeds from sales of non-current assets	38	14	158
Capital reduction in associates and joint ventures	-	-	1 320
Business combinations, net liquidity accruing to the Group	-	211	-417
Loans to third parties	-12	-36	-1 410
Repayment of loans	16	-	161
Investments in other companies	-51	-251	-735
<b>Net cash flow from investing activities</b>	<b>-461</b>	<b>-557</b>	<b>-4 678</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New debt	571	5 758	15 377
Repayment of debt	-1 222	-5 023	-9 378
Dividend and Group contribution paid	-	-	-10 260
Share issue to minority	158	800	928
<b>Net cash flow from financing activities</b>	<b>-493</b>	<b>1 535</b>	<b>-3 333</b>
<b>Net change in cash and cash equivalents</b>	<b>5 268</b>	<b>7 631</b>	<b>4 703</b>
Currency effect on cash flows	19	-183	-249
Cash and cash equivalents 01.01	6 663	2 209	2 209
Cash and cash equivalents 31.03 / 31.12	11 950	9 657	6 663
Unused committed credit lines	8 052	8 000	8 054
Unused overdraft facilities	550	400	731

\*Changes in short term items are mainly related to change in working capital (NOK 1 479 million), changes in receivables and liabilities regarding cash collateral (NOK 790 million), change regarding the value of E.ON stocks (NOK 1 880 million), in addition to currency effects (NOK -2 372 million).

## SEGMENTS

Figures in NOK million

	Statkraft AS Group	Generation & markets	Wind power	Emerging markets	Skagerak Energi	Customers	Industrial ownership	Other
<b>1st Quarter 2010</b>								
Operating revenue external	10 507	7 141	-5	181	602	398	2 069	121
Operating revenue internal	-	416	80	-	515	6	-	-1 017
Gross operating revenues	10 507	7 557	76	181	1 117	403	2 069	-897
Operating profit/loss	5 282	4 658	-20	28	677	72	9	-141
Share of profit from associates and joint ventures	643	273	-5	66	-1	-6	325	-9
Profit before financial items and tax	5 925	4 931	-25	94	676	67	335	-152
<b>Balance sheet 31.03.10</b>								
Investment in associates and joint ventures	17 352	580	573	5 469	83	255	10 280	112
Other assets	130 845	73 813	2 136	2 770	15 673	3 939	3 698	28 816
Total assets	148 197	74 393	2 709	8 239	15 756	4 194	13 978	28 928
Depreciations, amortisation and impairments	-640	-395	-25	-31	-116	-49	-9	-15
Maintenance investments	231	124	1	-	31	14	45	16
Investments in new generating capacity	221	101	15	-	35	14	-	56
Investments in shares	51	8	15	15	-	1	-	12
<b>1st Quarter 2009</b>								
Operating revenue external	8 031	5 390	8	208	555	571	1 278	21
Operating revenue internal	-	241	64	-	311	7	-	-623
Gross operating revenues	8 031	5 631	72	208	866	578	1 278	-602
Operating profit/loss	3 430	2 924	-27	66	519	71	72	-195
Share of profit from associates and joint ventures	269	-535	-2	-13	-16	2	833	-
Profit before financial items and tax	3 699	2 389	-29	53	503	73	905	-195
<b>Balance sheet 31.03.09</b>								
Investment in associates and joint ventures	14 218	690	89	2 224	84	247	10 717	167
Other assets	131 764	72 260	1 665	8 221	15 156	4 521	1 263	28 678
Total assets	145 982	72 950	1 754	10 445	15 240	4 768	11 980	28 845
Depreciations, amortisation and impairments	-664	-401	-27	-47	-123	-45	-8	-13
Maintenance investments	162	88	13	-	46	14	-	1
Investments in new generating capacity	333	85	-	86	38	13	3	108
Investments in shares	40	-	262	-270	-	-	-	48
<b>The year 2009</b>								
Operating revenue external	25 675	17 539	64	746	1 928	1 823	3 418	157
Operating revenue internal	-	1 000	197	1	798	-32	-	-1 965
Gross operating revenues	25 675	18 539	261	746	2 726	1 791	3 418	-1 808
Operating profit/loss	7 027	6 242	-64	181	1 191	80	97	-700
Share of profit from associates and joint ventures	1 179	-136	-15	91	-21	6	1 284	-30
Profit before financial items and tax	8 206	6 107	-78	272	1 170	86	1 380	-731
<b>Balance sheet 31.12.09</b>								
Investment in associates and joint ventures	16 509	393	566	5 192	82	292	9 938	46
Other assets	127 496	70 218	2 177	2 792	15 136	3 913	2 767	30 493
Total assets	144 005	70 611	2 743	7 984	15 218	4 205	12 705	30 539
Depreciations, amortisation and impairments	-2 743	-1 758	-93	-101	-486	-223	-33	-49
Maintenance investments	1 308	594	26	150	289	143	-	106
Investments in new generating capacity	2 447	548	348	599	401	67	8	476
Investments in shares	1 152	-	826	-271	1	-	5	591

# Comments regarding the financial statements

## 1. Framework and material accounting policies

The Group's consolidated financial statements for the first quarter of 2010, the three months ending 31 March 2010, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and include Statkraft AS and its subsidiaries and associates. The interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. As the information provided in the interim financial statements is less comprehensive than that contained in the annual financial statements, these statements should therefore be read in conjunction with the consolidated financial statements for 2009. The accounting principles applied in the interim financial statements are the same as those used for the annual financial statements.

## 2. Presentation of the financial statements

The presentation of the interim financial statements is in line with the requirements in IAS 34. The presentation format is in line with the requirements in IAS 1.

## 3. Accounting judgements, estimates and assumptions

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

The most important assumptions regarding future events and other significant sources of uncertainty in relation to the estimates, and which may involve a significant risk of material changes to the amounts recognised in future financial periods, are discussed in the annual financial statements for 2009.

In preparing the consolidated interim financial statements for the first quarter, the Group's management has exercised its judgment in relation to the same areas where such judgment has had material significance in relation to the figures included in the Group's income statement and balance sheet, as is discussed in the annual financial statements for 2009.

## 4. Segment reporting

Statkraft's segment reporting is prepared in accordance with IFRS 8. The Group reports operating segments in accordance with how the Group management makes, follows up and evaluates its decisions. The operating segments have been identified on the basis of internal management information that is periodically reviewed by management and used for resource allocation and key performance review.

The division into segments is intended to meet the changes resulting from increased growth and internationalisation. The aim is to achieve a more flexible and dynamic organisation where new prioritisations and growth areas can be highlighted and achieve visibility as separate business units with clear performance targets. At the same time, the organisation model creates a foundation for an effective management and control structure.

The Generation and Markets segment is the largest segment, responsible for the operation and maintenance of hydropower plants and gas power plants in Europe, and physical and financial trading in energy and energy-related products in Europe. These business units are organised into one segment due to the close integration between operations, maintenance and energy optimisation.

Wind Power is responsible for developing, constructing, operating and following up the ownership of onshore and offshore wind farms in Norway and the rest of Europe, as well as developing and commercialising offshore wind power technology.

Emerging Markets is responsible for managing and further developing ownership positions outside Europe, and mainly comprises the investment in SN Power. In addition, Theun Hinboun Power Company (THPC) is managed on behalf of Statkraft SF. THPC is not included in the segment's financial figures.

Activities in Skagerak Energi are followed up as a joint activity by management and reported as a separate segment.

The Customers segment covers distribution grid activities and district heating.

Industrial Ownership includes the shareholdings in BKK, Agder Energi and Fjordkraft, and is responsible for managing

and developing Norwegian shareholdings where Statkraft has industrial ambitions.

### **5. Other financial assets**

Other financial assets in the balance sheet include the shareholding in E.ON AG which is recognised in the amount of NOK 18 269 million. The shares are designated as available-for-sale assets and recognised at fair value with changes in value being recognised against equity. Any part of the change in value that can be allocated to changes in currency, and that falls within corresponding changes in currency for loans in EUR, is presented in the income statement under financial items. The change in value at the end of the first quarter was NOK -1 880 million, of which NOK -681 million is due to a lower exchange rate for EUR.

### **6. Currency effects on internal loans**

Currency gains on internal loans amounted to NOK 1 722 million of the unrealised changes in value for financial items. The gain arose mainly as a result of the strengthened NOK compared

with EUR. Statkraft Treasury Centre (STC) provides loans to the Group's companies in the companies local currency, STC prepares its accounts in EUR and reports significant currency effects as a result of lending in its income statement. Subsidiaries with borrowings in EUR but with another reporting currency, report currency effects in their income statements. Currency gains and losses of this nature will not be offset by corresponding effects in the Group's income statement. Foreign subsidiary accounts are converted into NOK upon consolidation and currency effects on internal loans are recognised directly in equity. This offsets currency gains and losses added to equity in the income statement.

### **7 Hedge accounting**

Statkraft has used hedge accounting in 2010 to reduce the volatility in the income statement. A larger share of the debt in EUR has been hedged against market rate changes.

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**Statkraft**