





FROM NEWCOMER TO A CONSTANT PARTNER

In late August 1998, a handful of Statkraft employees from Norway came to Amsterdam to establish Statkraft's first energy trading office in continental Europe. Only one year later, the office in Düsseldorf was set up, ready to serve Germany as the largest European power market.

From the very beginning, Statkraft contributed actively to the sometimes slow process of full power and gas market liberalisation. Step by step, the company's traders and originators convinced counterparties, customers and other stakeholders that energy trading makes sense commercially and for the industry as a whole. Within a few years, it became an important player in the market.

Thanks to the workmanship of top-qualified people and their expertise, Statkraft was able to continually develop new trading products, develop new business partners and become profitable.

Apart from trading on the energy spot and forward markets, Statkraft has developed green energy products, cross-border trading, origination and structured energy products, sometimes taking over the risk and management of complete power stations for partners. In the field of what is known as "Direct Marketing", a market access service for renewable assets, Statkraft is now handling a capacity of more than 8,900 MW of renewable energy.

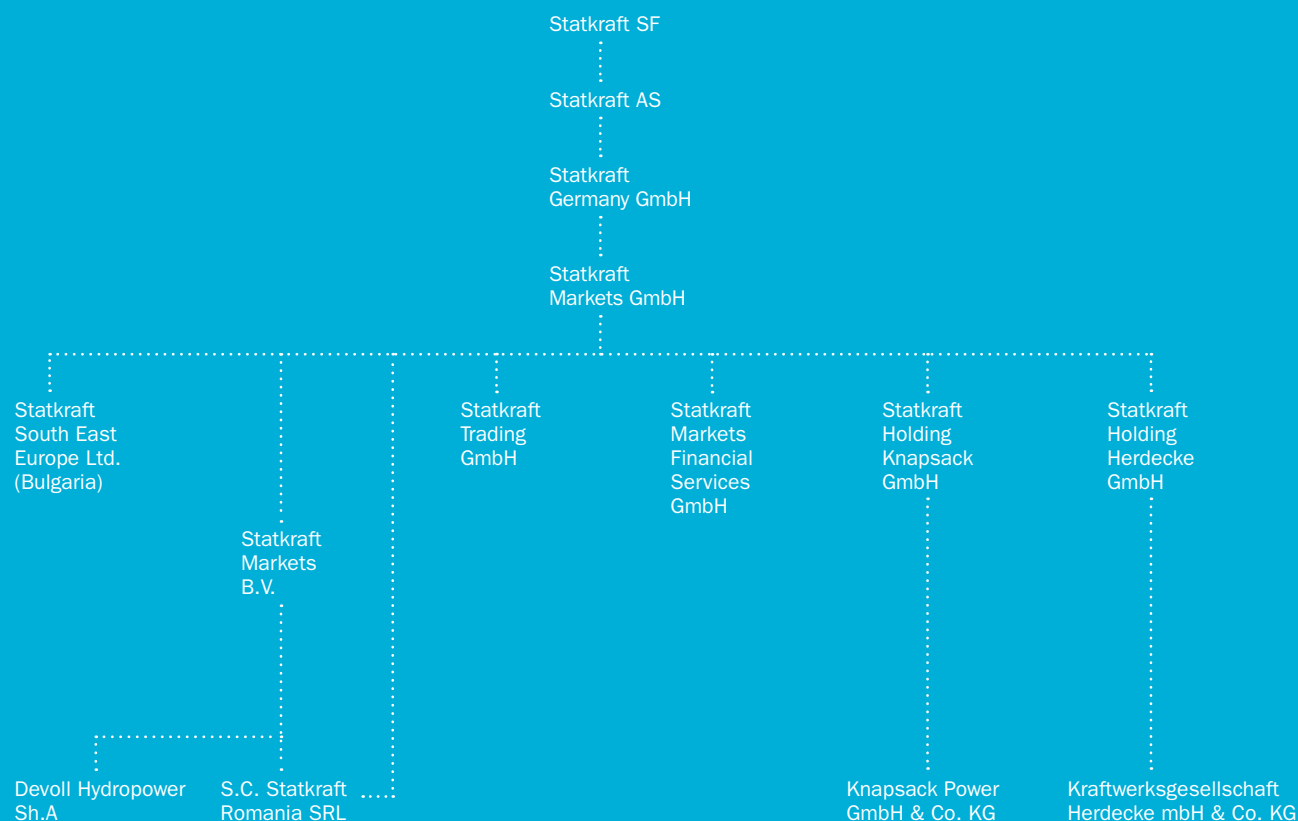
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KEY INDICATORS

Key indicators of Statkraft Markets GmbH

Values in EUR million	2014	2013	2012	2011
Sales revenue	16,429.6	19,095.7	20,836.0	15,058.6
EBIT	163.5	28.1	-61.6	-162.6
Profit before taxes	87.0	16.3	-295.1	-165.6
Profit after taxes	85.2	16.1	-295.8	-163.0
Cash flow from continuous operations	39.3	94.0	-20.4	6.6
Cash and cash equivalents	73.5	68.1	51.3	23.5
Net working capital	156.4	83.4	131.4	274.8
Balance sheet total	1,482.9	1,415.6	1,549.1	1,095.4
Equity	410.8	410.8	410.8	410.8
Equity ratio (%)	27.7	29.0	27.0	37.5
Number of employees	174	179	190	211

Corporate structure



MANAGEMENT REPORT

FOR FISCAL YEAR 2014

COMPANY FUNDAMENTALS

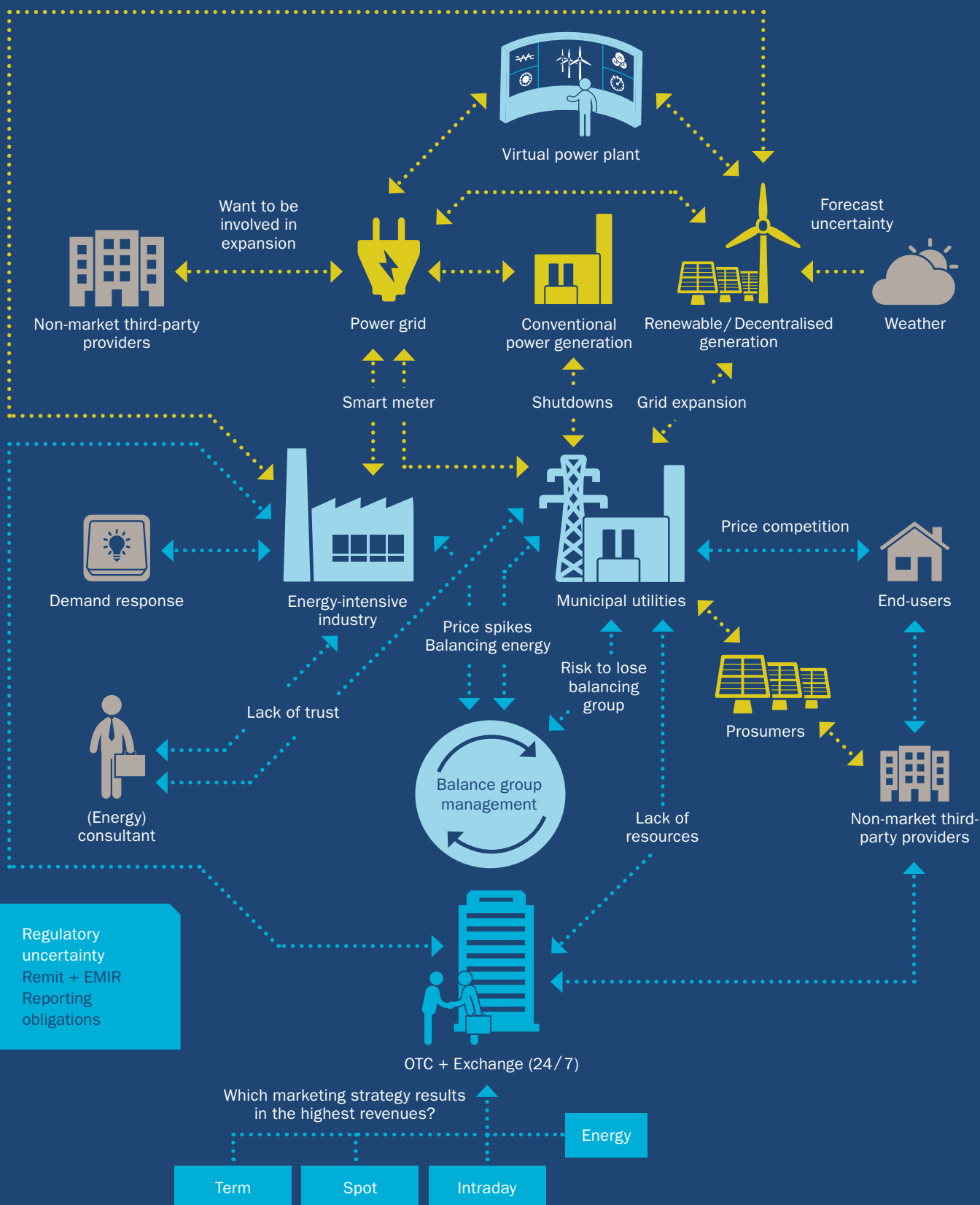
BUSINESS MODEL

Statkraft Markets GmbH (hereinafter referred to as “Statkraft”) is a company of the Statkraft Group, Europe’s largest producer of renewable energy. The Group generates and develops hydropower, wind power, gas power and district heating, and is a significant player on European energy exchanges, with expertise in physical and financial energy trading. The Statkraft Group also has a strong commitment to innovation.

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

Statkraft, along with its subsidiaries and associates, has a generation capacity of 2,380MW from gas-fired plants, 262MW from hydropower and 40MW from biomass plants. In 2013, a new gas-fired plant in Knapsack came into operation, adding 430MW to the generating capacity. In 2012 and 2013, gas-fired plants in Emden and Landesbergen, with capacities of 450MW and 500MW respectively, were put into cold reserve due to a lack of profitability.

ARE YOU CLUED-IN ON THE ELECTRICITY MARKET?

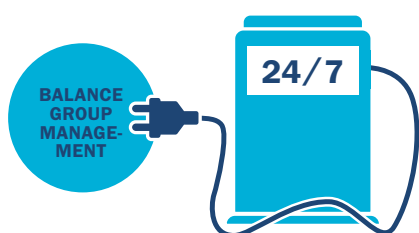


STATKRAFT MAKES ELECTRICITY TRADING EASY

Statkraft has many years of experience in electricity trading and supports customers' procurement activities in term, spot and intraday trading – 24 hours a day, 7 days a week, 365 days a year.



Statkraft StromTankstelle



Statkraft StromTankstelle brings balance to each balance group.

Statkraft manages balance groups

- 15-minute granularity
- 24/7 – including weekends
- Easy transfer of positions

Advantages of Statkraft StromTankstelle

- Balance group safety
- Compliance with statutory requirements
- No additional staff necessary
- Cost reductions due to intraday-trading opportunities
- Full service from a single source

Statkraft StromFlex



Statkraft StromFlex markets flexibility in a highly volatile market 24 hours a day at requested conditions.

Statkraft trades flexibility

- Fast reactions to price movements
- 24/7 – including weekends
- Constant intraday trading
- Easy transfer of flexibility and volume
- Electricity sale at requested prices
- Electricity purchase at low prices

Advantages of Statkraft StromFlex

- Significant additional revenues possible
- No additional staff necessary
- Partner with experienced intraday-trading team

MARKET DEVELOPMENT

In comparison to 2013, power prices in Germany were lower for most of the year, due to increasing supply from renewables. The average spot price (base) on the European Energy Exchange (EEX) closed at EUR 32.8/MWh, EUR 5.0/MWh lower than in 2013 (avg. EUR 37.8/MWh). Compared with average prices between 2009 and 2013, the 2014 price in Germany was approximately 24% lower. The EEX price for peak hours (peak load from 8 am to 8 pm on working days) reached an annual average of EUR 41.1/MWh, EUR 7.7/MWh lower than in 2013 (annual average of EUR 48.8/MWh).

Gas prices developed in a similar fashion in 2014 and were on average EUR 6.1/MWh lower than in 2013. Prices at the NCG virtual trading point (NetConnect Germany) were EUR 21.1/MWh in 2014. This was mainly due to a decrease in demand.

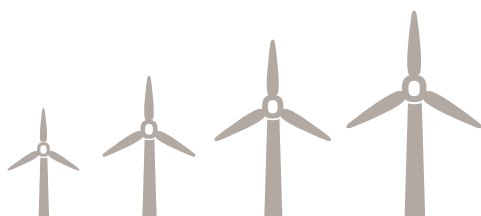
However, prices increased in the emissions market due to stronger demand. While spot prices in 2013 were EUR 4.5/ton on average, the average in 2014 was EUR 6/ton and, in December 2014, the market closed at EUR 7/ton.

As a consequence of the development of electricity, gas and emissions prices, the low margins for gas-fired power plants continued to decline in 2014, which in turn had a negative impact on the earnings of gas-fired power plants. With low CO₂ and coal prices, coal-fired power plant operators continue to hold a crucial competitive advantage, and they were predominantly used to fill the electricity supply gap between renewable and nuclear generation and electricity demand.

Yet modern gas-fired power plants will be needed in the future, particularly after 2022, when the remaining nuclear power plants in Germany will go offline. 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, in the long term, some form of support scheme will be necessary to ensure that sufficient capacity is in place to balance fluctuating power supplies from renewables.

With the German Renewable Energy Act (EEG) coming into effect on 1 August 2014, direct marketing is compulsory for all new renewable energy power plants that want to obtain funding through the EEG scheme. This endorses this new business area and ensures its long-term existence. Statkraft remained the German market leader in this area in 2014 with a contracted direct marketing portfolio of renewable power of more than 8,900 MW. Approximately 90% of this portfolio is remotely controlled from Statkraft's Dispatch Centre in Düsseldorf. Contract extensions were negotiated with existing direct marketing customers in October and November 2014, and most contracts have been extended successfully. Margins, however, remain under pressure due to strong competition and the further reduction of the management fee regulated by the EEG funding regime.

Statkraft has more than
8,900 MW
of renewable energy in its
direct marketing portfolio.
Approximately **90%**
of all renewable energy plants
are remote operated controllable.



BUSINESS DEVELOPMENT

The margins for gas-fired power stations in Germany decreased from already low levels in 2013. Furthermore, low CO₂ and coal prices are currently making gas-fired generation uncompetitive compared to coal-fired generation.

Hydropower and energy trading contributed positively to net earnings. The marketing of renewable energy in the United Kingdom and in Germany continued to expand in 2014. Statkraft Markets GmbH belongs to one of the leading portfolio management companies and service providers in this field.

In January 2014, management decided to sell Statkraft Markets GmbH's shares in Statkraft Markets B.V., Amsterdam, Netherlands, to Statkraft Asset Holding AS, Oslo, Norway, an affiliated company. This transaction generated a profit of EUR 68.7 million.

Trading & Origination

Trading & Origination activities delivered higher results in 2014 compared to the previous year. Though sales declined due to lower volumes and prices, higher margins led to improved performance. The results of the other business areas varied.

The market remains characterised by considerable overcapacity in European power generation. The weather has a stronger impact on short-term pricing. Politics has significant influence on the expectations of the market. Discussions about capacity markets, shutdowns of coal-fired plants, intervention in the CO₂ market and measures by transmission system operators and the Federal Network Agency to secure supply are some of the factors involved.

Cross-border arbitrage, where Statkraft buys power in one country and sells it in another using auctioned transmission capacity, was considerably restricted in 2014. This was due to the introduction of European market coupling. Business subsequently declined significantly despite the fact that long-term cross-border supply is still possible. In extreme cases, it is also conceivable that market coupling will fail and grid operators will again have to resort to capacity allocation. For this reason, internal processes and infrastructure will be adjusted gradually after careful deliberation.

In 2014, Statkraft Markets GmbH was able to continue the successful trading of structured power and energy products. The company invested in analysis and valuation models to record changes in the energy market.

In the market premium model, investors keep the same price guarantee as in the feed-in tariff scheme, but are given additional incentives to improve their forecasts and to measure, balance and control their production. Since most investors lack resources and experience in this field, they tend to outsource these services. Statkraft offers a full-service package that provides investors with relatively risk-free participation in the market premium scheme. Statkraft Markets GmbH performed direct marketing services for more than 8,900 MW of renewable energy in Germany at the end of 2014.

During 2014, competition for energy supply agreements for 2015 intensified and margins to cover imbalances in the grid and administrative costs declined even further. Statkraft will strive to compensate for this by standardising processes, improve forecasting and optimize the dispatch of the power generated by renewable plants with remote control access. As remote control became obligatory in 2015, intense efforts were made in 2014 to support customers in implementing their remote control solutions. Remote control could also offer plant operators new sources of income, for example from reserve markets. The technical challenges have already been mastered, but products and services can only be offered once the transmission system operators have defined their requirements for balancing power from renewable energy sources.

In the UK, Statkraft continues to offer long-term route-to-market services, such as power purchase agreements (PPAs) for renewable energy generators. We continued to expand our portfolio and now have around 80 customers. Our portfolio currently includes wind power, biomass and solar installations.

Trading of renewable energy and its certificates provided a positive contribution in 2014. 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 via European certification schemes as well as regional certification systems in the UK, Italy and Poland.

Statkraft continued trading emission certificates in 2014. Statkraft actively trades all leading CO₂ certificates and provides them to companies wanting to comply with the EU ETS (European Union Emission Trading Scheme) requirements. With the emergence of new CO₂ markets around the world, international activities are becoming increasingly important. Statkraft has a leading position in this regard, for example through its involvement in BPMR (Business Partnership for Market Readiness).

The wholesale trading market in Turkey has been developing favourably, and Statkraft gained a significant foothold in Turkey in 2014. Trading in South East and Eastern Europe has remained stable at a low level and is strategically important to the company as the Statkraft Group constructs power plants in Albania and Turkey.

Statkraft has implemented the financial and energy market regulations introduced by the EU. It fully complies with the regulations according to EMIR (European Market Infrastructure Regulation). Processes to reconcile portfolios and resolve disputes have been agreed and implemented with trading partners. Daily reporting to trade repositories in accordance with EMIR is taking place.

In order to comply with REMIT guidelines (Regulation on wholesale Energy Market Integrity and Transparency), a compliance structure has been established where all employees are trained and monitoring measures were introduced. Systems and processes are being established and updated to fulfil disclosure obligations. The company is currently working on implementing processes to comply with the registration and reporting obligations under REMIT, which begins in 2015.

Energy Management

In 2014, the market for power plant dispatch and production marketing exhibited very low margins and little price volatility. The spark spread, the margin arising from the energy price along with the gas price and CO₂ price, remained at extremely low levels. As a result, the profitability of Statkraft's gas-fired plants Knapsack I and II and of the investment company Kraftwerks-gesellschaft Herdecke mbH & Co. KG remained poor.

Total output was 1.0 TWh in 2014 compared to 1.6 TWh in the previous year. A percentage of the production volumes equal to the ownership is taken into account where Statkraft owns a share of the plant, while production of fully owned plants is taken into account at 100%.

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

We also assessed the carrying amount of the gas-fired plants and investments in affiliated companies in 2014 based on the market environment and cost structures, and found that a EUR 62million impairment on the shares in Knapsack Power GmbH & Co. KG was necessary. This impairment is reflected in expenses from loss absorption. The impairment on the shares in Knapsack Power GmbH & Co. KG is a result of ongoing operating losses. It is recognised by Statkraft Holding Knapsack GmbH and is therefore disclosed in the expense from loss absorption.

The services in Energy Management were further expanded to include Germany, the UK and Turkey. Statkraft Markets GmbH already manages a large portfolio of wind farms in the UK.

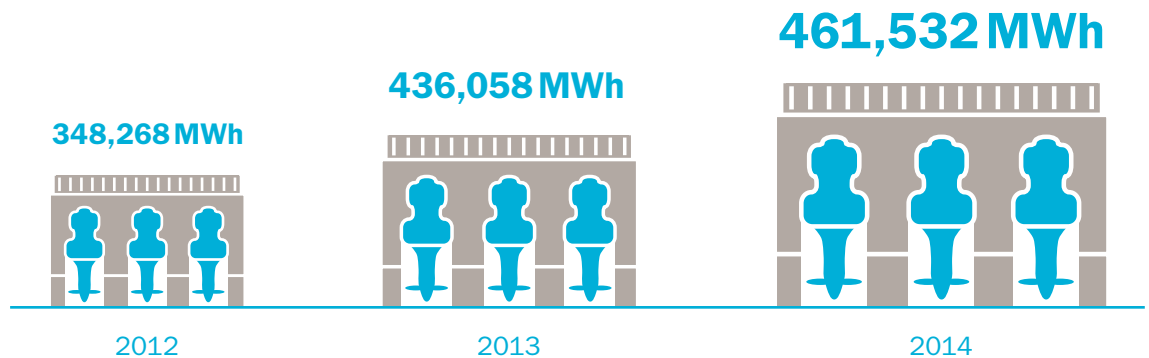
In addition, high power generation of approximately 19.4% above the long-term average was achieved in the run-of-river power station segment in 2014 due to a steady supply of water and high availability. This subsequently led to improved results for the segment. The availability of the Erzhausen pumped storage power station was high, and the plant made a significant contribution to earnings in 2014.

At the Landesbergen and Emden sites, the focus was on consistently pursuing various improvement measures to optimise the sole operation of the biomass plants at these locations. Very good availability was achieved notwithstanding maintenance work on both boilers. Along with various smaller technical measures, an overhaul of the hydroelectric generating set was successfully carried out at the Erzhausen pumped storage power station. There were no major technical problems in 2014.

In 2013, the company reached an agreement with two affiliated companies for the transfer of rights and liabilities from a gas supply agreement and an electricity supply agreement. Statkraft Markets GmbH received EUR 161.2million for the transfer of the agreements. This amount reflects the transfer of expected losses at the time. In the current fiscal year, amendments to the agreements resulted in the reduction of the assumed liabilities which have an impact on profit or loss. In addition to this, liabilities were released to offset realised losses on electricity and gas deliveries from the acquired contract, without effecting the profit or loss.

As of 1 December 2014, Statkraft Markets GmbH established a tolling agreement with Knapsack Power GmbH & Co. KG. Under this agreement, Knapsack Power GmbH & Co. KG gives Statkraft Markets GmbH access to its gas-fired power plant capacities and in return receives a fixed monthly compensation and is reimbursed variable costs. The agreement is valid until 2032. This agreement aims to optimize the dispatch of power plants and the related administrative activities. Future profits from the operation of the plant will remain with Statkraft Markets GmbH. Management anticipates that this agreement will lead to losses in the short term, but will generate profits in the long term.

Hydropower generation in Germany



Since 2012, energy generation by run-river and pump-storage power plants in Germany has grown by one-third.

OPERATING RESULT

Sales declined from EUR 19.1 billion in 2013 to EUR 16.4 billion in 2014 mainly due to lower prices. The electricity trading business contributed EUR 10.2 billion (EUR 13.1 billion in the previous year), and the traded volume declined slightly from 280 TWh in 2013 to 268 TWh in 2014. Gas trading contributed EUR 3.9 billion (EUR 4.0 billion in the previous year), and sales of emissions and green certificates rose from EUR 2.0 billion in 2013 to EUR 2.3 billion in 2014 due to higher prices. The largest change in revenue by region was registered in Germany and the Netherlands, amounting to EUR 10.4 billion (EUR 13.5 billion in the previous year) and EUR 1.0 billion (EUR 0.5 billion in the previous year) respectively.

The gross margin (defined as revenues less material costs) increased from EUR 208.0 million in 2013 to EUR 342.6 million in 2014, including gains from currency transactions relating to Trading & Origination amounting to EUR 45.1 million (EUR 47.7 million in the previous year). Adjusting for this effect, the gross margin amounts to EUR 297.5 million in 2014 compared with EUR 160.3 million in the last year. This increase is due to the realised gain (EUR 68.7 million) from the disposal of shares in Statkraft Markets B.V., Amsterdam, Netherlands, to an affiliated company, Statkraft Asset Holding AS, Oslo, Norway, and the improved results from Trading & Origination as well as energy management activities of EUR 68.5 million compared to the previous year.

Personnel costs fell from EUR 18.2 million in 2013 to EUR 17.7 million in 2014, and salaries declined by EUR 1.5 million year on year due to one-off restructuring costs in 2013. Social insurance contributions and expenses for employee retirement benefits increased by EUR 1.0 million to EUR 7.2 million because of higher pension provisions.

Other operating expenses are comprised as follows:

	2014 EUR million	2013 EUR million
Foreign exchange losses	40.2	41.3
IT related services	1.2	1.5
Legal advice and consultancy costs	4.7	5.3
Rent, repair and similar costs	22.5	13.6
Group services	63.8	53.1
Other	8.0	11.6
Other operating expenses	140.4	126.4

Other operating expenses increased from EUR 126.4 million in 2013 to EUR 140.4 million in 2014. This is due to higher rent, repair and similar costs of EUR 8.9 million and a EUR 10.7 million increase in Group service expenses. The higher rent, repair and similar costs are largely related to additional maintenance costs at the biomass and hydropower plants, while the increase in Group services is due to higher cost transfers in connection with personnel services and salaries. However, this was offset by the EUR 1.1 million drop in foreign exchange losses to EUR 40.2 million.

Statkraft Markets GmbH's financial result was negative in 2014 at EUR –76.5 million compared to EUR –23.8 million in the previous year. This is due to higher expenses for the transfer of losses amounting to EUR 62.1 million. These in turn are related to the impairment of the shares in Knapsack Power GmbH & Co. KG at Statkraft Holding Knapsack GmbH level.

Interest expenses of EUR 18.6 million primarily relate to EUR 7.7 million of interest for a long-term intergroup loan of EUR 255.0 million and guarantee fees amounting to EUR 7.3 million.

The operating result from ordinary business activities is positive and amounts to EUR 87.0 million. The higher gross margins in Trading & Origination and Energy Management led to an improvement of EUR 16.5 million in the operating result compared to the previous year.

The positive earnings after tax of EUR 85.2 million will be transferred to the sole shareholder, Statkraft Germany GmbH, under the profit and loss transfer agreement which has been in place since 1 January 2009. As a result, there will be no changes to the equity or capital reserves of Statkraft Markets GmbH.

NET ASSET AND FINANCIAL POSITION

Cash flow for 2014 and 2013 was as follows:

	2014 EUR million	2013 EUR million
Cash flow from operating activities	39.3	94.0
Net cash flow from investment activities	119.7	-80.1
Net cash flow from financing activities	-16.1	191.8
Net increase/(decrease) in cash	142.9	205.7
Cash and cash equivalents as of 01.01	232.2	26.5
Cash and cash equivalents as of 31.12	375.1	232.2

Cash flow from operating activities in 2014 amounted to EUR 39.3million (EUR 94.0million in the previous year). Despite the improved result before profit and loss transfers, the lower cash flow from operating activities was largely related to a reduction in inventories, trade receivables and other assets of EUR 3.6million (EUR 60.1million in the previous year), which are not considered investment or financing activities. The greater reduction (EUR 4.6million) in trade payables and other liabilities (which are not considered investment or financing activities) had a negative impact on the cash flow in 2014 compared to 2013.

Cash flow from investment activities amounted to EUR 119.7million (EUR 80.1million in the previous year) and includes receipts relating to the disposal of shares in Statkraft Markets B.V., Amsterdam, Netherlands, of EUR 126.0million and investments in intangible assets and tangible assets of EUR 6.3million (EUR 40.5million in the previous year).

Cash flow from financing activities consists of the 2013 profit transfer to Statkraft Germany GmbH of EUR 16.1million.

Overall this led to a positive change in cash and cash equivalents of EUR 142.9million. Given the positive cash and cash equivalents of EUR 232.2million at the beginning of 2014, this resulted in a positive cash balance of EUR 375.1million as of 31 December 2014. Cash

and cash equivalents at the year-end consisted of liquid assets of EUR 73.5million and a positive cash pool balance due from Statkraft AS, Oslo, Norway, of EUR 301.6million.

For fixed assets, the amortisation of intangible assets and depreciation of tangible assets amounted to EUR 20.1million in 2014. Investments in fixed assets amounted to EUR 6.3million. Shares in an affiliated company, Statkraft Markets B.V., Amsterdam, Netherlands, were sold in 2014. The related disposal in financial assets totals EUR 57.3million.

Equity remained unchanged from the previous year at EUR 410.8million owing to the profit and loss transfer agreement with Statkraft Germany GmbH.

The increase of total assets in the balance sheet from EUR 1,416million to EUR 1,483million was primarily due to an increase in the cash pool. Financial assets declined in the same period. Total liabilities increased due to higher intercompany liabilities relating to the profit and loss transfer agreement with Statkraft Germany GmbH (EUR 85.2million of profits to be transferred) and with own subsidiaries (EUR 62.1million loss to be absorbed), as well as a higher loss provisions for negative valuation units. On the other hand, other liabilities dropped by EUR 94.5million primarily due to the lower value of the gas and electricity supply agreements acquired in 2013 and a fall in the value of securities received.

Overall, the equity ratio (equity plus long-term intergroup loan divided by total assets) is 44.9%. Even if the intergroup loan is not included, the equity ratio would be 27.7%. Both values emphasise Statkraft Markets GmbH's good creditworthiness.

In summary, successful Trading & Origination and Energy Management activities have led to an improvement in the operating result. The disposal of the shares in Statkraft Markets B.V. improved results even further, yet this was largely offset by the losses transfer from Statkraft Holding Knapsack GmbH as a result of the impairment of the shares in Knapsack Power GmbH & Co. KG. The favourable operating result and the disposal of shares generated a high cash inflow which is reflected in the exceptionally high level of cash and cash equivalents of EUR 375.1 million at year-end. This demonstrates that the company is in a good liquidity position with sufficient cash resources to continue operating in 2015 and beyond.

Financial and non-financial performance indicators

Management constantly assesses segment results in order to make decisions regarding the allocation of resources and to measure the degree to which goals are achieved. The results of Statkraft Markets GmbH and its subsidiaries are combined in the Continental Energy and Trading segment.

Financial performance indicators

The performance indicators which management applies for internal reporting purposes are based on consolidated figures prepared according to the International Financial Reporting Standards (IFRS), but exclude the fair value adjustment of unrealised transactions which are recognised in the IFRS results.

The financial indicators below essentially reflect the earnings of Statkraft Markets GmbH, Knapsack Power GmbH & Co. KG and the proportional share of Kraftwerksgesellschaft Herdecke mbH & Co. KG.

Performance indicators	2014	2013
Net operating revenue in EURmillion	143.0	154.0
EBITDA in EURmillion	40.0	46.0
Production volume in GWh	1,044.0	1,541.0

Gross profit (defined by IFRS as net operating revenue) and EBITDA are similar to those in 2013. The slight decline in results in the current year is mainly caused by a higher market valuation of the unrealised transactions.

Total production in 2014 declined compared to 2013 due to the lower number of operating hours at gas-fired plants, since they can no longer compete with coal-fired plants due to the low coal and CO₂ prices.

Non-financial performance indicators

Health and safety

The Statkraft Group and Statkraft Markets GmbH are highly committed to providing a safe and healthy working environment and have the clear objective of zero serious work accidents and zero breaches against safety regulations at work. Setting clear requirements and controls for all operational processes and project phases are key to ensuring safety at work and achieving good results in terms of occupational safety. The continuous pursuit of these factors has resulted in a positive trend in the health and safety statistics. It is of great importance to the Statkraft Group that lessons are learned from injuries, near-miss incidents and unsafe conditions.

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 OH-SAS 18001 standard and international best practice.

In 2014, there were nine lost-time incidents (lost-time incidents starting from the first day of absence) at Statkraft Markets. In six cases, this involved employees of subcontractors and in three cases own employees. Each incident was investigated individually, and appropriate measures have been taken to reduce the risk of reoccurrence. Additionally, in 2015 a campaign on behaviour-based work safety will be launched. The campaign is expected to last for at least two years.

Employees

There were 174 employees on 31 December 2014, and the annual average was 174.

The Statkraft Group and Statkraft Markets GmbH strive to attain a diverse working environment and promote equal opportunities in recruitment and the 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 2014.

Climate and environmental impact

Statkraft employs international best practices 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 2014.



The health, safety and environment (HSE) logo was developed through an international competition among employees. A panel evaluated the entries and selected the most convincing one.

SUBSEQUENT EVENTS

There were no events of special significance after the end of the fiscal year.

OUTLOOK

In the previous year, we forecasted a balanced result for 2014 excluding the profit from the disposal of shares in Statkraft Markets B.V., Amsterdam, Netherlands, which was known at the time. The forecast did not include the high losses transferred from Statkraft Holding Knapsack GmbH. At EUR 85.2million, the overall results were positive and exceeded Statkraft's expectations. This development is mainly due to very good results in Trading & Origination as well as Energy Management. In the last fiscal year, the company generated a profit of EUR 16.1million.

The profit of Statkraft Markets GmbH will be transferred to the parent company, Statkraft Germany GmbH, based on the profit and loss transfer agreement which has been in place since the beginning of 2009.

At year end, the company held considerable cash and cash equivalents and therefore has sufficient liquidity for the future.

We expect continued weak margins for gas-fired power plants in 2015, so that improved capacity utilisation of our own gas-fired plants cannot be expected. This also applies to the tolling agreement with Knapsack Power GmbH & Co. KG,

which is expected to weigh down results in 2015. As in previous years, however, we believe that the weak margins for gas-fired power plants can be compensated by the positive results from the Trading & Origination and Energy Management divisions. The company does not expect to be able to repeat the current year's favourable results in 2015 and forecasts a EUR 85.2million drop in net profit to EUR 0.0million for the year, before transfer of profits or losses. We refer to the following paragraph with regard to opportunities and risks which could affect this forecast.

For internal reporting purposes based on IFRS, Statkraft Markets GmbH forecasts a slightly lower net operating income of EUR 145.0million for 2015. The EBITDA guidance is EUR 42.0million for 2015, while the estimated production volume stands at 1,288GWh.

In terms of non-financial performance indicators, Statkraft is constantly aiming to prevent incidents and environmental accidents of all kinds. Statkraft has a number of vacancies which still need to be filled. Otherwise no changes in the workforce are expected for 2015.

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.

Energy Management at Statkraft Markets GmbH constantly reviews the long-term strategy of its gas-fired powered plants in light of new market developments, also with regards to a possible establishment of capacity mechanisms in Germany.

Statkraft has achieved a strong market position in the area of marketing energy from renewables and has become the leading service provider in this sector. Statkraft has been able to increase its customer base with more than 8,900 MW under contract. Risks associated with this business are related to energy management, cost competition with other providers and the regulatory framework.

The recognised values of our assets reflect current market conditions. The government's concerns regarding the long-term security of Germany's energy supply and the framework for the future operation of fossil power plants need to be addressed. Depending on the government's decision, this could impact the value of our power generating plants.

In Trading & Origination, both opportunities and risks are identified in the market development. Incorrect assessments regarding future price developments could have a negative impact on individual portfolios. New and innovative products also create opportunities to add value.

RISK MANAGEMENT

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

Business activities comprise trading and sales of standardised term products as well as of power profiles and other structured products. The majority of the profiles and structured products are hedged with corresponding standard products. A large portion of term products are contracted for trading purposes. As a rule, this is done through short-term hedge transactions. Overall, 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 determines 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 systematically analyse all new deal opportunities and prepare risk assessments to help management make decisions. This increases risk awareness and ensures efficient risk mitigation. Moreover, 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 price change and counterparty risk. Market price risks in the volatile electricity and gas 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 at the company. In the case of limit breaches, the Middle Office takes the responsibility for closing open positions and minimising the risk of non-hedged positions.

Credit and default risk is managed through an internal rating process. For each counterparty, the credit limit is monitored and periodically reviewed, while current exposures with individual counterparties 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 2014 as a result of the insolvency of customers.

Besides evaluating potential counterparty risks, all products, business opportunities and counterparties are assessed with regard to the 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 Statkraft Markets GmbH through 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. The company 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.

Düsseldorf, 30 March 2015



Dr Torsten Amelung
Managing Director



Inger S. Andersen
Managing Director



Dr Gundolf Dany
Managing Director



Stefan-Jörg Göbel
Managing Director



Dr Jürgen Tzschoppe
Managing Director

BALANCE SHEET

AS OF 31 DECEMBER 2014

Assets	31.12.2014 EUR	31.12.2013 EUR'000
A. Fixed assets		
I. Intangible assets		
1. Purchased software	5,860,741.78	4,847
II. Tangible assets		
1. Land, leasehold rights and buildings	34,577,617.14	36,519
2. Technical equipment, plant and machinery	252,232,455.80	266,401
3. Other equipment, fixtures, fittings and equipment	5,124,396.94	5,191
4. Plant and machinery in process of construction	4,269,751.31	3,783
	296,204,221.19	311,894
III. Financial assets		
1. Shares in affiliated companies	205,831,220.46	263,105
	507,896,183.43	579,846
B. Current assets		
I. Inventories		
1. Raw materials and supplies	9,572,658.79	15,045
II. Receivables and other assets		
1. Trade accounts receivable	403,463,338.26	416,504
2. Accounts due from affiliated companies	315,156,053.96	187,013
3. Other assets	158,972,368.37	136,032
	877,591,760.59	739,549
III. Cash on hand, cash in banks	73,457,271.62	68,086
	960,621,691.00	822,680
C. Prepaid expenses	13,294,667.00	12,782
D. Excess of plan assets over pension liabilities	1,105,653.63	280
	1,482,918,195.06	1,415,588

Liabilities	31.12.2014 EUR	31.12.2013 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	3,231,530.76	159
2. Tax provisions	219,000.00	1,158
3. Other provisions	61,375,585.83	29,682
	64,826,116.59	30,999
C. Liabilities		
1. Liabilities due to banks	0.00	107
2. Trade accounts payable	439,124,680.86	399,982
3. Accounts due to affiliated companies	437,370,198.73	346,705
4. Other liabilities		
thereof for taxes:		
EUR 180,342.16 (EUR 324 thousand in the previous year)	121,102,815.02	216,629
	997,597,694.61	963,423
D. Deferred income	9,679,992.93	10,352
	1,482,918,195.06	1,415,588

INCOME STATEMENT PRESENTATION

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

	2014 EUR	2013 EUR'000
1. Sales	16,429,623,563.56	19,095,755
2. Other capitalised own costs	415,941.57	780
3. Other operating income	134,962,661.31	58,502
4. Cost of materials		
a) Cost of raw materials and supplies	19,865,560.04	381
b) Cost of purchased services	16,202,532,068.86	18,946,645
5. Personnel expenses		
a) Salaries	10,456,978.08	11,952
b) Social security, pension and other benefit costs thereof for pensions: EUR 5,155,930.88 (EUR 1,793 thousand in the previous year)	7,212,738.00	6,242
6. Depreciation of fixed intangible and tangible assets	20,993,057.37	23,141
7. Other operating expenses	140,456,934.16	126,397
8. Income from investments	345,296.51	0
9. Income from profit transfer agreements	1,194,630.64	1,077
10. Other interest and similar income thereof due to affiliated companies EUR 1,902,495.36 (EUR 487 thousand in the previous year)	2,689,929.46	1,016
11. Write-offs on financial assets	0.00	12,172
12. Expenses from loss absorption	62,109,338.10	71
13. Interest and similar expenses thereof due to affiliated companies: EUR 15,055,594.85 (EUR 9,028 thousand in the previous year)	18,622,940.03	13,628
14. Profit/loss from ordinary business operations	86,982,408.41	16,501
15. Extraordinary income	0.00	42,864
16. Extraordinary expense	0.00	43,033
17. Extraordinary profit/loss	0.00	-169
18. Taxes on income	1,606,864.42	-63
19. Other taxes	145,567.68	345
20. Profits transferred pursuant to a profit and loss absorption agreement	-85,229,976.31	-16,050
21. Net income / Net loss	0.00	0

NOTES

FOR FISCAL YEAR 2014

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 assets are recognised at acquisition cost, and **tangible fixed assets** are recognised at acquisition or production costs. Production costs include both direct attributable costs (primarily personnel costs) as well as a proportionate share of overheads. **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 straightline 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.

The **excess of plan assets over post-employment benefit liability** results 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:

	2014 %	2013 %
Discount rate	4.54	4.90
Salary increases	3.00	3.00
Pension increases	1.00	1.00
Fluctuation	0.00 – 6.00	0.00 – 6.00

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 obligations. Fair value is determined with cover capital as per the business plan according to the 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 of 31 December 2014. 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	19,515	19,515
Liabilities	44,734	44,734
Pending purchase transactions	6,808,520	
Pending sales transactions	6,815,069	

The amount of risk hedged with valuation units is EUR 200,413 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).

Statkraft Markets GmbH sold its shares in Statkraft Markets B.V., Amsterdam, Netherlands, to Statkraft Asset Holding AS, Oslo, Norway, in fiscal year 2014. The purchase price amounted to EUR 126,000 thousand. The income reported in the income statement totals EUR 68,726 thousand.

List of shareholdings

Name and registered office	Investment held 31.12.2014	Results for fiscal year 2014 (EUR'000)	Share capital / Limited liability capital 31.12.2014 (EUR'000)	Equity 31.12.2014 (EUR'000)
Statkraft Markets Financial Services GmbH, Düsseldorf, Germany	100%	0*	25	996
Statkraft Holding Herdecke GmbH, Düsseldorf, Germany	100%	0*	25	7,421
Statkraft Holding Knapsack GmbH, Düsseldorf, Germany	100%	0*	25	135,466
Knapsack Power GmbH & Co. KG, Düsseldorf, Germany**	100%	-23,712	25	118,873
Knapsack Power Verwaltungen GmbH, Düsseldorf, Germany**	100%	2	25	55
Kraftwerksgesellschaft Herdecke mbH & Co. KG, Hagen, Germany**	50%	1,868	10,000	24,679
Kraftwerksverwaltungsgesellschaft Herdecke mbH, Hagen, Germany**	50%	1	25	37
Statkraft South East Europe EOOD, Sofia, Bulgaria	100%	3	3	120
S.C. Statkraft Romania SRL, Bucharest, Romania	99%	32	135	269
Statkraft Trading GmbH, Düsseldorf, Germany	100%	0*	25	25

* Result after transfer of profit/loss

** Indirectly held investments

Receivables and other assets

As in the previous year, all receivables and other assets have a residual term of up to one year. Trade receivables consist of EUR 216,941 thousand (EUR 137,901 thousand in the previous year) in domestic receivables and EUR 190,597 thousand

(EUR 282,919 thousand in the previous year) in foreign receivables. In 2014, a lump sum valuation allowance for receivables of EUR 4,075 thousand (EUR 4,315 thousand in the previous year) was posted.

Receivables from affiliated companies are comprised as follows:

	2014 EUR'000	2013 EUR'000
Receivables from cash pool against Statkraft AS, Oslo, Norway	301,626	164,197
Receivables from short term loans given to subsidiaries	0	3,050
Trade receivables	2,748	1,758
Receivables from transfer of profits	1,195	1,077
Receivables from shareholder Statkraft Germany GmbH	9,587	16,931
Total receivables against affiliated companies	315,156	187,013

Receivables due from the shareholder Statkraft Germany GmbH at EUR 9,544 thousand (EUR 16,905 thousand in the previous year) are mainly tax refund claims.

Other assets mainly include CO₂ certificates of EUR 112,757 thousand (EUR 101,287 thousand in the previous year) and paid securities of EUR 29,807 thousand (EUR 32,410 thousand in the previous year).

Prepaid expenses

Prepaid expenses of EUR 13,295 thousand (EUR 12,782 thousand in the previous year) notably include expenses for 2015 for option premiums (EUR 6,946 thousand; EUR 10,430 thousand in the previous year) as well as expenses (EUR 6,349 thousand; EUR 2,351 thousand in the previous year) mainly for certificates (mainly for grid costs and certificates in the previous year).

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).

Excess of plan assets over partial retirement obligation

Reinsurance policies have been concluded to secure the **partial retirement obligations**. According to Section 246 (2) second sentence HGB, **fair values of reinsurance policies** and partial retirement obligations are offset for balance sheet presentation. To fulfil obligations, capital is disposed in special funds, which are not accessible to other creditors.

In 2013, this offsetting led to an **excess of plan assets over partial retirement obligation**.

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

	Cost EUR'000	Fair value EUR'000
Partial retirement reinsurance policies	2,307	2,307

For the financial reporting period, a debit excess of EUR 1,106 thousand (EUR 280 thousand in the previous year) was assessed for partial retirement obligations. Prior to offsetting the plan assets of EUR 2,307 thousand (EUR 2,458 thousand in the previous year), partial retirement obligations amounted to EUR 1,201 thousand (EUR 2,177 thousand in the previous year) in 2014.

The difference between the fair value and cost of the partial retirement reinsurance policies is subject to a distribution restriction in accordance with Section 268 (8) HGB in an amount of EUR 0 thousand (EUR 133 thousand in the previous year).

Net interest results include gains of EUR 56 thousand (EUR 36 thousand in the previous year) resulting from plan assets and EUR 63 thousand (EUR 96 thousand in the previous year) in expenses due to discounting of partial retirement obligations.

Equity

As a consequence of the controlling and profit and loss transfer agreement with Statkraft Germany GmbH in force since 1 January 2009, the company's equity remained unchanged compared to 2013 and amounted to EUR 410,814 thousand.

Provisions for pensions and similar obligations

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

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

	Cost EUR'000	Fair value EUR'000
Pension reinsurance policies	20,738	21,484

For the financial reporting period, an obligation excess of EUR 3,232 thousand (EUR 158 thousand in the previous year) was assessed, which has been recorded under "provisions". Prior to offsetting the plan assets of EUR 21,484 thousand (EUR 18,727 thousand in the previous year), pension obligations amounted to EUR 24,716 thousand (EUR 18,885 thousand in the previous year) in 2014.

The difference between the fair value and cost of the pension reinsurance policies is subject to a distribution restriction in accordance with Section 268 (8) HGB in an amount of EUR 746 thousand (EUR 464 thousand in the previous year).

Net interest results include gains of EUR 561 thousand (EUR 365 thousand in the previous year) resulting from plan assets and EUR 923 thousand (EUR 826 thousand in the previous year) in expenses due to discounting of pension obligations.

Other provisions

Other provisions amount to EUR 61,376 thousand (EUR 29,682 thousand in the previous year), and mainly consist of the following:

	2014 EUR'000	2013 EUR'000
Accruals	7,690	9,948
Rebuilding costs provision	8,611	7,396
Provisions for anniversary and death payment benefits	605	601
Provision for onerous contracts	1,364	5,838
Provision for valuation units	41,796	3,786
Employee bonuses	798	819
Employees liability insurance association costs	340	389
Holiday leave not taken yet/ settlement obligations	97	128
Redundancy provision	0	485
Total	61,301	29,390

In 2013, provisions for onerous contracts included expected losses on the acquired power purchase agreement with Kraftwerksgesellschaft Herdecke mbH & Co. KG, Hagen (EUR 3,277 thousand), and acquired gas supply agreement with Wingas GmbH, Kassel (EUR 1,240 thousand). No provisions for onerous contracts were reported in connection with these two agreements in 2014 (see also **Other liabilities**).

In 2013, the redundancy provision of EUR 485 thousand was 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.

Liabilities

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

Liabilities to affiliated companies are as follows:

	2014 EUR'000	2013 EUR'000
Trade payables	34,970	73,629
Liabilities from loans from group companies	255,000	255,000
Liabilities from the transfer of losses	62,109	71
Liabilities to shareholder Statkraft Germany GmbH – profit and loss transfer agreement	85,230	16,050
Liabilities to shareholder Statkraft Germany GmbH – trade payables	61	1,955
Total liabilities to affiliated companies	437,370	346,705

Other liabilities

In fiscal year 2013, the company agreed to acquire the contractual rights and obligations of a gas supply agreement with Wingas GmbH, Kassel, and a power purchase agreement with Kraftwerksgesellschaft Herdecke mbH & Co. KG, Hagen, from two affiliated companies. The gas supply agreement runs until September 2017; the power purchase agreement until the end of 2037. For the acquisition of the gas supply 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 of the time of the transfer.

During 2013 and 2014, the obligations diminished by the delivered volume without affecting profit and loss.

Furthermore, gas supply agreement liabilities declined due to contractual adjustments made in 2014.

A revaluation as of 31 December 2014 based on current market conditions showed that no additional risk provisions needed to be posted. These provisions for 2013 have been booked according to the additional risk provisions 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 is disclosed under other liabilities.

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

	2014 EUR'000	2013 EUR'000
Liabilities power purchase agreements	68,008	85,948
Liabilities gas supply agreements	20,985	47,824
Liabilities from environmental certificate purchase agreements	15,133	15,133
Securities received from counterparties	16,750	61,856
Early completion bonus Siemens AG, Energy Sector, Erlangen	0	4,500
Tax liabilities	180	324
Total other liabilities	121,056	215,585

The securities received mainly consist of bilateral agreement payments (mainly from variation margins in the previous year, which cover the exposure of open exchanged price referenced positions).

Other financial obligations

Obligations relating to the gas supply agreement have a residual term of three years and amount to EUR 398,312 thousand. Obligations relating to the long-term power purchase agreement amount to EUR 190,718 thousand.

As of 31 December 2014, obligations from a long-term service agreement amount to a total of EUR 32,593 thousand.

Obligations from tenancy leases and leasing agreements amount to EUR 18,441 thousand (EUR 19,702 thousand in the previous year) as of 31 December 2014. Of this amount, EUR 1,759 thousand (EUR 1,769 thousand in the previous year) falls due within one year and EUR 11,078 thousand (EUR 12,340 thousand in the previous year) 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 1 thousand as of 31 December 2014.

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 16,429,624 thousand (EUR 19,095,755 thousand in the previous year) and were distributed as follows:

	2014 EUR'000	2013 EUR'000
Electricity	10,209,000	13,143,982
Gas	3,881,927	3,951,762
Emissions and green certificates	2,338,613	2,000,010
Other services to customers	84	1
Total sales	16,429,624	19,095,755

Classified by regional markets, sales are distributed as follows:

	2014 EUR'000	2013 EUR'000
Germany	10,409,350	13,513,764
Great Britain	4,236,542	4,207,336
Netherlands	961,093	531,009
France	359,673	415,589
Austria	108,379	6,698
Italy	94,726	59,141
Switzerland	55,337	74,400
Belgium	51,624	59,236
Slovenia	38,804	31,451
Hungary	34,449	32,402
Luxembourg	23,127	18,462
Czech Republic	17,696	16,767
Greece	12,024	20,799
Denmark	8,265	14,430
Turkey	7,652	6,413
Romania	4,504	2,803
Spain	2,322	25,490
USA	1,378	1,666
Bulgaria	203	28,244
Poland	0	10,901
Norway	0	6,154
Other	2,476	12,600
Total sales	16,429,624	19,095,755

Other operating income

Other operating income amounted to EUR 134,963 thousand (EUR 58,502 thousand in the previous year) and consists of the following:

	2014 EUR'000	2013 EUR'000
Gains from the sale of shares to affiliated companies	68,726	0
Recharging of internal costs for projects and services to group companies	6,598	6,539
Currency exchange gains*	45,054	47,653
Gains from the release of provisions / other liabilities**	11,256	688
Other	3,329	3,622
Total other operating income	134,963	58,502

* thereof EUR 338 thousand (EUR 2,337 thousand in the previous year) unrealised currency exchange gains

** thereof EUR 628 thousand (EUR 688 thousand in the previous year) from other periods

No other income from other periods has been recognised.

Gains from the sale of shares to affiliated companies relate to the sale of shares in Statkraft Markets B.V., Amsterdam, Netherlands, to Statkraft Asset Holding AS, Oslo, Norway.

The increase in gains from the release of provisions and/or other liabilities relates to the adjustments made to the gas supply agreement with Wingas GmbH.

Depreciation and amortisation of intangible fixed assets and tangible assets

The depreciation on tangible assets mainly include scheduled depreciation.

Cost of materials

To improve representation, unlike in the previous year, the volume of gas used for electricity generation purposes was reported under the cost of raw materials and supplies in the reporting year (EUR 18,880 thousand). This amount had previously been reported under the cost of purchased services (EUR 22,507 thousand).

Other operating expenses

Other operating expenses comprise the following:

	2014 EUR'000	2013 EUR'000
Legal and consultancy fees	4,737	5,357
Rent, repair and similar costs	22,520	13,570
Services for power plants	746	1,185
Expenses from group companies	63,788	53,139
Currency exchange losses*	40,159	41,341
IT-related expenses	1,165	1,506
Marketing and information costs	270	2,281
Travel expenses	301	297
Expenses for telephone and data transmission	929	1,015
Membership fees	343	244
Guarantee costs	258	552
Expenses for external employees	217	264
Other	5,024	5,646
Total other operating expenses	140,457	126,397

* thereof EUR 715 thousand (EUR 1,296 thousand in the previous year) unrealised currency exchange losses

The group service expenses of EUR 63,788 thousand (EUR 53,139 thousand in the previous year) include fees of EUR 20,667 thousand (EUR 16,478 thousand in the previous year) from the service agreement with Statkraft Trading GmbH. EUR 13,717 thousand (EUR 12,022 thousand in the previous year) relate to expenses from the service agreement with Statkraft Germany GmbH.

Interest and similar expenses

Interest expense for fiscal year 2014 of EUR 18,623 thousand (EUR 13,628 thousand in the previous year) includes accrued interest totalling EUR 2,043 thousand (EUR 3,643 thousand in the previous year) on other liabilities related to gas and power purchase agreements as well as environmental certificate obligations. Interest expense on accrued pension liabilities amounts to EUR 923 thousand (EUR 826 thousand in the previous year), and additional interest on accrued other provisions totals EUR 423 thousand (EUR 170 thousand in the previous year).

Extraordinary income

The extraordinary income of EUR 42,864 thousand in 2013 resulted 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

In 2013, extraordinary expenses of EUR 43,033 thousand were 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 1,607 thousand (EUR –63 thousand in the previous year) and mainly relate to municipal trade tax for previous years. In 2013, taxes on income mainly related to refunds of corporate income tax for 2007 and 2008 due to the merger of the two biomass entities.

OTHER INFORMATION

Auditor fees

The total fee charged by the auditors Deloitte & Touche GmbH for fiscal year 2014 is EUR 225 thousand (EUR 215 thousand in the previous year) and relates to the audit of the financial statements only.

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, Ivar Arne Børset (IT), Oslo, Norway, (until 30 April 2014) and Inger S. Andersen (Finance), 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 2014.

Employees

The company had an annual average of 174 employees during the reporting period (175 in the previous year).

Group affiliation

The company's annual financial statements are included in the consolidated financial statements of Statkraft AS, Oslo, Norway, as of 31 December 2014 (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 and the management report 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 under Statkraft Markets GmbH, Düsseldorf / HRB 37885 / Düsseldorf District Court. 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 March 2015



Dr Torsten Amelung
Managing Director



Inger S. Andersen
Managing Director



Dr Gundolf Dany
Managing Director



Stefan-Jörg Göbel
Managing Director



Dr Jürgen Tzschoppe
Managing Director

FIXED ASSETS MOVEMENT IN FISCAL YEAR 2014

	Gross book value				
	As of 1.1.2014 EUR	Additions EUR	Transfer EUR	Disposals EUR	As of 31.12.2014 EUR
I. Intangible assets					
Software	10,259,401.78	1,133,229.64	636,556.01	0.00	12,029,187.43
Goodwill	11,779,877.84	0.00	0.00	0.00	11,779,877.84
	22,039,279.62	1,133,229.64	636,556.01	0.00	23,809,065.27
II. Tangible assets					
Land, leasehold rights and buildings	96,982,306.28	86,411.51	130,037.17	0.00	97,198,754.96
Technical equipment, plant and machinery	667,870,349.79	1,734,621.34	725,277.12	0.00	670,330,248.25
Other equipment, fixtures, fittings and equipment	14,590,904.46	1,108,731.17	280,065.37	13,527.98	15,966,173.02
Plant and machinery in process of construction	6,528,958.05	2,258,649.74	-1,771,935.67	0.00	7,015,672.12
	785,972,518.58	5,188,413.76	-636,556.01	13,527.98	790,510,848.35
III. Financial assets					
Shares in affiliated companies	263,115,220.46	0.00	0.00	57,274,000.00	205,841,220.46
	1,071,127,018.66	6,321,643.40	0.00	57,287,527.98	1,020,161,134.08

Accumulated depreciation

	As of 1.1.2014 EUR	Additions EUR	Disposals EUR	As of 31.12.2014 EUR	As of 31.12.2014 EUR	As of 31.12.2013 EUR
	5,412,256.86	756,188.79	0.00	6,168,445.65	5,860,741.78	4,847,144.92
	11,779,877.84	0.00	0.00	11,779,877.84	0.00	0.00
	17,192,134.70	756,188.79	0.00	17,948,323.49	5,860,741.78	4,847,144.92
	60,463,873.21	2,157,264.61	0.00	62,621,137.82	34,577,617.14	36,518,433.07
	401,469,313.04	16,628,479.41	0.00	418,097,792.45	252,232,455.80	266,401,036.75
	9,399,888.06	1,451,124.56	9,236.54	10,841,776.08	5,124,396.94	5,191,016.40
	2,745,920.81	0.00	0.00	2,745,920.81	4,269,751.31	3,783,037.24
	474,078,995.12	20,236,868.58	9,236.54	494,306,627.16	296,204,221.19	311,893,523.46
	10,000.00	0.00	0.00	10,000.00	205,831,220.46	263,105,220.46
	491,281,129.82	20,993,057.37	9,236.54	512,264,950.65	507,896,183.43	579,845,888.84

INDEPENDENT AUDITORS' REPORT

We have audited the annual financial statements – comprising the balance sheet, the income statement and the notes to the financial statements – together with the bookkeeping system, and the management report of Statkraft Markets GmbH, Düsseldorf, for the business year from 1 January to 31 December 2014. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and on the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ("German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and

the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a sample basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements of Statkraft Markets GmbH, Düsseldorf, comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 31 March 2015

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Hölscher)
German Public Auditor

(Franken)
German Public Auditor

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