





ALWAYS TOP PRIORITY: HSE – HEALTH, SAFETY, ENVIRONMENT

Health and safety for employees and project partners have the highest priority at Statkraft. Constantly optimised processes ensure safe and healthy work places, and Statkraft supports a pro-active culture to achieve this goal.

Regular training, new systems und constantly improved routines help to avoid accidents – no work is so important that it is worth exposing our people to risky situations for health and life.

We look back with pride at the project implementation for the second combined gas cycle power plant at the Knapsack

location in Hürth. The power plant was developed and built in record time and below the estimated budget, and its construction saw only a few minor injuries.

“Within less than two years, we built at our site in Knapsack a second ultramodern and efficient combined gas cycle power plant, ready to generate energy from climate-friendly gas to contribute to the energy supply using renewable energy resources. The Knapsack II power plant project is a success story in terms of health, safety and costs,” explained Dr Horst Kesselmeier, Head of Project Development at Statkraft.



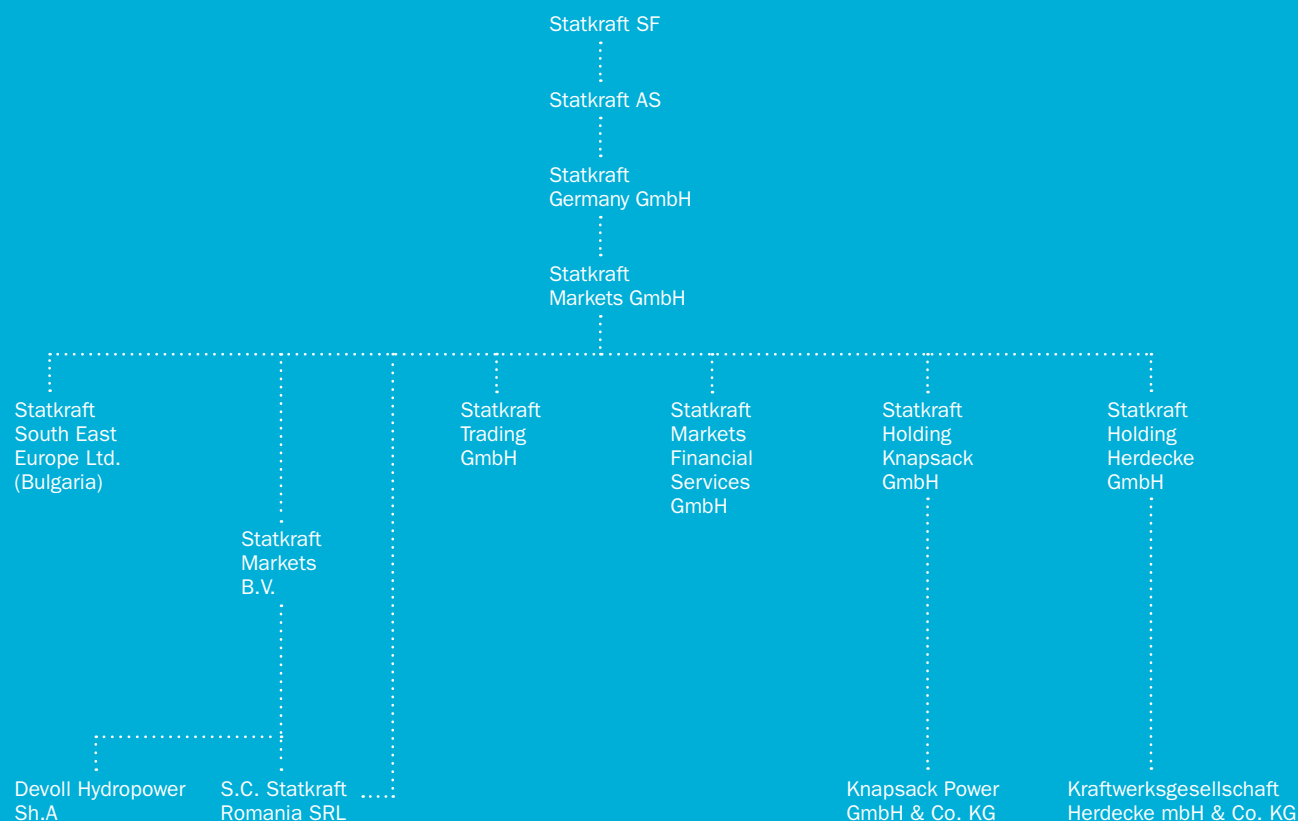
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KEY INDICATORS

Key indicators of Statkraft Markets GmbH

Values in EUR million	2013	2012	2011	2010
Sales revenue	19,095.7	20,836.0	15,058.6	7,837.6
EBIT	28.1	-61.6	-162.6	-79.8
Profit before taxes	16.3	-295.1	-165.6	-83.1
Profit after taxes	16.1	-295.8	-163.0	-86.5
Cash flow of continuous operations	94.0	-20.4	6.6	2.3
Cash and cash equivalents	68.1	51.3	23.5	13.9
Net working capital	83.4	131.4	274.8	151.7
Balance sheet total	1,415.6	1,549.1	1,095.4	1,025.8
Equity	410.8	410.8	410.8	317.8
Equity ratio (%)	29.0	27.0	37.5	30.9
Number of employees	179	190	211	196

Corporate structure



MANAGEMENT REPORT

FOR FISCAL YEAR 2013

Statkraft Markets GmbH is a company in the Statkraft Group. Statkraft is Europe's largest producer of renewable energy. The Group produces and develops hydropower, wind power, gas power and district heating, and is a significant player on European energy exchanges, with specialist expertise in physical and financial energy trading. The Statkraft Group also has a substantial commitment to innovation.

Statkraft Markets GmbH is engaged in trading power, fuel and emission certificates in continental Europe and power production in Germany. Power is generated by environmentally friendly run-of-river, pumped storage, biomass and gas-fired power stations. The main operating subsidiaries and associates are Knapsack Power GmbH & Co. KG and Kraftwerksgesellschaft Herdecke mbH & Co. KG.

Statkraft Markets GmbH, its subsidiaries and associates have a power generation capacity of 2,363 MW in gas-fired plants, 262 MW in hydropower and 40 MW in biomass. In 2013, a new gas-fired unit in Knapsack was put into operation, adding 430 MW to the fleet capacity. In the same year, the gas-fired plant in Landesbergen with 530 MW was put into cold reserve due to lack of profitability.

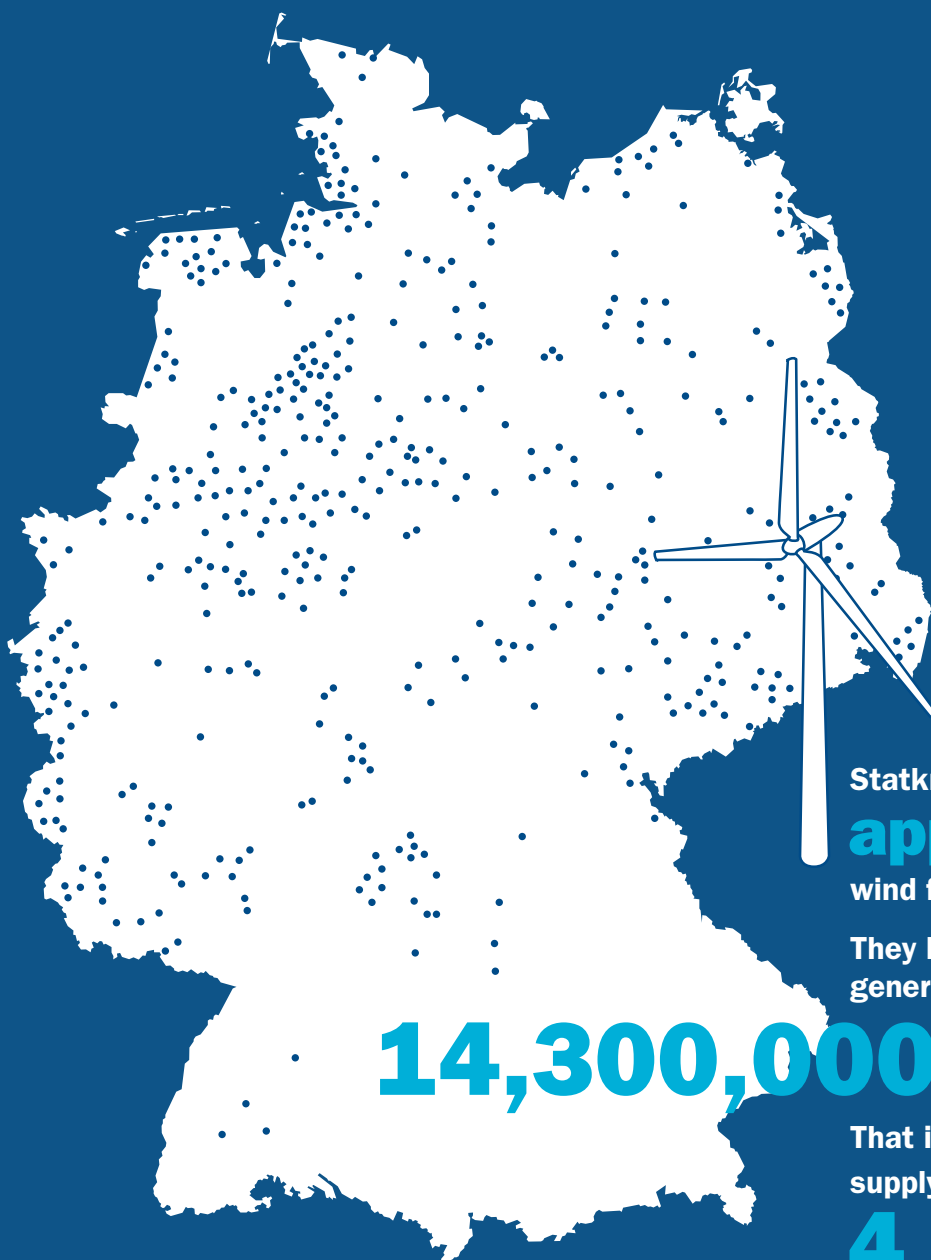
DIRECT MARKETING UNDER THE GERMAN RENEWABLE ENERGY ACT (EEG)

Statkraft's marketing model

Since 2011, Statkraft has been supporting its partners when it comes to the direct marketing of power. After the implementation of the market bonus scheme, more and more producers of electricity from renewable energy sources decided to take care of power commercialisation themselves.

Statkraft offers an extensive service package and assists them with a legally sound structured contract and active support. Energy customers benefit from a precise forecast and a more demand-oriented generation.

Statkraft combines remote-controlled wind and solar power plants plus decentralised power plants to create a virtual power plant. This makes the balancing of power fluctuations within renewable energy generation much easier.



Statkraft is a partner of
approx. 1,200
wind farms in Germany.

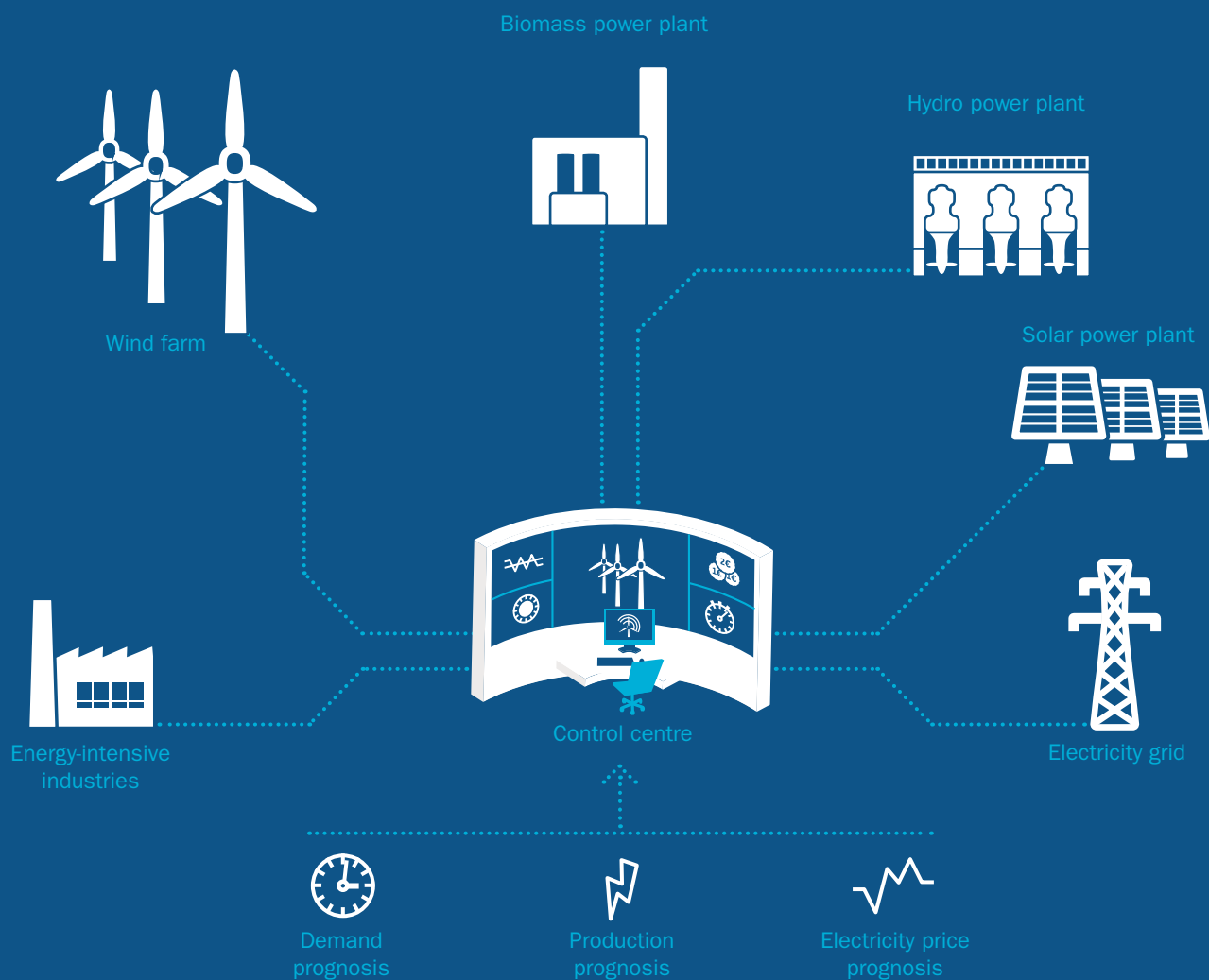
They have an annual
generation volume of

14,300,000,000 kWh.

That is enough energy
supply for approx.

4.3 million
households.

VIRTUAL POWER PLANT



Remote-controllable plants



The remote-controllability of wind power plants means they can be controlled in a demand-based way. If there is a high drop in demand, plants are slowed down or stopped temporarily. When demand increases, they are immediately switched on again.

Benefits



MARKET DEVELOPMENT

Power prices in Germany were lower for most of the current year compared to the previous year, mainly due to increased supplies from renewables. The average spot price (base) on the European Energy Exchange (EEX) closed at EUR 37.8/MWh, EUR 5.0/MWh lower than in 2012 (avg. EUR 42.8/MWh). Compared with the average prices for the years 2008 – 2012, the price was approximately 30% lower in Germany. The EEX price for peak hours (peak load from 8 a.m. to 8 p.m. on working days) reached an annual average of EUR 48.8/MWh, approximately EUR 4.8/MWh lower than in 2012 (annual average of EUR 53.6/MWh).

However, gas prices were EUR 1.8 higher in 2013 than in 2012. Prices at the NCG virtual trading point (NetConnect Germany) were EUR 27.2/MWh in 2013. The main reason for this was an increase in demand.

Compared with 2012, the emissions market declined due to lower industrial production caused by the economic downturn and, as previously mentioned, growth in power electricity production from renewable energy sources. While spot prices were EUR 7.4/t in 2012 on average, the average fell to EUR 4.5/t in 2013, closing at EUR 4.8/t in December 2013.

As a consequence of the development of electricity, gas and emissions prices, the already low margins for gas-fired power plants continued to decline in 2013, which in turn had a negative impact on the earnings of gas-fired power plants. With low carbon and coal prices, coal-fired power plants continue to have a competitive advantage and are predominantly used to fill the electricity supply gap between renewable and nuclear supplies and electricity demand.

Besides the bleak outlook for gas-fired generation, public debate once again centred mainly around renewables support schemes and integration. Both topics were discussed across Europe, and especially in Germany. The so-called market premium model persists. For renewables investors in Germany, it continues to be a sought-after alternative to the feed-in tariff scheme. Statkraft believes that the model is an important building block in integrating renewables into the power system, especially when it comes to asset utilisation and dispatch.

The model also gained widespread political acceptance in 2013. In the coalition agreement following Germany's general election on 22 September 2013, the coalition partners agreed that the market premium model or a similar form of so-called direct sales should be made mandatory. In the draft law proposal, "Draft law amendment for a fundamental reform of the Renewable Energy Law (EEG) and change in regulation of the economic energy law" dated 18 February 2014, the use of direct marketing is made legally binding.

Statkraft remained the market leader in 2013 with a contracted direct marketing renewable power portfolio of more than 8,500 MW. Since September 2013, 4,436 MW of this portfolio has been remotely controlled from Statkraft's Dispatch Centre in Düsseldorf. Technically speaking, and measured by capacity, this portfolio is currently Germany's largest, albeit virtual, power station, and is larger than any of the leading lignite power plants to date. Contract extensions were negotiated in October and November 2013. Most contracts have been extended successfully. Margins remain under pressure as the management fee regulated by the EEG funding regime will be further reduced in 2014.

Statkraft is of the opinion that its modern gas-fired power stations will be required in the future, especially after 2022, when the last remaining nuclear power plants are due to come offline in Germany. Statkraft shares the concerns that in the current market environment, there are no incentives for plant owners to continue to maintain reserve power production capacity and acknowledges that some form of support scheme will become necessary in the long term to ensure sufficient capacity is in place to balance fluctuating power supplies from renewables.

Statkraft has partially impaired its modern gas-fired power stations in 2012 to reflect lower anticipated utilisation in the short to medium term, but expects that the market environment will develop favourably in the long term.

BUSINESS DEVELOPMENT

The margins for gas-fired power stations in Germany decreased further in 2013 from already low levels in 2012. The growth in new renewables, in particular in solar power, continued to depress spark spreads, i.e. the difference between the energy price on the one hand, and gas and CO₂ prices on the other hand. Low CO₂ and coal prices are again making gas-fired generation uncompetitive compared to coal-fired generation. Hydropower and energy trading made a positive contribution to net earnings. The marketing of renewable energy in the United Kingdom and in Germany increased in 2013. Statkraft Markets GmbH belongs to one of the leading portfolio management companies and service providers in this field.

Trading and origination

Trading and origination activities were able to deliver higher results in 2013 compared to 2012. The product offering was further extended, for example by financial oil products. The high impact of intermittent renewables on European electricity markets is becoming more and more of a challenge. It is driving liquidity further into the spot market and is even having an effect on intraday markets. Term trading certainly has a new risk profile and requires a diligent analysis of possible future demand and supply scenarios.

Cross-border arbitrage, where Statkraft buys power in one country and sells it in another country using auctioned transmission capacity, continues to provide stable income. Market coupling will, however, be introduced soon, and we expect this business line to lose volume and margin.

Our team, which manages structured power and gas positions while offering related risk management products to our counterparties, is successfully tackling the challenges related to the impact of renewables on the market. The new market environment required us to further develop our analysis and evaluation methods. The good results in this business field have proven that our specific commercial expertise is adaptable and still very valuable given the new

market conditions. Challenges remain, and 2014 will see continued focus on the changing fundamentals.

Under the market premium model, investors keep the same price guarantee as for the feed-in tariff scheme, but are given additional incentives to improve their forecasts and measure, balance and control their production. Since most investors do not have the necessary resources and experience in this field, they tend to outsource these services. Statkraft offers a full service package in this area that provides investors with relatively risk-free participation in the market premium scheme. As mentioned previously, Statkraft Markets GmbH performed direct marketing services for more than 8,500 MW of renewable energy in Germany at the end of 2013.

Competition in this segment is strong, and margins to cover imbalances and administrative costs, as mentioned above, have been reduced even further. Statkraft will strive to compensate this effect through lower processing costs, improved forecasting and enhanced control over the power generated by renewable plants through remote control.

In the UK, Statkraft continues to offer long-term route-to-market services, such as power purchase agreements (PPAs), to renewable generators. We continued to expand our portfolio compared to the previous year and now have around 60 customers. Our portfolio currently includes wind power, biomass and solar installations.

Trading in renewable energy and its certificates provided a positive contribution in 2013. Statkraft Markets GmbH actively sells certified electricity from regenerative sources to distribution companies that want to or are required to supply their customers with green electricity. Statkraft sources and markets these certificates across Europe.

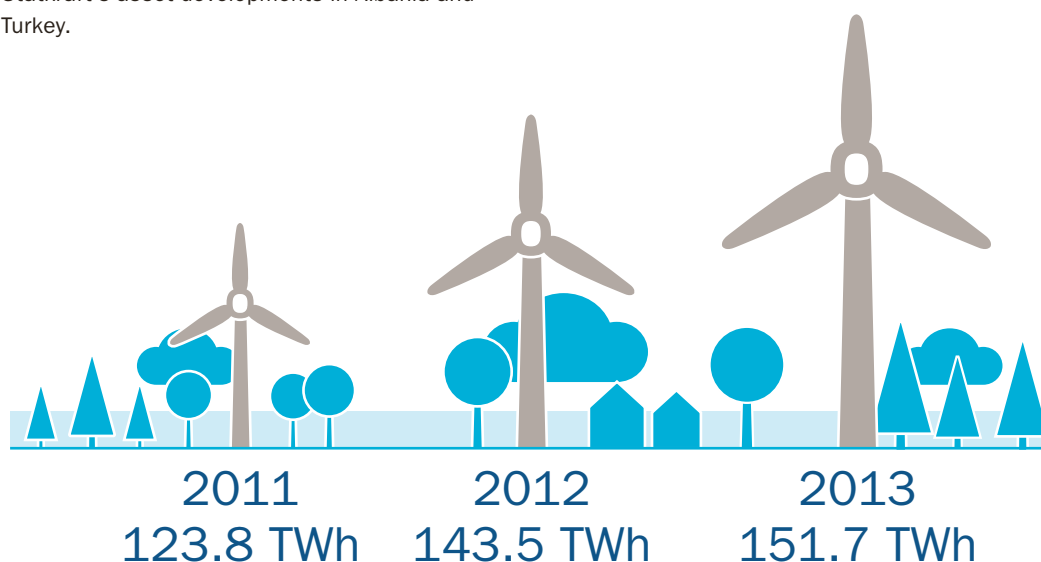
With the European Union Emissions Trading Scheme (EU ETS) moving into its third phase (2013–2020), Statkraft continued its successful emissions trading business. We actively trade the major carbon currencies and deal with compliance companies looking to satisfy their obligations under the EU ETS. With new carbon markets developing worldwide, international activities are of increasing importance.

Furthermore, during 2013 the company was recompensed to take on a long term obligation to acquire environmental certificates. The obligation resulting from this transaction amounts to EUR 15.1 million and is disclosed under other liabilities.

The wholesale trading market in Turkey has been developing positively, and Statkraft gained a significant foothold over the course of 2013. Trading in Central and South East Europe has matured into a stable business line and is of strategic importance to the company given Statkraft's asset developments in Albania and Turkey.

Statkraft is diligently implementing financial market regulations introduced by the EU. To ensure REMIT (Regulation on Wholesale Energy Market Integrity and Transparency) compliance, all traders, dispatch and key employees have undergone training and external certification. Systems and processes are being updated to fulfil future requirements for reporting to the EEX transparency platform.

Statkraft also complies with those EMIR (European Market Infrastructure Regulation) requirements which have already entered into effect. Processes for portfolio reconciliation and dispute resolution have been agreed and implemented with relevant counterparts. Daily reporting to trade repositories in accordance with EMIR is taking place.



Power generation from renewable energy sources in Germany

Energy management

The market environment for dispatch of power plants and production marketing was again characterised in 2013 by very low margins and little price volatility. The spark spread, i.e. the margin arising from the energy price along with the gas price and CO₂ price, diminished further. This development led to a deterioration of the profitability of Statkraft's highly efficient gas-fired power plants Knapsack I & II and Herdecke.

Marketing production in secondary markets, such as back-up and green electricity, was unable to make up for the loss in spot markets.

Dispatch services, on the other hand, had a very good year and again managed to deliver a satisfying gross margin.

Overall production in 2013 was 1.6 TWh compared with the previous year's 1.9 TWh. Production by fully owned plants is taken into account at 100%. Where Statkraft only owns a share of the plant, a percentage of the production volumes equal to the ownership is taken into account.

The construction of the Knapsack II power station (capacity 430 MW) was finished slightly ahead of schedule. The power station went into commercial operation in the first half of 2013. However, production remains very low due to the bad market environment.

We reassessed the market environment and cost structure of our assets and identified no further impairment indicators for 2013. No impairment was therefore recorded on our gas-fired assets or investment value in Statkraft Holding Knapsack GmbH. The value of our gas-fired power assets was impaired by EUR 63.2 million in 2012, and Statkraft Holding Knapsack GmbH completely wrote off the value of its shares in Knapsack Power GmbH & Co. KG totalling EUR 221.5 million in 2012 due to a decline in value of the Knapsack I power plant.

During February 2013, management received confirmation from the grid operators that Landesbergen is not considered system critical, meaning that permanent closure of the plant is unlikely to lead to a disruption of or endanger the security and reliability of power supplies. In March 2013, the Board of Directors of Statkraft AS and the management of Statkraft Markets GmbH announced the decision to put the gas-fired power station in Landesbergen into cold reserve despite its relatively good technical condition. Negotiations with the works council ensured that the inevitable reduction of staff was handled in a socially responsible way.

In August 2013, Statkraft Markets GmbH acquired the remaining shares in the biomass entities Biomasseheizkraftwerk Emden GmbH, Emden and Biomasseheizkraftwerk Landesbergen GmbH, Landesbergen. Previously it had held a 30% participation in Biomasseheizkraftwerk Emden GmbH and 50% of the shares in Biomasseheizkraftwerk Landesbergen GmbH. The merger was recorded in the company register on 29 August 2013 for Biomasseheizkraftwerk Emden GmbH and on 5 September 2013 for Biomasseheizkraftwerk Landesbergen GmbH. As part of the share transaction, Statkraft Markets GmbH also acquired outstanding loans from E.ON, which E.ON had granted to the biomass entities. These loans with a total value of EUR 12.2 million were impaired as part of the merger. Furthermore, the assets' book values were corrected to reflect the future discounted cash values, which for both plants is zero. With the sole ownership of the plants, Statkraft Markets GmbH expects to generate savings in running costs and additional revenues through new investments and more optimal use of the plant.

During 2013, the company agreed to acquire the rights and obligations from a gas purchase agreement with Wingas GmbH, Kassel, and an electricity supply agreement with Kraftwerksgesellschaft Herdecke mbH & Co. KG, both of which were previously held by other group entities. Statkraft Markets GmbH received EUR 66.8 million for the transfer of the gas purchase agreement and EUR 94.4 million for the electricity supply contract. Both values reflect the expected future losses both contracts will generate, calculated as at the date of acquisition.

Energy management activities were extended as services to other countries and include the United Kingdom and Turkey, along with Germany. In the United Kingdom in particular, Statkraft Markets GmbH already controls a large portfolio of wind power plants that are partly owned by Statkraft UK Ltd. or increasingly also by third parties.

During 2013, Statkraft Holding Knapsack GmbH, a 100% subsidiary of Statkraft Markets GmbH, injected EUR 197 million in new capital into Knapsack Power GmbH & Co KG. The funds were mainly used to repay outstanding loans. Knapsack Power GmbH & Co. KG is now fully equity financed.

Operations & maintenance (O&M); health, safety and environment (HSE)

The Statkraft Group and Statkraft Markets GmbH have a clear goal of zero work accidents with serious consequences and zero breaches of the requirements relating to physical safety measures in connection with the Group's activities. Clear requirements and close follow-up in all operations and project phases are decisive for achieving safe workplaces and good results in terms of occupational safety. The consistent pursuit of these factors has resulted in a continuous positive trend in the health and safety statistics. The Statkraft Group emphasises learning from injuries, near-miss incidents and unsafe conditions.

The O&M organisation experienced some significant changes in 2013. In Knapsack, the take-over of the second combined cycle gas turbine (CCGT) widened the O&M scope. In Landesbergen, the organisation had to be reshaped in order to fit the stand-alone operation of the remaining biomass unit after the gas unit was put into cold reserve. In Landesbergen as well as in Emden, the focus is now on the profitable operation of the biomass units, which are fully owned by Statkraft after purchasing the shares of the co-owner E.ON Kraftwerke GmbH.

The gas plants as well as the hydropower plants showed overall good availability in 2013 with no extraordinary technical problems. Several refurbishment and improvement projects were carried out to secure reliable and safe operation of the plants.

OPERATING RESULT

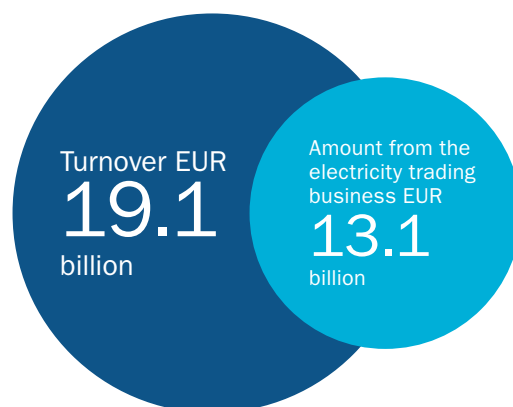
Sales were down from EUR 20.8 billion in 2012 to EUR 19.1 billion in 2013. This decrease is mainly due to a decline in prices. The electricity trading business contributed a share of EUR 13.1 billion (EUR 15.7 billion in the previous year), and the traded volume remained constant at 280 TWh in 2013 compared to 281 TWh in 2012. Sales also benefited from gas trading worth EUR 4.0 billion (EUR 4.0 billion in the previous year) and an increased sales of emission and green certificates from EUR 1.1 billion in 2012 to EUR 2.0 billion in 2013 due to higher trading volumes. The largest change in revenue by region was registered in Germany, amounting to EUR 13.5 billion (EUR 15.5 billion in the previous year), and in the UK to EUR 4.2 billion (EUR 4.0 billion in the previous year).

Gross margin (defined as revenues less material costs) increased from EUR 169.9 million in 2012 to EUR 208.0 million in 2013, including gains from currency transactions relating to trading and origination. Excluding currency gains of EUR 47.7 million, the gross margin in the fiscal year 2013 amounted to EUR 160.3 million, which was clearly higher than the previous year's figure of EUR 129.9 million. This increase was partly due to the incorporation of the biomass plants as well as good results in trading and origination activities.

Personnel costs increased from EUR 17.0 million in 2012 to EUR 18.2 million in 2013, mainly due to one-off restructuring costs (EUR 2.4 million) resulting from the decision to put the Landesbergen gas plant into cold reserve. Total salaries, though, declined by EUR 1.2 million in the year due to the lower staff numbers.

Depreciation fell significantly from EUR 83.0 million in 2012 to EUR 23.1 million in 2013. In 2012, an impairment of EUR 63.2 million was recognised. Not considering this impairment, underlying depreciation increased from 2012 to 2013, which was due to the start-up of Knapsack II.

In 2013, impairments of EUR 43.0 million were recognised, which were entirely due to the merger of the biomass entities and have therefore been disclosed as extraordinary expenses.



Traded volume



Other operating expenses were as follows:

	2013 EUR million	2012 EUR million
Foreign exchange losses	41.3	39.8
IT related services	1.5	2.5
Legal advice and consultancy costs	5.3	6.5
Rent, repair, and similar costs	13.6	7.3
Group services	53.1	52.9
Other	11.6	9.8
Other operating expenses	126.4	118.8

In total, other operating expenses rose from EUR 118.8 million in 2012 to EUR 126.4 million in 2013. The increase was mainly due to the fact that other operating expenses from the acquired biomass entities have been fully included for the first time. The most significant impact was in rent, repair and similar costs, which increased by approximately EUR 5.8 million due to this effect. Foreign exchanges losses also increased by EUR 1.5 million. These were partly compensated by an increase in foreign exchange gains. Foreign exchange gains rose to EUR 47.7 million in 2013.

Statkraft Markets GmbH's financial result was negative in 2013 at EUR –23.8 million, compared to a negative result of EUR –246.1 million in the previous year. The previous year included losses from profit and loss transfer agreements with the subsidiary Statkraft Holding Knapsack GmbH of EUR 221.6 million, which had impaired its investments in group entities. In 2013, the financial results included the write-off of financial assets of EUR 12.2 million, which were obtained in the form of loans from E.ON Kraftwerke GmbH through the acquisition of the remaining shares in the biomass entities.

EUR 9.0 million of the total interest expense, EUR 13.6 million, was attributable to a long-term fixed maturity date intergroup loan of EUR 255.0 million. Some of the interest expense was offset by interest on positive cash balances during the year.

The operating result from ordinary business activity was positive and amounted to EUR 16.5 million. The increased gross margin from the trading and origination and energy management activities resulted in a higher operating result compared to the previous year. The previous year's operating result was EUR –295.1 million due to the high losses on profit and loss transfer agreements, impairments of gas-fired power plants and the write-off of investments and related loans.

The extraordinary income of EUR 42.8 million resulted from the merger of the biomass entities and derived mainly from the positive difference between the net asset acquired and the book value of the investment (EUR 15.4 million) as well as the adjustment of the acquired liabilities to the net present value (EUR 26.2 million).

The extraordinary expense of EUR 43.0 million was completely attributable to the restatement of the fixed asset from the book value to the net present value.

Positive earnings after tax of EUR 16.1 million will be transferred to the sole shareholder, Statkraft Germany GmbH, in accordance with a profit and loss transfer agreement which has been in existence since 1 January 2009. Statkraft Markets GmbH will therefore not have any changes in its equity or capital reserves.

NET ASSET POSITION AND FINANCIAL POSITION

Cash flow for 2013 and 2012 was as follows:

	2013 EUR million	2012 EUR million
Cash flow from operating activities	94.0	–20.4
Cash flow from investment activities	–80.1	–212.5
Cash flow from financing activities	191.8	267.0
Net increase / (decrease) in cash	205.7	34.1
Cash and cash equivalents as at 01.01	26.5	–7.6
Cash and cash equivalents as at 31.12	232.2	26.5

The company reported cash flow from operating activities in the current year of EUR 94.0 million (EUR –20.4 million in the previous year). The transfer of the gas and electricity agreements has led to a substantial increase in liabilities, whilst payment obligations to subsidiaries have significantly declined due to the profit and loss transfer agreements. Overall, these changes in liabilities have had a net negative effect on cash flow from operating activities. On the other hand, the net profits of EUR 16.1 million, as well as a decline in receivables, have had a positive impact on cash flow.

Cash flow from investment activities amounted to EUR –80.1 million (EUR –212.5 million in the previous year) and represent the cash outflow for the construction of Knapsack II combined cycle gas plant and other fixed assets of EUR 39.7 million in total (previous year: EUR 136.4 million), as well as capital increases in subsidiaries of EUR 39.7 million (previous year: EUR 75.8 million).

Cash flow from financing activities included the cash in-flows from profit and loss compensation payments for the 2012 negative results of EUR 295.5 million less a loan repayment of EUR 104.0 million.

Overall, this led to a change in cash and cash equivalents of EUR 205.7 million. Taking into account the positive cash and cash equivalents at the beginning of the year of EUR 26.5 million, this resulted in a positive cash balance of EUR 232.2 million as at 31 December 2013. Cash and cash equivalents at the end of 2013 consisted of liquid assets of EUR 68.1 million and positive cash pool balance against Statkraft AS, Oslo/Norway of EUR 164.1 million.

Depreciation of intangible and tangible assets amounted to EUR 23.1 million for fiscal year 2013. Investments in tangible fixed assets amounted to EUR 39.7 million. Intangible and tangible assets that previously were recorded in the accounts of Biomasseheizkraftwerk Emden GmbH and Biomasseheizkraftwerk Landesbergen GmbH were transferred into the accounts of Statkraft Markets GmbH on 1 January 2013. Both costs and accumulated depreciation of these assets amounted to EUR 94.4 million at the year-end.

Investments in a group company, Statkraft Markets B.V., Amsterdam/Netherlands, were increased by EUR 51.2 million during the year. Furthermore, a capital injection of EUR 37.0 million was made in Statkraft Holding Knapsack GmbH, and a capital repayment of EUR 61.5 million later took place. The investment in Statkraft Markets B.V. was made to provide financing for a power plant construction by one of its subsidiaries: Devoll Hydropower Sh. A., Tirana/Albania. Total fixed assets rose to EUR 579.8 million in 2013 from EUR 535.9 million in 2012.

Equity capital remained unchanged at EUR 410.8 million as positive operating results are fully remitted to Statkraft Germany GmbH in accordance with the profit and loss transfer agreement.

The reduction in total assets from EUR 1,549 million to EUR 1,416 million was due to the fact that profit and loss compensation payments from Statkraft Germany GmbH were settled prior to 31 December 2013. The decrease in liabilities was caused by a reduction in intercompany payables due to a fall in profit and loss compensation obligations and a loan repayment of EUR 104.0 million. Both effects were able to compensate for an increase in liabilities caused by the transfer of gas and electricity purchase agreements and an increase in inventories of CO₂ certificates.

Overall, the equity ratio, defined as total shareholder's equity (equity plus intercompany loans due over five years) divided by total assets, equals 47%. Even if intercompany loans are excluded from shareholder's equity, the ratio is 29%. Both values continue to emphasise Statkraft Markets GmbH's good financial standing.

In summary, successful trading and origination and energy management activities have increased operating results, which translated into a positive cash flow from operations at the year-end. Combined with the positive opening balance of cash and cash equivalents, this resulted in a high cash balance at the year-end of EUR 232.2 million. This shows that the company is in a good liquidity position with sufficient cash resources to continue operating in 2014 and beyond.

Health and safety

The company maintains a continuous focus on improving and implementing guidelines for health and safety. The Group's health and safety management system is based on the requirements in the OHSAS 18001 standard and international best practice.

During 2013, five lost-time incidents occurred at Statkraft Markets, one involving a contractor and four involving own employees. Each incident has been individually investigated, and appropriate measures have been taken to reduce the risk of reoccurrence.

Employees

The number of employees was 179 on 31 December 2013, and the annual average was 175.

The Statkraft Group and Statkraft Markets GmbH strive to attain a diverse working environment and promote equal opportunities in its recruitment and HR policy. Statkraft Markets GmbH operates with its subsidiaries throughout the whole of Europe and employs personnel from many different nations. This international environment is attractive for employees outside Norway and Germany and also has a positive impact on the company's development potential in new European markets.

The managing directors would like to take this opportunity to thank all employees for their excellent contributions during 2013.

Climate and environmental impact

Statkraft applies international good practice in its environmental work, and the Group's environmental management system is based on the requirements in ISO 14001. No serious environmental incidents were recorded by Statkraft Markets GmbH in 2013.

SUBSEQUENT EVENTS

From the period from the end of 2013 to the signing date of the Management Report, operational activities within Statkraft Markets GmbH developed as expected. In January 2014, management agreed to sell its ownership in Statkraft Markets B.V, Amsterdam / Netherlands to a group company, Statkraft Asset Holding AS, Oslo / Norway. This transaction resulted in a gain of EUR 68.7 million, which was recognised in January 2014.

On 19 March 2014, Statkraft Markets GmbH received the tax audit report for the years 2005 to 2008. As a result, revised tax returns are also expected for subsequent periods which have not been part of the tax audit scope. Provisions to cover potential risks have been raised by the parent entity of the tax group, Statkraft Germany GmbH. As at 31 December 2013, a tax provision of EUR 22.5 million had been booked, mainly for the years 2009 to 2013.

OUTLOOK

In the previous year, we forecasted a neutral result for 2013. The actual result for 2013 is positive, at EUR 16.1 million, and is therefore higher than expected. This is mainly due to strong results from trading and origination and energy management. Last year, the company recorded a loss after tax of EUR –295.8 million, which included impairments of gas-fired power plants and investments in subsidiaries. Adjusted for these impairments, the operating result would have been EUR 2.1 million in 2012.

Positive earnings after tax will be transferred to the sole shareholder, Statkraft Germany GmbH, based based on a profit and loss transfer agreement, which has been in existence since 1 January 2009.

At the year-end, the company holds excess cash balances so that liquid funds are guaranteed for the future.

We expect margins for gas-fired power plants to remain weak in 2014, so an improved capacity utilisation is not predicted. Nevertheless, we expect to achieve a neutral result from our ordinary operating activities. Positive results produced by the hydroelectric power plants and by trading and origination activities will be able to compensate for the forecast poor results from the gas-fired assets. This does not consider the gain of EUR 68.7 million which was realised on the sale of the shares in Statkraft Markets B.V., Amsterdam / Netherlands in fiscal year 2014.

Statkraft is constantly aiming to achieve zero accidents and no environmental incidents of any kind. Statkraft has a number of open vacancies which still need to be filled. Otherwise, no changes in the workforce are expected for 2014.

OPPORTUNITIES AND RISKS

Statkraft continues to face major challenges following the changes in the energy markets in Germany and comparable developments in other European countries. Because of market developments, management at Statkraft Markets GmbH constantly reviews the long-term strategy of its gas-fired powered plants in light of the unclear situation about the possible establishment of capacity mechanisms in Germany, among other things.

Statkraft has created a good market position in the field of marketing energy from renewables and has become one of the leading providers in this sector. Statkraft has been able to increase its customer base for 2013 with more than 8,500 MW contracted. Risks related to this business are related to energy management, cost competition with other providers and policy on regulatory development.

The current values of the assets reflect the current market design and situation. However, concerns regarding the long-term security of electricity supplies in Germany and the future framework in which fossil fuel power plants are to operate need to be addressed by the government. Depending on the decisions the government will take, this may impact the value of our power-generating assets.

RISK MANAGEMENT

Statkraft Markets GmbH engages in trading activities that are exposed to a number of risks. These include market price, counterparty default, operative risks and risks relating to IT systems. Risk management is therefore considered to have the highest priority.

Business activities comprise trading and sales of standardised term products as well as of power profiles and other structured products. The major part of the profiles and structured products is hedged with corresponding standard products. A large portion of term products are contracted for trading purposes. As a rule, this is done on the basis of short-term hedge transactions. In total, the business activity should result in a positive margin. Statkraft Markets GmbH is exposed to financial risks, which can cause variations in results, equity and cash flow. In order to identify and manage these risks, the company has established a corresponding risk management policy, which is an important part of corporate governance.

Management decides on the risk management policy for the different business segments. The Middle Office plays a pivotal role in risk management by monitoring daily risk controlling and delivering independent and professional valuations. Middle Office managers analyse all new deal opportunities and prepare risk assessments to help management make decisions. This increases risk awareness and ensures efficient risk mitigation. Moreover, the Middle Office prepares daily and weekly risk reports on Statkraft Markets GmbH's market positions, which are discussed and evaluated by the management on a weekly basis.

Risk is managed by means of a mandate and limit system. Contracts can only be concluded in compliance with risk limits that are defined for market, operational and counterparty risk. Market price risks in the volatile energy markets are measured by the Value-at-Risk (VaR) procedure and Profit-at-Risk (PaR) analyses. The Middle Office supervises the portfolio exposures as well as the total risk in the company. In the case of limit breaches, the mandate holder takes the responsibility for reducing exposures and minimising non-hedged positions.

Counterparty risk is managed through an internal rating process. For each counterparty, the credit limit is monitored and periodically reviewed, while current exposures are reported regularly. The rating and limit system helps to focus on counterparties with high creditworthiness. Counterparty risk includes positive market values of financial derivatives. In view of the worldwide financial crisis, limits relating to financial institutions and special industrial customers have been critically reviewed and adjusted. Statkraft Markets GmbH suffered only minor losses in 2013 as a result of the insolvency of customers.

Besides evaluating potential counterparty risks, all products, business opportunities and counterparties are assessed with regard to principles of corporate responsibility (CR), and all Middle Office risk assessments related to change of mandates or products must take this into account.

Risks arising from the fluctuation of liquidity resulting from the use of financial instruments such as forward contracts are managed by regular monitoring of medium and long-term cash flow and daily cash management.

Statkraft Markets GmbH is exposed to a number of different operational risks, including the technical risks inherent in the operation and dispatch of power plants and process risks involved in the handling of trading business, including IT risks in particular. These risks are actively managed. In this respect, the Statkraft Markets GmbH energy management function is in close contact with power plant personnel and takes potential technical failures into account in its marketing strategy. Statkraft Markets GmbH strives to have a high degree of redundancy for all core operations. Following this philosophy, multiple staff members are trained in key processes and backup routines are aligned in order to ensure that essential skills are always available. The risk management system is monitored by internal auditing and verified by external auditors as part of the year-end audit.

Düsseldorf, 30 April 2014

Dr Torsten Amelung
Managing Director

Ivar Arne Børset
Managing Director

Stefan-Jörg Göbel
Managing Director

Inger S. Andersen
Managing Director

Dr Gundolf Dany
Managing Director

Dr Jürgen Tzschoppe
Managing Director

BALANCE SHEET

AS AT 31. DECEMBER 2013

Assets	31.12.2013 EUR	31.12.2012 EUR'000
A. Fixed assets		
I. Intangible assets		
1. Purchased software	4,847,144.92	1,312
II. Tangible assets		
1. Land, leasehold rights and buildings	36,518,433.07	10,952
2. Technical equipment, plant and machinery	266,401,036.75	117,237
3. Other equipment, fixtures, fittings and equipment	5,191,016.40	4,167
4. Plant and machinery in process of construction	3,783,037.24	165,855
	311,893,523.46	298,211
III. Financial assets		
1. Shares in affiliated companies	263,105,220.46	236,392
	579,845,888.84	535,915
B. Current assets		
I. Inventories		
1. Raw materials and supplies	15,045,587.50	15,519
II. Receivables and other assets		
1. Trade accounts receivable	416,504,505.40	509,674
2. Accounts due from affiliated companies	187,012,467.01	372,316
3. Other assets	136,031,974.06	62,343
	739,548,946.47	944,333
III. Cash on hand, cash in banks	68,085,685.61	51,282
	822,680,219.58	1,011,134
C. Prepaid expenses	12,781,448.51	2,092
D. Excess of plan assets over pension liabilities	280,253.43	0
	1,415,587,810.36	1,549,141

Liabilities	31.12.2013 EUR	31.12.2012 EUR'000
A. Equity		
I. Capital subscribed	4,000,000.00	4,000
II. Capital surplus	398,104,558.71	398,105
III. Other earnings reserves	45,978.68	46
IV. Retained earnings brought forward	8,663,853.54	8,664
	410,814,390.93	410,815
B. Provisions		
1. Provisions for pensions and similar obligations	158,423.92	71
2. Tax provisions	1,158,043.53	838
3. Other provisions	29,682,319.29	16,340
	30,998,786.74	17,249
C. Liabilities		
1. Liabilities due to banks	106,530.71	0
2. Trade accounts payable	399,981,936.78	391,971
3. Accounts due to affiliated companies	346,705,452.67	698,457
4. Other liabilities		
thereof for taxes:		
EUR 247,824.87 (previous year: EUR 210 thousand)	216,628,743.69	27,171
	963,422,663.85	1,117,599
D. Deferred income	10,351,968.84	3,478
	1,415,587,810.36	1,549,141

INCOME STATEMENT PRESENTATION

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013

	2013 EUR	2012 EUR'000
1. Sales	19,095,754,886.46	20,836,041
2. Other capitalised own costs	780,435.28	0
3. Other operating income	58,502,378.12	62,173
4. Cost of materials		
a) Cost of raw materials and supplies	-381,493.89	-127
b) Cost of purchased services	-18,946,645,462.29	-20,728,234
5. Personnel expenses		
a) Wages and salaries	-11,952,526.90	-12,827
b) Social security, pension and other benefit costs thereof for pensions: EUR 1,793,106.41 (previous year: EUR 1,614 thousand)	-6,241,854.88	-4,222
6. Depreciation of fixed intangible and tangible assets	-23,141,164.95	-82,966
7. Other operating expenses	-126,396,992.10	-118,837
8. Income from profit transfer agreements	1,077,627.61	1,129
9. Income from other loans thereof due to affiliated companies EUR 0 (previous year: EUR 17 thousand)	0.00	193
10. Other interest and similar income thereof due to affiliated companies EUR 487,148.32 (previous year: EUR 331 thousand)	1,016,303.47	724
11. Write-offs on financial assets	-12,171,998.00	-12,636
12. Expenses from loss absorption	-71,104.57	-221,579
13. Interest and similar expenses thereof due to affiliated companies: EUR 9,027,823.10 (previous year: EUR 12,672 thousand)	-13,627,819.26	-13,948
14. Profit/ loss from ordinary business operations	16,501,214.10	-295,116
15. Extraordinary income	42,864,252.32	0
16. Extraordinary expense	-43,032,804.87	0
17. Extraordinary profit/ loss	-168,552.55	0
18. Taxes on income	63,077.54	-600
19. Other taxes	-345,280.87	-127
20. Profits transferred pursuant to a profit and loss absorption agreement (previous year: Absorption of losses)	-16,050,458.22	295,843
21. Net income/ Net loss	0.00	0

NOTES

LEGAL CHANGES IN 2013

In 2013, Statkraft Markets GmbH acquired the remaining shares in the entities Biomasseheizkraftwerk Emden GmbH, Emden, and Biomasseheizkraftwerk Landesbergen GmbH, Landesbergen, from E.ON Kraftwerke GmbH, Hannover. As part of this acquisition, loans that had been granted to the two biomass entities were also purchased from E.ON Kraftwerke GmbH. The following table shows the purchase price components:

	Shares	Loans in EUR
Biomasseheizkraftwerk Landesbergen GmbH (50%)	1.00	4,499,999.00
Biomasseheizkraftwerk Emden GmbH (70%)	1.00	8,449,999.00

Both companies were retrospectively merged into Statkraft Markets GmbH as of 1 January 2013 in accordance with Section 17 et seq. of the Transformation Act (UmwG). Book values were merged in accordance with Section 24 of the Transformation Act (UmwG). The main book values transferred were fixed assets, loans and reconstruction provisions.

In a subsequent second step, the transferred book values were adjusted to the present value. The impairment of the fixed assets is disclosed

as an extraordinary expense, whereas the present value correction of the loans is shown as an extraordinary income.

A significant effect in connection with the merger is the increase in the reconstruction provisions to EUR 2 million calculated at the time of the merger.

No comparison figures for prior year are shown as these are not considered to be material.

GENERAL REMARKS

The annual financial statements have been prepared in compliance with Sections 242 et seq. and Sections 264 et seq. of the German Commercial Code (HGB) as well as with the relevant provisions of the German Law on Limited Liability Companies (GmbHG). The regulations for large corporations apply.

The income statement was prepared according to the total expenditure format.

ACCOUNTING AND VALUATION RULES

The following accounting and valuation rules were applied when preparing these annual financial statements.

Intangible fixed assets are recognised at acquisition cost, and **tangible fixed assets** are recognised at acquisition or production costs. Production costs mainly include direct attributable personnel costs. **Borrowing costs**, which are incurred on the financing of the production of an asset, are capitalised as long as these arise during the construction period. Assets which are subject to wear and tear are depreciated in accordance with their useful life. Impairments are recognised when a decrease in value is probably permanent. For intangible assets, a useful life of up to seven years is applied, and for buildings up to 39 years; a useful life of up to 30 years is generally applied for other assets.

Since fiscal year 2008, **low-value assets** with a net value of up to EUR 150.00 have been directly expensed in the income statement. A collective item for low-value assets with a net value of more than EUR 150.00 and up to EUR 1,000.00 is recognised in tangible fixed assets and depreciated over a five-year period using the straight-line method. The item is, in its totality, of only minor importance.

The **financial assets** are recognised at the lower of cost of acquisition or fair values, if fair values are likely to be permanently lower.

Inventories are recognised at cost of acquisition. Compliance with the lower of cost or market principle is secured by write-offs as required.

Receivables and other assets are capitalised at nominal value. Appropriate allowances are made in order to cover all related risks.

Liquid assets are recognised at nominal value.

Expenses incurred before the balance sheet date are disclosed as **prepaid expenses** on the assets side to the extent that these constitute expenditures for a certain time after this date.

Differences from the offsetting of early retirement obligations and the fair value of contracted reinsurance policies in the balance sheet are disclosed as an asset. As this item is not accessible to creditors, this fulfils the requirements of Section 246 (2) second sentence HGB.

Pension provisions were measured according to the projected unit credit method, applying actuarial principles, and based on Prof Klaus Heubeck's 2005 G mortality tables published in 2006. These provisions were discounted at the average market interest rate of the past seven years as announced by Deutsche Bundesbank, based on the assumption of a remaining term of 15 years (Section 253 (2) second sentence HGB). The valuation of pension provisions is based on the following parameters:

	2013 %	2012 %
Discount rate	4.90	5.06
Salary increases	3.00	3.00
Pension increases	1.00	1.00

Reinsurance policies have been concluded to secure the pension obligations. According to Section 246 (2) second sentence HGB, the **fair values of reinsurance policies** and pension obligations are offset for balance sheet presentation. To fulfil pension obligations, capital is disposed in special funds, which are not accessible to creditors. From 2010 onwards, reinsurance policies are measured at fair value and offset against pension obligation. Fair value is determined with cover capital as per business plan provided by insurance company.

Other provisions cover all contingent liabilities as well as impending losses from pending transactions. They are created in the fulfilment amount, taking into account future cost increases required in accordance with reasonable commercial assessment. Other provisions with a residual term of more than one year are discounted appropriately to the period at the average market interest rate of the past seven years as announced by Deutsche Bundesbank.

Valuation units in accordance with Section 254 HGB. Statkraft Markets GmbH's commercial activities include physical and financial trading and optimisation activities in electricity, gas, emission rights and other commodities relating to the energy industry. Amongst other things, futures contracts are concluded for this purpose. Foreign currency transactions are concluded in this context to hedge against exchange risks.

Statkraft Markets GmbH distinguishes between the Trading and the Origination Divisions. While standard products are used in the Trading Division to achieve margins with a short-term horizon, the Origination Division also involves long-term optimisation activities with structured products and inventories. Both operating divisions are divided into assignments both to undertake trading and optimisation activities and to monitor risk, with strict separation of functions being implemented between trading and risk control. The definition of the individual assignments is based in principle on the region traded, the product traded and the commodities, the time horizon or the trading strategies.

Risk limitation of the trading assignments is based on Value-at-Risk (VaR) calculations which are carried out in daily trading by risk control. Defined procedures for reducing risk are initiated if specified limits are exceeded.

Risk limitation of the origination mandates is undertaken based on Profit-at-Risk (PaR) calculations which are also carried out in daily trading by risk control. If limits are exceeded in Origination assignments, these too lead to defined measures for preventing further risks.

In principle, transactions concluded in the Trading and Origination Divisions are combined in macro valuation units in which the risk-compensating effect of comparable risks is taken into consideration. A macro valuation unit exists if the risk-compensating effect of whole groups of basic transactions is looked at in summary and these groups are jointly safeguarded against the (net remaining) risk and this is in accordance with the risk management practiced.

Financial risks in the form of price and parity change risks are safeguarded in the valuation units created for the commodities traded in the context of assignments. The balance sheet presentation of the effective parts of the valuation units is done in accordance with the freezing method, according to which the changes in value in basic and hedging transactions which balance one another out and which can be traced back to the particular risk hedged, are not reported in the balance sheet.

The safeguarding intention of the macro valuation units exists continuously for the periods which are in accordance with the risk guidelines for trading transactions. Contrary changes in payment streams exist for the period up to 2021 on the balance sheet date as at 31 December 2013. A documented, appropriate, working risk management system exists to determine prospective effectiveness. The scope of actions, responsibilities and controls in in-house

guidelines are laid down as binding. Trading in commodity derivatives is permitted in the context of binding limits. The limits are laid down by independent organisational units and monitored during daily trading.

The assets, debts and contingent transactions are included in the valuation units with the following nominal values (book values):

Transaction type	Nominal value in EUR'000	Book value in EUR'000
Assets	58,851	58,851
Liabilities	13,031	13,031
Pending purchase transaction	7,026,993	
Pending sales transaction	7,213,120	

The amount of risk hedged with valuation units is EUR 296,082 thousand.

Assessment of the invalidity to date on the balance sheet of the macro valuation units is undertaken each time at the end of the year by looking at the current market values of the particular valuation unit it relates to. If the balance of all relevant current market values of the transactions is negative, taking assets and debts possibly included in the valuations units into consideration, then a provision for valuation units is created. These are not taken into account in the balance sheet if there are positive attributable current market values.

Liabilities are recognised at the amounts at which they will be fulfilled. Present values of long-term obligations are calculated by applying comparable market interest rates.

Receivables and liabilities denominated in **foreign currencies** are posted at the rates in effect at the date of initial posting and measured on the balance sheet date at the average spot exchange rate. The losses from exchange rate changes on the balance sheet date are recognised as losses. In contrast, unrealised profits from exchange rate changes are given consideration solely if they affect receivables and liabilities with a remaining term of up to one year.

Affiliated companies are all those companies which are included in the consolidated financial statements of Statkraft AS, Oslo/Norway, and companies in which Statkraft AS, Oslo/Norway, either directly or indirectly holds the majority interest, but that are not included in the consolidated financial statements pursuant to the exercise of an option.

Sales from trading are disclosed as gross figures.

Internal expenditure capitalised comprises mainly personnel costs for own employees.

EXPLANATORY COMMENTS ON THE BALANCE SHEET

Fixed assets

The movements in fixed assets and their amortisation and depreciation for the fiscal year are presented in the statement of movements in fixed assets (Appendix to the Notes). Additions mainly comprise costs in relation to the construction of the Knapsack II gas-fired power plant.

In 2012, further impairments, based on internal DCF (discounted cash flow) calculations, were recognised on parts of the fixed assets, specifically the gas-fired power plants.

In 2012, **equity interests** referred to shares in the two biomass plants in Emden and Landesbergen acquired in the framework of a barter transaction concluded with E.ON AG in 2008. In 2012, these shares were fully written off. These impairments were also based on an internal DCF calculation, which took declining margins in the operation of the plants into consideration. These investments no longer existed in 2013 due to the merger.

In fiscal year 2013, Statkraft Markets GmbH acquired the remaining shares in the two biomass plant companies together with the **loans** which were granted to the plants by E.ON Kraftwerke GmbH. These loans were fully impaired in 2013, which led to an overall expense of EUR 12,172 thousand. The original loans issued by Statkraft Markets GmbH were already fully impaired in 2012, which led in 2012 to an expense of EUR 3,300 thousand.

List of shareholdings

Name and registered office	Investment held 31.12.2013	Result 2013 (EUR'000)	Share capital / Limited liability capital 31.12.2013 (EUR'000)	Equity 31.12.2013 (EUR'000)
Statkraft Markets Financial Services GmbH, Düsseldorf, Germany	100%	0*	25	1,093
Statkraft Markets B.V., Amsterdam, Netherlands	100%	2,035	6,061	59,306
Devoll Hydropower Sh. A., Tirana, Albania**	100%	-669	79,059	71,535
Statkraft Holding Herdecke GmbH, Düsseldorf, Germany	100%	0*	25	7,170
Statkraft Holding Knapsack GmbH, Düsseldorf, Germany	100%	0*	25	197,479
Knapsack Power GmbH & Co. KG, Düsseldorf, Germany**	100%	-34,899	25	142,584
Knapsack Power Verwaltungs GmbH, Düsseldorf, Germany**	100%	2	25	50
Kraftwerksgesellschaft Herdecke mbH & Co. KG, Hagen, Germany**	50%	1,704	10,000	23,436
Kraftwerksverwaltungsgesellschaft Herdecke mbH, Hagen, Germany**	50%	1	25	36
Statkraft South East Europe EOOD, Sofia, Bulgaria	100%	4	3	117
S.C. Statkraft Romania SRL, Bucharest, Rumania***	100%	47	135	545
Statkraft Trading GmbH, Düsseldorf, Germany	100%	0*	25	25

* result after transfer of profit/ loss

** indirectly held investment

*** 1% indirectly held investment

Receivables and other assets

All receivables have a residual term of less than one year. Trade receivables consist of EUR 137,901 thousand in domestic receivables and EUR 282,919 thousand in foreign receivables. In 2013, a lump sum valuation allowance for receivables of EUR 4,315 thousand (previous year: EUR 5,165 thousand) was posted.

Receivables from affiliated companies are comprised as follows:

	2013 EUR'000	2012 EUR'000
Receivables from cash pool against Statkraft AS, Oslo / Norway	164,197	3,646
Receivables from short term loans given to subsidiary	3,050	670
Trade receivables	1,758	25,146
Receivables from transfer of profits	1,077	1,086
Receivables from shareholder Statkraft Germany GmbH	16,931	341,768
Total receivables against subsidiaries	187,013	372,316

The 2013 receivables due from the shareholder Statkraft Germany GmbH are mainly tax refund claims. In 2012, the receivables due from the shareholder Statkraft Germany GmbH of EUR 341,768 thousand was made up of profit and loss compensation claims and input tax reimbursements.

Other assets mainly include CO₂ certificates of EUR 101,287 thousand (previous year: EUR 47,951 thousand) and paid securities of EUR 32,410 thousand (previous year: EUR 8,244 thousand).

Prepaid expenses

Prepaid expenses of EUR 12,781 thousand (previous year: EUR 2,092 thousand) notably include expenses for 2014 for option premiums (EUR 10,430 thousand) as well as expenses (EUR 2,351 thousand) mainly for grid costs and certificates.

Deferred tax reimbursements

An item for deferred tax reimbursements was not created during the current fiscal year because a possible disclosure must now be made at Statkraft Germany GmbH in its capacity as the controlling company (since 1 January 2009).

Debit difference from offsetting

Reinsurance policies have been contracted to secure **old-age obligations**. According to Section 246 (2) second sentence HGB, **fair values of reinsurance policies** and old-age obligations are offset for balance sheet presentation. To fulfil old-age obligations, capital is disposed in special funds, which are not accessible to creditors. In 2013, this offsetting led to a **debit difference**. In 2012, the obligation was reported under other provisions.

The acquisition costs as well as the fair value of the plan assets are shown in the following table:

	Costs in EUR'000	Fair value in EUR'000
Plan assets regarding old-age	2,325	2,458

For the financial reporting period, a debit excess of EUR 280 thousand (previous year: obligation excess EUR 1,619 thousand) was assessed for early retirement obligations. Prior to offsetting the plan assets of EUR 2,458 thousand (previous year: EUR 1,339 thousand), obligations for old-age amounted to EUR 2,177 thousand (previous year: EUR 2,958 thousand) in 2013.

The difference between costs and fair value of plan assets regarding pensions and old-age assets are subject to a distribution restriction in accordance with Section 268 (8) HGB and amount to EUR 133 thousand (previous year: EUR 91 thousand).

Net interest results include gains of EUR 36 thousand (previous year: EUR 39 thousand) resulting from an increase in old-age plan assets and EUR 96 thousand (previous year: EUR 130 thousand) in expenses due to discounting of old-age obligations.

Equity

As a consequence of the controlling and profit and loss transfer agreement with Statkraft Germany GmbH, the company's equity remained unchanged compared to 2012 and amounted to EUR 410,815 thousand.

Provisions for pensions and similar obligations

Reinsurance policies have been contracted to secure **pension obligations**. According to Section 246 (2) second sentence HGB, **fair values of reinsurance policies** and pension obligations are offset for balance sheet presentation. To fulfil pension obligations, capital is disposed in special funds, which are not accessible to creditors. From 2010 onwards, reinsurance policies regarding pensions have been measured at fair value and offset against pension obligation.

The acquisition costs as well as the fair value of the plan assets are shown in the following table:

	Costs in EUR'000	Fair value in EUR'000
Plan assets regarding pensions	18,263	18,727

For the financial reporting period, an obligation excess of EUR 158 thousand (prior year: EUR 71 thousand) was assessed, which has been recorded under "provisions". Before offsetting plan assets totalling EUR 18,727 thousand (prior year: EUR 16,280 thousand), pension obligations for the current year amounted to EUR 18,885 thousand (prior year: EUR 16,351 thousand).

The difference between costs and fair value of plan assets regarding pensions and old-age assets are subject to a distribution restriction in accordance with Section 268 (8) HGB in an amount of EUR 464 thousand (previous year: EUR 12 thousand).

Net interest results include EUR 365 thousand (prior year: EUR 229 thousand) income resulting from gains in pension plan assets and EUR 826 thousand (prior year: EUR 725 thousand) expenses due to discounting of pension obligations.

Other provisions

Other provisions amount to EUR 29,682 thousand (previous year: EUR 16,340 thousand), and mainly consist of the following:

	2013 EUR'000	2012 EUR'000
Accruals	9,948	5,352
Rebuilding costs provision	7,396	5,178
Provision for anniversary and death payment benefits (previous year also: old-age payment benefits)	601	2,383
Provision for onerous contracts	5,838	0
Provision for valuation units	3,786	1,373
Employee bonuses	819	700
Employees liability insurance association costs	389	445
Holiday leave not taken yet/ settlement obligations	128	176
Redundancy provision	485	0
Total	29,390	15,607

The increase in provisions for rebuilding costs is mainly due to the merger of the two biomass power plants with an existing obligation of EUR 2,000 thousand on the effective date of the merger.

The redundancy provision of EUR 485 thousand is related to the management decision of Statkraft AS and Statkraft Markets GmbH to put the gas-fired power plant in Landesbergen in cold reserve in March 2013.

Provisions for onerous contracts included expected losses on the acquired power purchase agreement with Kraftwerkgesellschaft Herdecke mbH & Co. KG, Hagen (EUR 3,277 thousand) and the gas supply agreement with Wingas GmbH, Kassel (EUR 1,240 thousand) (see also paragraph **Other liabilities**).

Liabilities

The liabilities are due within one year, with exception of the liabilities from loans from group companies of EUR 255,000 thousand (previous year: EUR 255,000 thousand), which fall due after five years.

Liabilities to affiliated companies are as follows:

	2013 EUR'000	2012 EUR'000
Trade payables	73,629	88,455
Liabilities from loans from group companies	255,000	359,000
Liabilities from transfer of losses	71	221,578
Liabilities from cash pool against Statkraft AS, Oslo	0	28,472
Liabilities to shareholder Statkraft Germany GmbH – profit and loss transfer agreement	16,050	0
Liabilities to shareholder Statkraft Germany GmbH – trade payables	1,955	952
Total liabilities to affiliated companies	346,705	698,457

Other liabilities

In fiscal year 2013, the company agreed to acquire the contractual rights and obligations of a gas purchase agreement with Wingas GmbH, Kassel and a power purchase agreement with Kraftwerksgesellschaft Herdecke mbH & Co. KG, Hagen from two affiliated companies. The gas purchase agreement runs until September 2017, the power purchase agreement until the end of 2022. For the acquisition of the gas purchase agreement, Statkraft Markets GmbH received EUR 66,787 thousand and EUR 94,364 thousand for the acquisition of the power purchase agreement. Both values reflect the expected future losses from these agreements as at the time of the transfer. During 2013, the obligations diminished by the delivered volume without affecting profit and loss. A revaluation as at 31 December 2013 based on current market conditions showed that additional risk provisions needed to be raised. These provisions have been booked and are disclosed under other provisions as provisions for onerous contracts.

Furthermore, during 2013 the company was recompensed to take on a long term obligation to acquire environmental certificates. The obligation resulting from this transaction amounts to EUR 15.1 million and is disclosed under other liabilities.

The following table shows the details of other liabilities at the balance sheet date:

	2013 EUR'000	2012 EUR'000
Liabilities power purchase agreement	85,948	0
Liabilities gas purchase agreement	47,824	0
Liabilities from environmental certificate purchase agreements	15,133	0
Securities received from counterparties	61,856	26,749
Early completion bonus Siemens AG, Energy Sector, Erlangen	4,500	0
Tax liabilities	324	248
Total other liabilities	215,585	26,997

The securities received mainly consist of variation margins, which cover the exposure of open exchanged price referenced positions.

Other financial obligations

Obligations relating to the gas purchase agreement have a residual term of four years and amount to EUR 610,862 thousand. Obligations relating to the long-term power purchase agreement amount to EUR 260,989 thousand.

Obligations from long-term service agreements amount to a total of EUR 33,835 thousand.

Obligations from tenancy leases and leasing agreements amount to EUR 19,702 thousand (previous year: EUR 8,646 thousand) as at 31 December 2013. Of this amount, EUR 1,769 thousand (previous year: EUR 1,168 thousand) falls due within one year and EUR 12,340 thousand (previous year: EUR 3,953 thousand) after five years.

Statkraft Markets GmbH issued a guarantee of EUR 2,000 thousand to the Bulgarian State Energy and Water Regulatory Commission relating to liabilities of Statkraft South East Europe EOOD, Sofia / Bulgaria pursuant to electricity supply contracts within Bulgaria. The liabilities of Statkraft South East Europe EOOD, Sofia / Bulgaria, from electricity supply contracts within Bulgaria amount to EUR 4 thousand as at 31 December 2013.

The company believes that the liable subsidiary is able to fulfil all of its obligations with the existing assets and funds it has currently available. The risk that the guarantee will be executed is therefore considered to be unlikely.

EXPLANATORY COMMENTS ON THE INCOME STATEMENT

Sales

Sales revenues in the past fiscal year amounted to EUR 19,095,755 thousand (previous year: EUR 20,836,041 thousand) and were distributed as follows:

	2013 EUR'000	2012 EUR'000
Electricity	13,143,982	15,698,375
Gas	3,951,762	4,040,149
Emissions and green certificates	2,000,010	1,096,788
Other services to customers	1	729
Total revenues	19,095,755	20,836,041

Classified by regional markets, sales are distributed as follows:

	2013 EUR'000	2012 EUR'000
Germany	13,513,764	15,496,920
Great Britain	4,207,336	4,073,434
Netherlands	531,009	291,384
France	415,589	416,013
Switzerland	74,400	38,173
Belgium	59,236	116,270
Italy	59,141	69,641
Slovenia	31,451	40,481
Hungary	32,402	31,472
Bulgaria	28,244	836
Estonia	25,490	16,684
Greece	20,799	9,138
Luxembourg	18,462	17,842
Czech Republic	16,767	46,284
Denmark	14,430	6,672
Poland	10,901	5
Austria	6,698	59,415
Turkey	6,413	2,330
Norway	6,154	71,420
Romania	2,803	14,527
USA	1,666	10,569
Other	12,600	6,531
Total revenues	19,095,755	20,836,041

Other operating income

Other operating income amounted to EUR 58,502 thousand (previous year: EUR 62,173 thousand) and consists of the following:

	2013 EUR'000	2012 EUR'000
Recharging of internal costs for projects and services to group companies:	6,539	8,837
to investments:	0	4,289
Currency exchange gains*	47,653	40,007
Gains from release of provisions from prior periods	688	4,399
Other	3,622	4,641
Total other operating income	58,502	62,173

* thereof EUR 2,337 thousand (previous year: EUR 1,209 thousand) unrealised currency exchange gains.
No other income from other periods has been recognised.

Depreciation and amortisation of fixed intangible assets and tangible assets

Additions to accumulated depreciation on fixed tangible assets mainly include scheduled depreciation. In 2012, additions to accumulated depreciation on fixed tangible assets include unscheduled depreciation of the gas-fired power

plants at the sites in Knapsack, Emden and Landesbergen of EUR 63,243 thousand in addition to ordinary depreciation.

Other operating expenses

Other operating expenses comprise the following:

	2013 EUR'000	2012 EUR'000
Legal and consultancy fees	5,357	6,460
Rent, repair and similar costs	13,570	7,319
Services for power plants	1,185	737
Expenses from group companies	53,139	52,919
Currency exchange losses*	41,341	39,793
IT-related expenses	1,506	2,485
Marketing and information costs	2,281	1,929
Travel expenses	297	454
Expenses for telephone and data transmission	1,015	1,257
Membership fees	244	184
Guarantee costs	552	389
Expenses for external employees	264	1,100
Other	5,646	3,811
Total other operating expenses	126,397	118,837

* thereof EUR 1,296 thousand (previous year: EUR 822 thousand) unrealised currency exchange losses

The group service expenses of EUR 53,139 thousand (previous year: EUR 52,919 thousand) include fees of EUR 16,478 thousand (previous year: EUR 16,092 thousand) from the service agreement with Statkraft Trading GmbH. EUR 12,022 thousand (previous year: EUR 8,879 thousand) relate to expenses from the service agreement with Statkraft Germany GmbH.

Income from other loans

In 2012, interest income from other loans is disclosed in this item.

Interest and similar expenses

Interest expense for fiscal year 2013 of EUR 13,628 thousand (previous year: EUR 13,948 thousand) includes accrued interest totalling EUR 3,643 thousand (previous year: EUR 0 thousand) on other liabilities related to gas and power purchase agreements. Interest expense on accrued pension liabilities amounts to EUR 826 thousand (previous year: EUR 725 thousand), and additional interest on accrued other provisions totals EUR 170 thousand (previous year: EUR 174 thousand).

Extraordinary income

The extraordinary income of EUR 42,864 thousand results from the merger of the biomass entities and is derived mainly from the positive difference between the net asset acquired and the book value of the investment (EUR 15,536 thousand) as well as the adjustment of the acquired liabilities to the net present value (EUR 26,222 thousand).

Extraordinary expenses

The extraordinary expense of EUR 43,033 thousand is completely due to the restatement of the fixed asset from the book value to the net present value.

Taxes on income

Taxes on income amount to EUR –63 thousand (previous year: EUR 600 thousand). This relates to refunds of corporate income tax for 2007 and 2008 due to the merger of the biomass entities. In 2012, EUR 400 thousand related to corporate income tax and EUR 200 thousand to municipal trade tax for the years 2005 to 2008.

OTHER INFORMATION

Auditor fees

The total fee charged by the auditors Deloitte & Touche GmbH for fiscal year 2013 is EUR 215 thousand (previous year: EUR 201 thousand) and relates to the audit of the financial statements only (previous year: EUR 195 thousand for the audit of financial statements and EUR 6 thousand for other attestation services).

Management

The managing directors holding sole powers of representation are Dr Torsten Amelung (Chairman), Düsseldorf and Dr Gundolf Dany (Operations & Maintenance), Pulheim.

The managing directors with joint powers of representations are Dr Jürgen Tzschoppe (Continental Energy), Düsseldorf; Stefan-Jörg Göbel (Trading & Origination), Düsseldorf; Inger S. Andersen (Finance), Oslo/Norway and Ivar Arne Børset (IT), Oslo/Norway.

The managing directors perform the duties and responsibilities of the divisions shown above as their full-time occupations within the Statkraft Group.

Total remuneration paid to the management

The company has decided to exercise the option of the protective clause of Section 286 (4) HGB with respect to the remuneration paid to management. Only one managing director, Dr Gundolf Dany, received remuneration from the company in fiscal year 2013.

Employees

The company had an annual average of 175 employees during the reporting period (previous year: 192).

Group affiliation

The company's annual financial statements are included in the consolidated financial statements of Statkraft AS, Oslo/Norway, as of 31 December 2013 (smallest group of consolidated entities). The largest group of consolidated entities in which

the company is included is the consolidated financial statements of Statkraft SF, Oslo/Norway. The management intends to file the consolidated financial statements of Statkraft AS, prepared in accordance with the International Financial Reporting Standards (IFRS), in German with the online version of the Bundesanzeiger (German Federal Gazette) according to the relevant provisions for consolidated financial statements and consolidated management reports pursuant to Section 291 HGB. In this case, Statkraft Markets GmbH will not be obligated to prepare its own consolidated financial statements and a consolidated management report according to Section 290 HGB.

Deviations from German legal requirements with respect to the annual financial statements of Statkraft Markets GmbH can arise in the field of fixed assets due to different definitions of useful life, on account of different valuations of goodwill, pension provisions and pending transactions and the creation of provisions for deferred taxes thereon from the application of varying accounting and valuation methods.

Proposal for appropriation of profit

The accumulated profit for the year will be absorbed by the sole shareholder, Statkraft Germany GmbH, pursuant to the controlling and profit and loss transfer agreement. The net income that will be disclosed for the year therefore amounts to EUR 0 thousand.

Düsseldorf, 30 April 2014



Dr Torsten Amelung
Managing Director



Ivar Arne Børset
Managing Director



Stefan-Jörg Göbel
Managing Director



Inger S. Andersen
Managing Director



Dr Gundolf Dany
Managing Director



Dr Jürgen Tzschoppe
Managing Director

FIXED ASSETS MOVEMENT

	Gross book value					
	As per 1.1.2013 EUR	Additions through merger EUR	Additions EUR	Transfer EUR	Disposals EUR	As per 31.12.2013
Intangible assets						
Software	2,382,038.92	578,048.44	765,706.51	6,533,607.91	0.00	10,259,401.78
Goodwill	11,779,877.84	0.00	0.00	0.00	0.00	11,779,877.84
	14,161,916.76	578,048.44	765,706.51	6,533,607.91	0.00	22,039,279.62
Tangible assets						
Land, leasehold rights and buildings	37,213,481.77	5,981,152.98	3,528,134.97	50,259,536.56	0.00	96,982,306.28
Technical equipment, plant and machinery	274,546,572.24	86,408,302.88	31,360,887.56	275,577,034.07	22,446.96	667,870,349.79
Other equipment, fixtures, fittings and equipment	11,354,443.58	1,368,445.03	1,366,593.47	1,296,581.26	795,158.88	14,590,904.46
Plant and machinery under construction	336,692,344.89	69,869.43	3,433,503.53	-333,666,759.80	0.00	6,528,958.05
	659,806,842.48	93,827,770.32	39,689,119.53	-6,533,607.91	817,605.84	785,972,518.58
Financial assets						
Shares in affiliated companies	236,402,220.46	0.00	88,213,001.00	18,594,738.05	80,094,739.05	263,115,220.46
Investments	18,594,737.05	0.00	1.00	-18,594,738.05	0.00	0.00
Loans due from other group companies	0.00	0.00	8,449,999.00	15,299,999.00	23,749,998.00	0.00
Loans to associated companies	10,800,000.00	0.00	4,499,999.00	-15,299,999.00	0.00	0.00
	265,796,957.51	0.00	101,163,000.00	0.00	103,844,737.05	263,115,220.46
	939,765,716.75	94,405,818.76	141,617,826.04	0.00	104,662,342.89	1,071,127,018.66

Accumulated depreciation							Net book value	
	As per 1.1.2013 EUR	Additions through merger EUR	Additions ¹ EUR	Transfer EUR	Disposals EUR	As per 31.12.2013 EUR	As per 31.12.2013 EUR	As per 31.12.2012 EUR
	1,069,805.81	333,984.87	781,427.45	3,227,038.73	0,00	5,412,256.86	4,847,144.92	1,312,233.11
	11,779,877.84	0.00	0.00	0.00	0,00	11,779,877.84	0.00	0.00
	12,849,683.65	333,984.87	781,427.45	3,227,038.73	0,00	17,192,134.70	4,847,144.92	1,312,233.11
	26,261,382.05	1,617,340.56	6,243,578.09	26,341,572.51	0.00	60,463,873.21	36,518,433.07	10,952,099.72
	157,309,086.34	48,431,143.05	56,941,647.05	138,796,789.51	9,352.91	401,469,313.04	266,401,036.75	117,237,485.90
	7,187,291.50	990,545.41	1,923,562.11	10,474.61	711,985.57	9,399,888.06	5,191,016.40	4,167,152.08
	170,838,041.05	0.00	283,755.12	-168,375,875.36	0.00	2,745,920.81	3,783,037.24	165,854,303.84
	361,595,800.94	51,039,029.02	65,392,542.37	-3,227,038.73	721,338.48	474,078,995.12	311,893,523.46	298,211,041.54
	10,000.00	0.00	0,00	18,594,737.05	18,594,737.05	10,000.00	263,105,220.46	236,392,220.46
	18,594,737.05	0.00	0,00	-18,594,737.05	0.00	0.00	0.00	0.00
	0.00	0.00	7,914,999.00	15,056,999.00	22,971,998.00	0.00	0.00	0.00
	10,800,000.00	0.00	4,256,999.00	-15,056,999.00	0.00	0.00	0.00	0.00
	29,404,737.05	0.00	12,171,998.00	0.00	41,566,735.05	10,000.00	263,105,220.46	236,392,220.46
	403,850,221.64	51,373,013.89	78,345,967.82	0.00	42,288,073.53	491,281,129.82	579,845,888.84	535,915,495.11

¹ of which EUR 43,032,804.87 are disclosed as extraordinary expenses

INDEPENDENT AUDITOR'S REPORT

We have audited the annual financial statements – comprising balance sheet, income statement and notes – and including the accounting, and the management report of Statkraft Markets GmbH, Düsseldorf, for the fiscal year from 1 January to 31 December 2013. The accounting and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the management of the company. It is our responsibility to form an opinion, based on our audit, on those annual financial statements, including the accounting, and the management report.

We conducted our audit of the financial statements in accordance with Section 317 HGB, taking into consideration the German standards of auditing issued by the Institut der Wirtschaftsprüfer. These standards require that we plan and perform the audit to obtain reasonable assurance that any errors and irregularities which would materially affect the representation of the assets, liabilities, financial position and profit and loss shown in the annual financial statements with due regard to generally accepted accounting standards, and in the management report, would be recognised. In determining the audit actions, we gave consideration to our knowledge of the business activities and the economic and legal environment of the company as well as to our expectations of possible errors. The scope of the audit also includes, primarily on a test basis, an assessment

of the effectiveness of the internal controlling system related to the accounting as well as of the evidence for the amounts and disclosures in the accounting, financial statements and management report. The audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall presentation of the financial statements and the management report. We believe that our audit provides an adequately assured basis for our opinion.

Our audit did not reveal any reasons for objection.

In our opinion, based on our findings during the audit, the annual financial statements of Statkraft Markets GmbH, Düsseldorf, are in conformity with legal statutes and, with due regard to the generally accepted accounting principles, give a true and fair view of the company's assets, liabilities, financial position and profit and loss. The management report is consistent with the annual financial statements, gives overall a true and fair view of the company's position and accurately describes the opportunities and risks of future developments.

Düsseldorf, 30 April 2014

Deloitte & Touche GmbH
Chartered Accountants

(Hölscher)
German Public Auditor

(Franken)
German Public Auditor



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