



Annual Report 2012



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annualreport2012.statkraft.com

Financial key figures

Statkraft AS Group	Unit	2012	2011	2010	2009	2008
From the income statement						
Gross operating revenues*****	NOK mill	32 331	22 203	29 252	25 675	25 061
Net operating revenues	NOK mill	17 659	17 094	23 176	16 983	23 601
EBITDA	NOK mill	9 908	9 767	15 955	9 769	18 171
Operating profit	NOK mill	5 365	6 203	12 750	7 027	16 618
Share of profit from associates	NOK mill	1 024	898	766	1 179	935
Net financial items	NOK mill	2 417	-3 635	-917	4 281	20 267
Profit before tax	NOK mill	8 806	3 466	12 599	12 487	37 820
Net profit	NOK mill	4 671	40	7 451	7 716	33 262
Items excluded from underlying business**						
Unrealised changes in value energy contracts	NOK mill	-1 328	-1 152	62	-2 182	3 921
Non-recurring items	NOK mill	-1 881	-1 035	70	-108	307
Underlying business**						
Gross operating revenues	NOK mill	34 098	22 298	28 990	25 044	25 422
Net operating revenues	NOK mill	18 811	18 120	22 721	19 165	19 680
EBITDA	NOK mill	11 060	10 851	15 161	11 951	14 250
Operating profit	NOK mill	8 573	8 390	12 618	9 316	12 390
From the balance sheet						
Property, plant & equipment and intangible assets	NOK mill	86 271	84 348	80 772	80 516	77 035
Investments in associates	NOK mill	17 974	16 109	17 090	16 509	14 387
Other assets	NOK mill	40 747	43 420	58 105	46 980	52 877
Total assets	NOK mill	144 992	143 878	155 967	144 005	144 299
Total equity	NOK mill	62 437	65 651	75 302	64 901	72 324
Interest-bearing debt	NOK mill	40 263	36 887	40 486	45 660	40 791
Capital employed, basic ¹⁾	NOK mill	64 811	62 546	66 722	65 486	67 584
Cash flow						
Net change in cash flow from operating activities	NOK mill	9 948	9 521	13 577	12 714	11 499
Dividend for the year to owner(incl. minority interests)	NOK mill	4 293	9 400	7 964	10 260	8 396
Depreciation	NOK mill	4 543	3 564	3 205	2 743	1 553
Maintenance investments ²⁾	NOK mill	1 065	1 129	1 000	1 308	796
Expansion investments in new generating capacity ³⁾	NOK mill	6 085	5 217	1 852	2 447	1 196
Investments in shareholdings ⁴⁾	NOK mill	3 523	1 923	888	1 152	581
Cash and cash equivalents	NOK mill	5 045	8 282	20 052	6 663	2 209
Unused drawing rights	NOK mill	14 205	14 200	9 074	8 785	8 400
Financial variables						
FFO interest coverage ⁵⁾		7.1	7.3	10.5	5.7	7.5
FFO/debt	%	23.7	33.1	72.0	21.9	37.9
Interest-bearing debt ratio ⁶⁾	%	39.2	36.0	35.0	41.3	36.1
Equity ratio ⁷⁾	%	43.1	45.6	48.3	45.1	50.1
Long-term rating - Standard &Poor's		A-	A-	A-	A-	BBB+
Long-term rating - Moody's		Baa1	Baa1	Baa1	Baa1	Baa1
Key figures, accounts						
EBITDA-margin, accounts ⁸⁾	%	31	44	55	38	73
EBITDA-margin, underlying ⁸⁾	%	32	49	52	48	56
ROACE before tax ⁹⁾	%	13.6	13.9	19.7	14.2	27.2
Net return on investments in associated companies ¹⁰⁾	%	5.7	5.6	4.5	7.1	6.5
Return on total assets after tax ¹¹⁾	%	3.8	0.8	6.0	7.0	27.9
Return on total assets after tax ¹²⁾	%	7.2	0.1	11.8	11.9	57.0
Tax rate ¹³⁾	%	47.0	98.9	40.9	38.2	12.1
Key figures, upstream business*						
Production cost/MWh ¹⁴⁾	Øre/kWh	7.8	7.3	7.1	7.0	6.4
Production capacity***	TWh	50.4	50.1	49.8	49.9	48.9
Production, actual	TWh	60.0	51.5	57.4	57.0	53.4
Installed capacity*****	MW	16 055	15 800	15 510	14 942	15 163
Key figures, downstream business*						
No. of distribution grid customers	1000	183	181	181	275	273
Energy supplied	TWh	7.1	7.1	7.8	10.0	9.1
Distribution grid capital (NVE capital) ¹⁵⁾	NOK mill	2 685	2 690	2 782	3 627	3 614
No. of end user costumers	1000	400	408	400	397	401
Total volume supplied	TWh	13.2	11.9	13.0	11.6	11.4
No. of distric heating customers	1000	11	12	11	10	8
Distric heating supplied	TWh	1.1	0.8	1.0	0.9	0.5
Market variables*						
System price, Nord Pool	EUR/MWh	31.3	47.2	53.1	35.0	44.7
Spotprice, European Energy Exchange	EUR/MWh	42.6	51.1	44.6	38.9	65.8
Electricity consumption in the Nordic market	TWh	385	376	393	381	390
Electricity generated in the Nordic market, actual	TWh	399	371	374	372	391
Statkraft`s share of Nordic electricity production	%	15.0	13.9	15.3	15.3	13.7

The numbers for 2007-2011 are in accordance with IFRSs.

* Key figures include consolidated companies (not associates) in Norway

** Ajusted for unrealised changes in values and material non-recurring items

*** Exclusive trading and origination

**** Exclusive of gas power and distric heating

***** Gross revenue is from 2011 and onwards restated so that realized and unrealized changes appear on the same line item

***** Includes the share of consolidated companies and the associated gas power companies Herdecke and Naturkraft and the associated biopower companies Emden and Landesbergen

1) Property, plant & equipment

+ intangible assets
+ receivables
+inventories
- provisions for liabilities
- taxes payable
- other interest-free liabilities
+ provisions for dividend payable (NGAAP)

2) Book value of maintenance investments to sustain current generating capacity

3) Book value of investments to expand generating capacity

4) Purchase of shares as well as equity increase in other companies

5) Operating profit
+ financial income
+ depreciation
+ dividend from associates
– taxes payable
Financial expenses

6) Interest-bearing debt * 100

Interest-bearing debt + equity

7) Total equity * 100

Total assets

8) Operating profit before depreciation * 100

Gross operating revenues

9) Operating profit * 100

Average capital employed, basic

10) Share of profit from associates * 100

Investments in associates

11) (Net profit + financial expenses * 0.72) * 100

Average total equity

12) Net profit * 100

Average total assets

13) Taxes expense * 100

Profit before tax

14) Production cost, incl.property tax and depreciation, excl.Sales costs, overhead,net financial items and tax

Normal output from power plants under own management

15) Key figures used to calculate the revenue ceiling.

Published at www.nve.no

Non-financial key figures

The following tables present Statkraft's most significant results within the areas environmental impact, health and safety, society and employees for the period 2008-2012. More detailed results can be found in the corporate responsibility statement.

Power generation and district heating production^a

	Unit	2012	2011	2010	2009	2008 ^b
Installed capacity	MW	16 967	16 430	16 010	15 806	15 478
Of which hydropower	MW	13 522	13 249	12 969	12 774	12 546
Of which wind power ^c	MW	528	321	304	305	245
Of which gas power ^c	MW	2 178	2 178	2 178	2 160	2 130
Of which biofuel	MW	29	16	16	16	16
Of which district heating	MW	710	666	544	548	541
Capacity under development ^d	MW	1 792	1 923	-	-	-
Of which hydropower	MW	910	1 037	-	-	-
Of which wind power	MW	361	344	-	-	-
Of which gas power ^c	MW	430	430	-	-	-
Of which district heating	MW	91	112	-	-	-
Power production, actual	TWh	60.0	51.5	57.4	56.9	53.4
Of which hydropower	TWh	57.6	46.0	50.1	50.1	47.4
Of which wind power	TWh	0.8	0.8	0.6	0.6	0.6
Of which gas power ^c	TWh	1.5	4.6	6.6	6.1	5.4
Of which biofuel	TWh	0.1	0.1	0.1	0.1	-
District heating	TWh	1.1	0.9	1.1	0.9	0.5
Proportion of renewable power production ^e	%	97.2	90.8	88.1	89.1	89.7

^a Includes Statkraft's shareholdings in subsidiaries where Statkraft has a majority interest.

^b Installed capacity includes power plants and district heating plants included in the E.ON transaction and the consolidation of SN Power, effective January 2009.

^c Includes the jointly controlled Herdecke (Germany), Kårstø (Norway) and Scira (United Kingdom) power plants.

^d Includes projects where an investment decision has been made.

^e Non-renewable production includes gas power and district heating based on fossil fuels.

Emissions and environmental incidents

	Unit	2012	2011	2010	2009	2008
Emission of CO₂ equivalents						
Total	Tonnes	483 900	1 161 900	1 693 400	1 600 100	1 604 700
In relation to total production	kg/MWh	11	34	44	42	-
Environmental incidents						
Serious environmental incidents	Number	0	0	0	0	1 ^a
Less serious environmental incidents	Number	128	185	92	118	24 ^a

^a Only covers July-December.

Health and safety

	Unit	2012	2011	2010	2009	2008
Fatalities, consolidated operations						
Employees	Number	0	0	0	0	0
Contractors	Number	2	1	0	1	0
Third parties	Number	2	0	0	1	0
Fatal accidents, associated activities						
Employees	Number	0	1	0	0	0
Contractors	Number	0	3	1	6	8
Third parties	Number	0	0	4	0	1
Lost-time injury rate						
Employees	Frequency ^a	4.1	4.5 ^a	3.4	3.8	4.6
Contractors	Frequency ^a	3.6	3.4 ^a	13.6	8.0	-
Injury frequency						
Employees	Frequency ^b	7.1	10.0 ^a	6.8	8.4	12.1
Contractors	Frequency ^b	6.3	6.2 ^a	16.4	-	-
Absence due to illness	%	3.1	3.4	3.4	3.3	3.9

^a Lost-time injuries per million hours worked.

^b Injuries per million hours worked.

^c From 2011, all businesses with a shareholding >20% are included in the results. Earlier, only businesses with a shareholding >50% were included.

Ethics

	Unit	2012	2011	2010	2009	2008
Whistleblower issues registered by the corporate audit	Number	0	0	2	0	1

Contributions to society

	Unit	2012	2011	2010	2009	2008
Distribution of value created						
Owner ^a	NOK mill.	2 900	4 288	7 985	3 740	10 000
The Norwegian state and municipalities ^b	NOK mill.	5 801	4 987	6 679	6 202	5 524
Lenders	NOK mill.	3 101	1 630	1 607	3 756	3 066
Employees	NOK mill.	2 698	2 453	2 092	2 253	1 594
The company	NOK mill.	1 541	-4 517	-891	3 792	23 382 ^c

^a Includes dividend and Group contribution from Statkraft AS to Statkraft SF, and minority interests.

^b Includes taxes, property tax, licence fees and employer's contribution.

^c Changes in equity are mainly related to the E.ON asset swap.

Employees and recruitment

	Unit	2012	2011	2010	2009	2008
Employees 31 Dec.	Number	3 615	3 414	3 344	3 375	2 331 ^a
Percentage of women						
Total	%	24	23	23	22	24
In management positions	%	21	20	22	23	21
Among new employees	%	29	23	27	30	26
Preferred employer^b						
Economics students	Ranking	33	30	17	25	43
Engineering students	Ranking	7	7	5	5	15

^a Including employees transferred as part of the E.ON agreement.

^b Ranking of preferred employer among graduate students. Source: Universum Graduate Survey

Providing pure energy

In a world with considerable challenge related to climate change, Statkraft's core product is more valuable and sought after than ever. The need for pure energy has created significant opportunities for growth.

Statkraft is in unique position to take part in this growth, and will develop renewable energy in a way that supports a positive societal development.

Competence and competitiveness enables growth

Statkraft is Europe’s largest producer of renewable energy. The last decade has seen Statkraft grow internationally, and it is now a global group with activities in more than 20 countries. This development is based on energy resources that are unique in an international context and hydropower expertise that has been developed over generations.

In a world where the climate challenge is growing with the rapidly increasing population, the demand for renewable energy will also continue to grow. Statkraft is uniquely positioned to play an important role in addressing this growth.

We are already seeing growth in Statkraft’s international businesses, and the market prospects confirm Statkraft’s strategy of continued expansion. Norway remains our most important market. Statkraft works continuously to upgrade hydropower plants to make them more efficient and able to deliver more pure energy. At the same time, Norway is where we are laying the foundation for Statkraft’s international growth.

Statkraft is now harnessing expertise developed over the hundred years that have passed since the first hydropower developments started. Within development, operations, and various market activities, Statkraft has become an organisation which can hold its own against international competition.

This expertise must be nurtured and developed further in order to defend this position. It can neither be filed nor put in storage. It must be constantly used and challenged. When we compete in a challenging and exciting international market, our experience, technology and systems comprise our most important competitive edge.

2012 saw the breakthrough for wind power in Europe, where Statkraft really highlighted how the energy heritage can be applied in new areas. The opening of the Sheringham Shoal offshore wind farm off Norfolk in England by HRH Crown Prince Haakon confirmed Statkraft’s goal to develop the company in new renewables technologies, in new countries and markets.

Sheringham Shoal is the world’s third largest offshore wind farm with the capacity to cover the electricity needs of 220 000 British households. The wind farm is a cooperation project between Statoil and Statkraft, which are also cooperating on the development of another two offshore wind power projects in the UK: Dudgeon and the giant Dogger Bank project. Wind farms are also under construction on dry land. In 2012, Statkraft started pre-engineering four new wind farms in Sweden and one in Scotland.

Renewable energy is becoming increasingly cost-efficient. Hydropower is already competitive with the reasonable, but carbon-intensive coal power. Offshore and onshore wind power, biomass and solar power are also becoming increasingly cost-efficient. By 2025, several of the renewables technologies are expected to have become able to compete with coal. And that means competing without subsidies.

In the coming years, climate challenges will make renewable energy even more important than oil and gas are today. Statkraft is currently the largest producer within renewable energy in Europe, and a leading player in the global market.

In actual size, however, Statkraft is a relatively small player compared with other international energy companies. If Statkraft is to make its mark in international competition in the future, size and financial clout will be of great significance.

Norway’s resources and expertise give us a unique foundation. Statkraft can and will play a leading role in the development of renewable energy in Europe. Statkraft can be the driving force in the development of renewable energy. However, such ambitions require a sound capital base, contributing to securing Statkraft’s competitiveness and further developing expertise and technology through growth in new markets.



Christian Rynning-Tønnesen
Christian Rynning-Tønnesen
President and CEO, Statkraft

Statkraft Group Management

- 1

Hilde Bakken
EVP Power Generation
Responsibilities: Power generation, central power generation staff functions and project management office
- 2

Asbjørn Grundt
EVP Market Operations and IT
Responsibilities: Trading and origination, Nordic energy, continental energy, and IT
- 3

Steinar Bysveen
EVP Corporate Development
Responsibilities: Corporate strategy, corporate transactions, corporate communication, corporate office, industrial ownership, CR & HSE, legal, public affairs and HR and employee relations
- 4

Christian Rynning-Tønnesen
CEO
- 5

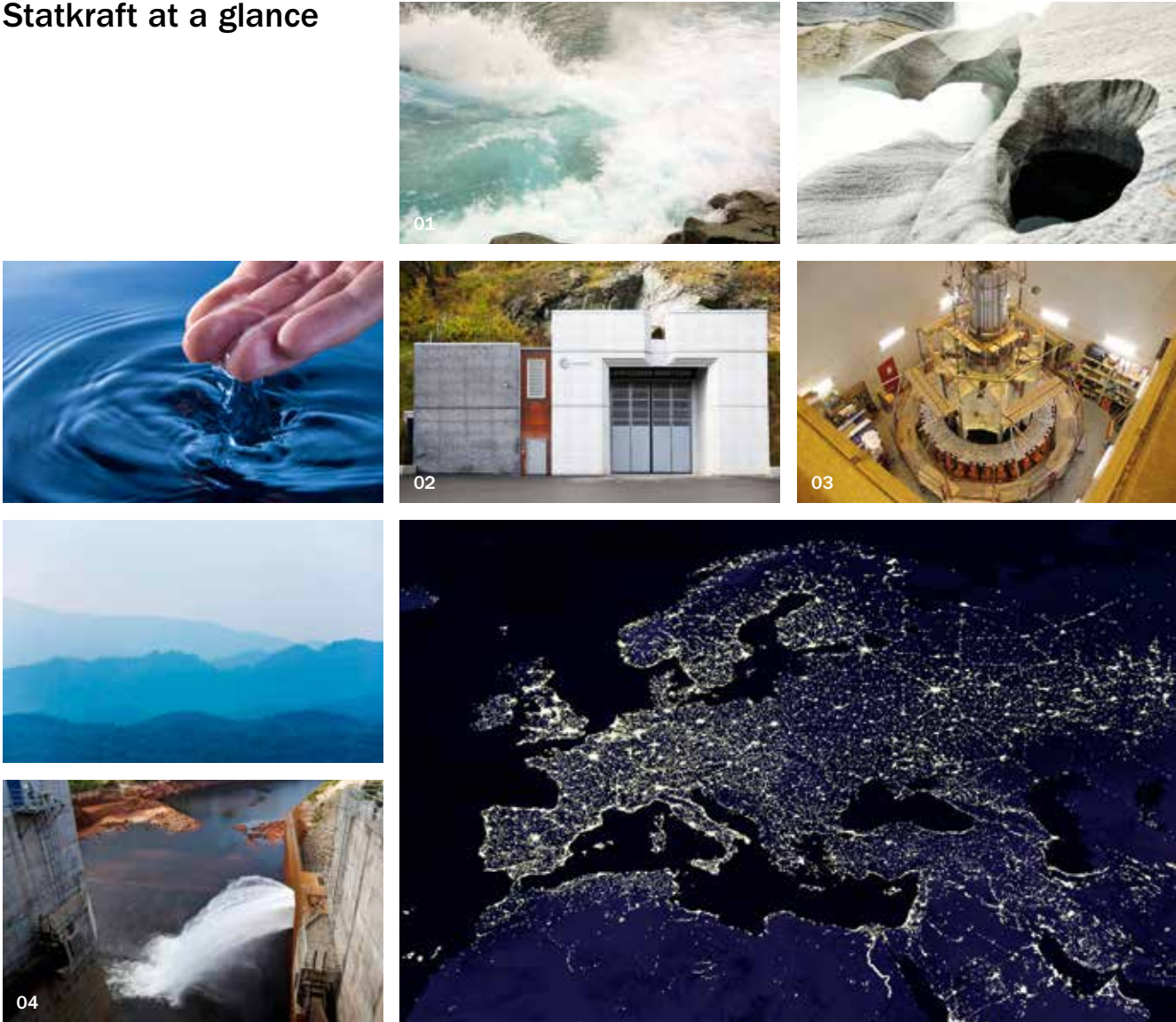
Jon G. Brandsar
EVP Wind Power and Technologies
Responsibilities: Onshore wind power, offshore wind power, innovation, district heating and small scale hydropower
- 6

Øistein Andersen
EVP International Hydropower
Responsibilities: SN Power, South East Europe, international hydropower
- 7

Jens Bjørn Staff
CFO
Responsibilities: Finance, treasury, corporate audit, procurement, investor relations and Strategic Execution



Statkraft at a glance



01. Flexible power production in the Nordic countries and Europe: In January, Statkraft and Troms Kraft agreed on the sale of Bardufoss power plant. The plant was redeemed for NOK 450 million. Start of construction for Kjensvatn power plant in Hemnes, Nordland. The plant is an upgrade and expansion project within Rana power plant's regulatory area. It will, together with a small increase in production at Rana power plant, provide an annual production of approximately 80 GWh of renewable energy.

02. Nedre Røssåga power plant, in the municipality of Hemnes, was expanded by 100 MW. This increased production from 2.0 TWh to 2.2 TWh annually. The expansion equates the energy needs of approximately 10 000 households. The investment has a budget of approximately NOK 1.3 billion, and the construction is estimated to four years.

Kjensvatn power plant is one of several investments in new capacity that Statkraft has made in recent years. The investments are mainly related to the Eiriksdal/Makkoren power plants in Høyanger and the Svartisen and Nedre Røssåga power plants in Nordland.

03. Svartisen power plant in Nordland has undergone an upgrade with two new generators, and is currently in full production.

Power contracts with industry Statkraft signed contracts with Sør-Norge Aluminium (Søral) for long-term energy supply. Together with Agder Energi, Lyse and Hydro, Statkraft will deliver up to 2.6 TWh annually to the aluminium smelter at Husnes near Hardangerfjorden. Statkraft is the largest supplier of power to energy-intensive industries in Norway.

04. International hydropower Theun Hinboun Power Company in Laos opens two new power stations, a new dam and a new power

line. The production of renewable energy is doubled to 3 TWh per year. Most of the energy is exported to Thailand, whilst a smaller share is delivered to the local power grid in Laos. Statkraft has a 20% share in the company. The power stations are operated and maintained by Statkraft. SN Power acquired a share in the Brazilian company Deservix. The acquisition is the largest transaction SN Power has undertaken, and involves an investment of approximately USD 440 million.

05. Offshore wind power Statkraft is constantly building new wind power capacity. In September the offshore wind farm Sheringham Shoal, off the coast of Norfolk in the UK, was opened. A total of 88 wind turbines, each with a capacity of 3.6 MW, is expected to produce 1.1 TWh annually, providing enough energy to supply about 220 000 British households with pure energy. Statkraft and Statoil acquired the UK offshore wind project Dudgeon, which has a license for development



of up to 560 MW. The field is located in the North Sea, 20 km northeast of Sheringham Shoal.

06. Onshore wind power Statkraft has started developing land-based wind farms in Sweden and Scotland. Berry Burn Wind Farm near Iverness in Scotland will have a total of 29 wind turbines, each with a capacity of 2.3 MW, providing a total installed capacity of 66.7 MW, and approximately 184 GWh in annual production. Four wind farms are under construction in Sweden. Björkhöjden and Ögonfågeln wind farms in Jämtland and Västernorrland wind farm northeast of Östersund will produce 1090 GWh annually. The farms consist of 123 wind turbines, each with a capacity of 3 MW. In the same area, Stamåsen wind farm (60 MW) and Mörttjärnberget wind farm (85 MW) are under construction. All four projects are developed by a joint venture company owned 60% by Statkraft and 40% by Svenska Cellulosa

Aktiebolaget SCA. Overall, investments in these four wind farms total about NOK 7.5 billion.

07. District heating Statkraft opens its first district heating plant in Northern Norway, at Hjelholmen in Harstad. 90% of the combustion at the plant is based on biomass, mainly locally supplied wood chips. The completed facility will contribute to a reduction in emissions of 8000 tonnes of CO₂, amongst other things by replacing domestic fuel oil.

08. Smøla anniversary Smøla wind farm celebrated its 10th anniversary in September. The wind farm in Møre and Romsdal county is the largest in Norway, and the 66 wind turbines produce electricity corresponding to the consumption of approximately 20 000 households. The wind farm has 15 employees, and has had a positive impact both on businesses and the local economy at Smøla.

09. Sponsorships Statkraft consolidated its position as one of Norway's most important sponsors of culture, sports and non-profit organisations. When the 150th anniversary of Edvard Munch is celebrated in 2013, Statkraft is one of the main sponsors. Statkraft was also the Norwegian sponsor for the popular Munch exhibition "The modern eye" in Paris. Statkraft and the Red Cross has entered into a partnership agreement to strengthen humanitarian work internationally, with emphasis on areas where Statkraft has business activities. The goals of the partnership are to show why humanitarian aid is important, mutual exchange of competencies, and direct support in crisis.

Statkraft and the Norwegian Opera and Ballet entered into a sponsorship agreement in 2012. The collaboration aims to arrange concerts and performances both in and outside of the Oslo area, and in relation to Statkraft's local operations.



Mechanic Willy Benjaminsen at the Svartisen power plant. The plant has undergone a considerable upgrade with a new 250 MW unit.

Growth from hydropower

For more than 100 years, Statkraft has developed and managed Norwegian hydropower resources to the benefit of Norwegian society. Our business has secured considerable profits for the Norwegian state and has established important knowledge and technology which is now used to generate growth in new markets.

The Norwegian state purchase of Paulenfossen waterfall in 1895 signalled the start of an ambitious energy policy. The largest river systems in the country were nationalised and tamed to ensure power for the 20th-century industrialisation of Norway.

By 1920, the Norwegian state was the largest waterfall owner in Northern Europe, a policy driven by fear of monopolisation of the power supply by industry magnates and foreign capital.

Waterfalls were replaced by pipes. Households received electricity. Farmers became industry workers. And when Norway was rebuilt following WWII, power developers were crucial in the development of prosperity.

The power developments generated new technology, expertise and knowledge. When Prime Minister Einar Gerhardsen opened the power station Tokke 1 in 1961, it was Europe's largest power plant and an icon of the accomplishments of Norwegian engineering. Norwegian hydropower had created the basis for cornerstone factories in communities such as Rjukan, Notodden, Sauda and Høyanger. Not only had hydropower lifted Norway out of poverty, it had become a major industry.

Half a century later, Statkraft and Norwegian hydropower have changed. From being a supplier of energy to an emerging industry, Statkraft is now Europe's largest producer of renewable energy. Norwegian hydropower supplies Norwegian and foreign companies and households with green energy. Norwegian hydropower resources are becoming Europe's green battery, securing a stable power supply in periods where other renewable energy sources produce less. At the same time, Statkraft is stepping up the development of hydropower resources in other parts of the world. Emerging economies are dependent upon more energy, but their consumption growth also threatens the global climate. To avoid disastrous climate-related destruction, as much as possible of the new energy must be renewable. This is why Statkraft is bringing Norwegian technology, expertise and competitiveness to the world, to contribute to giving more countries the chance to benefit from Norwegian prosperity development.

Statkraft has broad experience from managing Norwegian hydropower resources in a manner which benefits society in general. By building and applying our hydropower expertise internationally, we not only contribute to new growth abroad, but we gain important experience and knowledge which can be applied to make our management of the Norwegian resources even better.



Cakit Hydropower Plant is one of three plants Statkraft is developing in Turkey. Together, the three plants have a combined installed capacity of 619 MW.

International growth with pure energy

Water is the blue thread running through Statkraft's most important international journey.

The subsidiary SN Power, giant Turkish development projects and hydropower from German rivers are all important contributors to international growth.

20 years have passed since Statkraft first started mapping of opportunities for hydropower abroad. The destinations were Laos and Nepal. The ambition was to apply Norwegian hydropower expertise internationally. 10 years later, in June 2002, SN Power was established as a subsidiary of Statkraft and state-owned Norfund. Today, Statkraft and SN Power work in parallel with hydropower developments all over the world. While Statkraft handles the giant development projects in Turkey and hydropower projects in Europe, SN Power handles investments in emerging economies in Asia, Latin America and Africa.

Statkraft is already Europe's largest producer of renewable energy. With our 100 years as a developer of Norwegian hydropower, we are in a league of our own internationally. Through SN Power, Statkraft has a profitable portfolio of 38 hydropower plants distributed over nine countries and three continents. This comes in addition to Statkraft's own hydropower plants in countries such as Germany, Sweden and the UK. The largest ongoing project right now are the developments in Turkey, Europe's largest emerging power market. Over the next ten years, the demand is expected to increase tenfold, and from 2015, Statkraft's development of the Cakit, Kargi and Cetin plants will deliver a total of 2 TWh of pure hydropower per year.

20 years after the first reconnaissance expeditions, Statkraft has really become an international company. The vision from 2003 to export Norwegian hydropower expertise to create a basis for growth has long been reality.

The bulk of our production remains in the Nordic region, but international hydropower projects contributed almost 10% of the company's total sales at the end of 2012. The hydropower projects have made a positive contribution to Statkraft's annual profit since 2009. The goal going forward is to ensure profitable developments while supplying green energy to the world's rapidly growing regions.



Statkraft has a clear strategy for the development of international hydropower, and invests both directly and through its subsidiary SN Power.





In the autumn of 2012, Statkraft and Statoil opened the Sheringham Shoal offshore wind farm off the coast of Norfolk. With 88 turbines, the development is the third largest offshore wind farm in the world.

Offshore power

The Sheringham Shoal offshore wind farm not only supplies green energy to 220 000 British households, it also secures an important foothold for Statkraft in offshore wind power.

On a clear day, you can glimpse all 88 wind turbines out in the ocean off the coast of Norfolk. They are the Sheringham Shoal offshore wind farm, a wind power development combining Statoil's offshore expertise with Statkraft's renewable energy expertise. The result is the world's third largest offshore wind farm – supplying green energy to an impressive 220 000 British households.

Europe's reorientation from fossil to renewable energy is taking place at breakneck speed. In the UK, investments in offshore wind power have become an important part of the country's journey towards renewable energy self-sufficiency. This is a journey where Statkraft now plays an important role.

Few industries are growing faster than the wind power industry. By 2020, the wind power industry's contribution to the European economy will have tripled to EUR 94.5 billion per year. In financially challenging times, it is important for Statkraft to be in on this growth.

Statkraft's investments in British offshore wind projects have so far totalled NOK 500 million, and more will be invested. In the autumn of 2012, Statkraft and Statoil announced another joint venture development off the coast of the UK, the Dudgeon

offshore wind farm near Sheringham Shoal. After that, the giant Doggerbank development awaits, a wind power project 30 times the size of Sheringham Shoal.

Statkraft is already a major player in Norwegian onshore wind power. By building offshore expertise, Statkraft is taking an important step to secure an important role in the international transition from fossil to renewable energy. And perhaps even more importantly, Statkraft is now learning valuable lessons which can be applied in future projects along our own long coastline.

Crown prince Haakon, Statkraft's CEO Christian Rynning-Tønnesen and Statoil's CEO Helge Lund during the opening of Sheringham Shoal offshore wind farm.



In July, the delivery of 26 wind turbines to Statkraft and SCA's wind farm Stamåsen in the municipalities of Sollefteå and Strömsund in Sweden commenced. The turbines have a combined installed capacity of 60 MW.

Wind power with the wind at its back

In the forests of the Swedish region of Jämtland, more and more wind turbines reach for the wind. In partnership with Swedish forest owners, Statkraft is in the process of making Sweden's largest industrial investment.

Far above the tops of the firs, wind turbines are reaching greedily for wind. 190 tall wind turbines in five wind farms are under installation in the forested Swedish regions Jämtland and Västernorrland. In partnership with local forest owner SCA, Statkraft is realising one of Sweden's largest ever industrial investments.

While wind turbines are most often associated with open landscapes, coastal areas and rough weather conditions, the wind passing over the Swedish treetops is so strong that Statkraft chose Sweden as the venue for its largest onshore wind power investment ever.

By joining forces with three industrial partners, Statkraft has the potential to generate four times more wind power than from the Smøla, Hitra and Kjøllefjord wind farms combined. If all the projects are realised, Statkraft's portfolio will supply partners and 120 000 Swedish households with green electricity.

10 years after opening its first wind farm – on Smøla – wind power is becoming an increasingly important focus area for Statkraft, with activities in Norway, Sweden, England and Scotland. In addition, the subsidiary SN Power has started production at its first wind farm, in Brazil.

Few energy sources are growing faster than wind. Wind power plays a key role in the European transition from fossil to renewable energy. However, European wind power is also an important driver for new growth in Europe, now stuck in the economic doldrums. By 2020, the number of jobs in the sector is expected to increase to 520 000 – which means that it has tripled over the course of eight years.

2012 was the year when Statkraft really upped its investment in wind power, and lifted production of energy from wind up to become one of the company's most important investment areas. In recent years, the costs of developing onshore wind power have halved, and we hope to make gold from green wind power in another few years.



Stamåsen wind farm is one of seven planned wind farms in Jämtland and Västernorrland.



Statkraft in facts and figures

Statkraft in facts and figures shows that the group has delivered according to the strategy, and maintained a high production in the Nordic countries thanks to high reservoir levels and high inflow. 60 TWh represents a production record, despite lower market prices for electricity throughout the year. Net profit was NOK 4671 million compared to NOK 40 million in 2011. Statkraft's international business grew in 2012. Statkraft now has 3615 employees, with operations in 23 countries. 34% of the Group's employees are located outside of Norway. In the following section more key figures from Statkraft's operations are presented.

Power production

 **60** TWh

Statkraft's production is determined by demand, capacity, access to resources (hydrological balance and wind), spark spread (margin between power and gas price) and power optimisation. In 2012, the Group's power production was 60 TWh in total, plus 1.1 TWh of district heating.

Share of Norway's total power production

 **33** %

Statkraft's power production in Norway and the Nordic region amounted to 33% and 14%, respectively, of total production in the market in 2012. Total power production in Norway was about 146 TWh in 2012.

Number of countries

 **23**

In 2012, Statkraft had 3615 employees, an increase of 6% compared to 2011. At the end of 2012, 34% of the work force was located outside Norway and the Group now has employees in 23 countries, representing a total of 48 nationalities.

Gross operating revenues

 **32.3** NOK billion

Statkraft's revenues are generated by spot sales, contractual sales to the industry, financial trading, grid activities, district heating and power sales to end-users. The Group also delivers concessionary power. Gross operating revenues amounted to NOK 32 331 million in 2012, an increase of slightly more than NOK 10 billion compared to 2011. The increase relates mainly to the new business activity in Germany and the UK, where the Group offers market access for small-scale producers of renewable energy.

Profit before tax

 **8.8** NOK billion

Profit before tax increased by NOK 5.3 billion compared to 2011. The change is mainly related to increased net financial items due to lower write-downs of the shareholding in E.ON SE in 2012 and a severe increase in net currency effects. Net profit was NOK 4671 million compared to NOK 40 million in 2011.

Investments

 **10.7** NOK billion

Statkraft has an investment programme and an investment strategy that involves NOK 70-80 billion in the period from 2011 to 2015. In total, Statkraft invested NOK 10 673 million in 2012, of which the purchase of shares in Desenvix and offshore wind power in the UK as well as investments in new capacity accounted for the largest items.

Share of power generation from renewable sources

 **97.2** %

In 2012, about 97% of the Group's production of power and district heating were based on renewable energy sources. Non-renewable production covers gas power and share of district heating based on fossil fuel. The share of renewable installed capacity is 83%.

Serious environmental incidents

 **0**

There were no serious environmental incidents in 2012. 128 less serious incidents were registered, of which three with high environmental risk and 45 breaches of licence terms. Most of the environmental incidents were short-term breaches of the operations provisions, minor oil spills and non-conformities in connection with waste management.

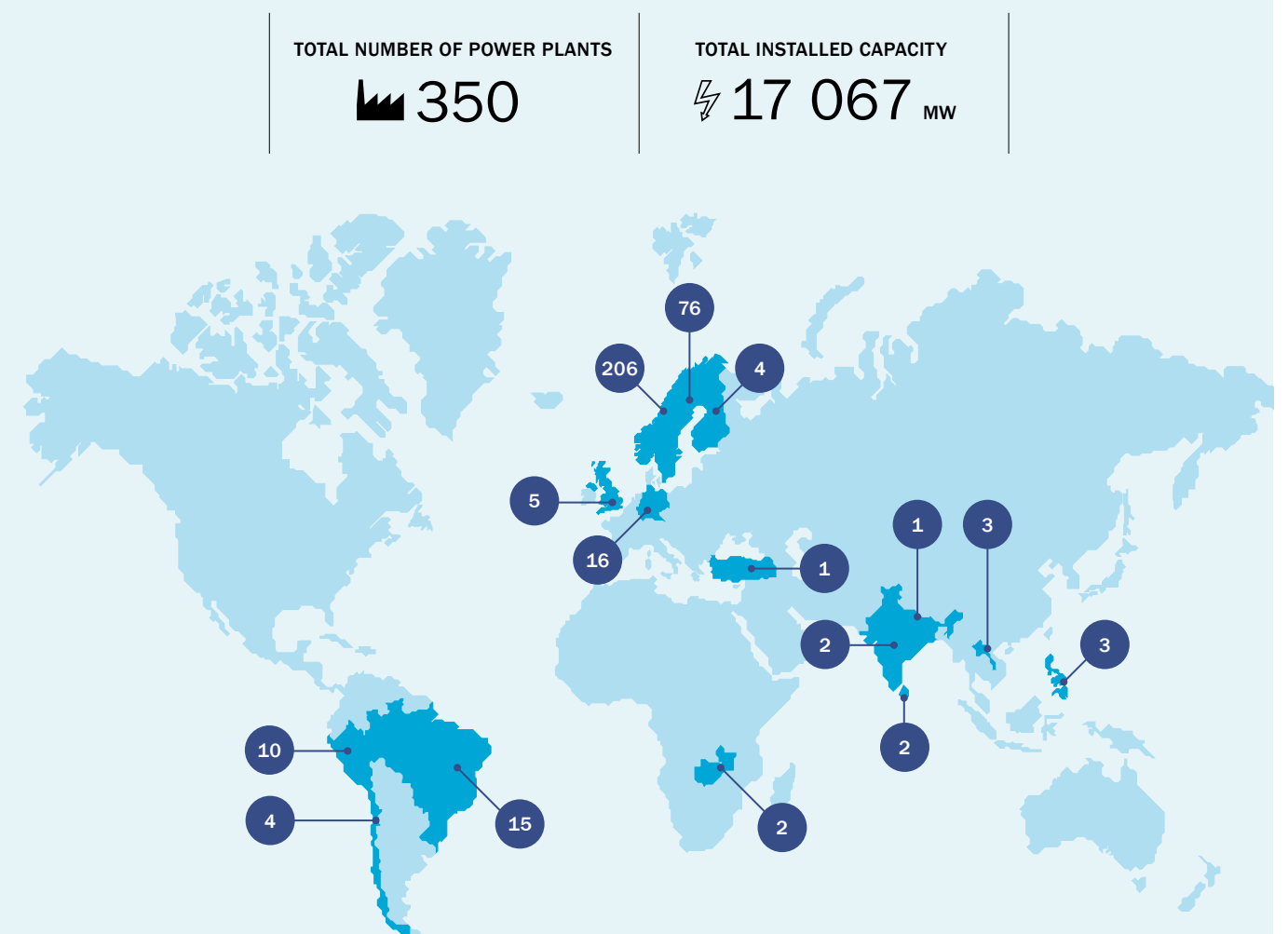
Lost-time injuries

 **4.1** per million hours worked

The indicator for lost-time injuries, LTI, was 4.1 among the Group's employees in 2012, while the indicator for total recordable injuries, TRI, was 7.1. For contractors, LTI was 3.6 and TRI was 6.3. In total, 239 injuries were registered, of which 138 lost-time injuries, among the Group's employees and contractors.

	Total		Hydropower 💧 *		Wind power 🌬️		Gas power 🔥		District heating 🏠 ***	
	Number	Installed capacity	Number	Installed capacity	Number	Installed capacity	Number	Installed capacity	Number	Installed capacity
🇳🇴 Norway	206	11 811	178	10 878	3	245	1	209	24	479
🇸🇪 Sweden	76	1 507	58	1 267	1	8			17	232
🇫🇮 Finland	4	66	4	66						
🇬🇧 United Kingdom	5	231	3	49	2	182				
🇩🇪 Germany	16	2 215	10	261			4	1 939	2	16
🇹🇷 Turkey	1	20	1	20						
🇱🇦 Laos	3	100	3	100						
🇧🇷 Brazil	15	137	10	76	4	47			1	13
🇨🇱 Chile	4	233	2	157	1	46	1	30		
🇵🇭 The Philippines	3	293	3	293						
🇮🇳 India	2	136	2	136						
🇳🇵 Nepal	1	34	1	34						
🇵🇪 Peru	10	271	8	271			2	-		
🇱🇰 Sri Lanka	2	2	2	2						
🇿🇲 Zambia	2	12	2	12						
Total 1 **	322	16 055	265	12 831	7	481	7	2 148	43	726
Total 2 **	350	17 067	287	13 622	11	528	8	2 178	44	739

SN Power



Statkraft owns 350 power plants around the world
Total installed capacity is 17 067 MW

Total 1: Statkraft's share of installed capacity in consolidated companies.
Total 2: In addition, SN Power's share of installed capacity in associates and joint ventures and Statkraft SF's share of installed capacity in Laos are included.
 * Includes small-scale hydropower.
 ** For further details regarding principles for what is included and what is not included, reference is made to the segment overview in the Board of Director's report (page 27) as well as the Corporate Responsibility Statement (page 120–121).
 *** Includes sub stations.

Statkraft around the world

Statkraft is Norway's largest producer of power and leading in Europe within renewable energy. The group produces and develops hydropower, wind power, gas power and district heating, and is a significant player in the European energy exchanges.

The Group has a total of 350 power and district heating plants with a total installed capacity of 17 067 MW. 79% of installed capacity is in Norway and the Nordic region, 15% in the rest of Europe and 7% outside Europe through SN Power.

Major upgrades to hydropower plants are underway in Norway. The expansion of Svartisen power plant with 250 MW was completed in 2012 and a major maintenance project was implemented at Norway's largest power plant, Kviteseid.

Internationally, the Group has multiple hydropower plants under construction. In Turkey, three power plants are under construction with a total installed capacity of 619 MW. Through SN Power, two power plants of 168 MW in Peru and 120 MW in Panama are under construction. In addition, a 120 MW power

plant in the Philippines is undergoing an upgrade. In Laos, the Theun Hinboun Power Company, where Statkraft SF owns 20%, completed expansion of an existing power plant which entails an increase in total installed capacity from 220 MW to 500 MW.

Statkraft has substantial capacity under construction within onshore wind power in Sweden and the UK. Statkraft and Statoil opened the 317 MW Sheringham Shoal offshore wind farm in the UK in 2012, and acquired the development rights for the

neighbouring Dudgeon field. Within onshore wind power, the Group has a total of seven wind farms under development, five in Sweden and two in the UK. The total installed capacity for these wind farms will be 635 MW.

Two new district heating plants were completed in 2012, in Harstad (24 MW) and in Stjørdal (20 MW). In addition, another three plants are under construction, two in Norway and an upgrade in Sweden, with a total installed capacity of 59 MW.



Report from the Board of Directors

2012 was an eventful year for Statkraft, which grew to become a significant player in wind power, established itself in the large Brazilian power market and took the lead as a supplier of market access to producers of renewable energy in Germany and the UK.

2012 also saw an escalation in Statkraft's upgrading of power plants, which will result in increased capacity in Norway.

High reservoir water levels and high Nordic hydropower production resulted in relatively low Nordic power prices. Gas power production fell substantially as margins shrank further. Total production in 2012 was 60 TWh in consolidated operations, a record high and up 17% from 2011. The high production and good contract coverage resulted in underlying net operating revenues increasing by 4% to NOK 18.8 billion, in spite of Nordic power prices being at their lowest since 2007.

Underlying operations were good, and EBITDA, the operating profit before depreciation and impairments, was NOK 11.1 billion, up 2% from the preceding year. The net profit was NOK 4.7 billion, significantly higher than in the preceding year. The Group wrote down assets for a total of NOK 4.9 billion, but this was offset to a large extent by unrealised and realised currency gains of NOK 4.5 billion. Total gross investments slightly exceeded NOK 12 billion.





The Board of Directors of Statkraft

1 Inge Ryan Member of Statkraft's Audit Committee, Board member since 2010	6 Olav Fjell Chairman of the Board and Chair of Statkraft's Compensation Committee, Board member since 2012
2 Ellen Stensrud Deputy chair, Board member since 2007	7 Odd Vanvik Employee-elected Board member, member of Statkraft's Compensation Committee, Board member since 1993
3 Halvor Stenstadvoid Chair of Statkraft's Audit Committee, Board member since 2003	8 Berit Rødseth Member of Statkraft's Audit Committee, Board member since 2007
4 Silvija Seres Member of Statkraft's Compensation Committee, Board member since 2010	9 Thorbjørn Holøs Employee-elected Board member, member of Statkraft's Audit Committee, Board member since 2002
5 Lena Halvari Employee-elected Board member, Board member since 2010	

Highlights

- ▶ Record-breaking production, primarily driven by Nordic hydropower production.
- ▶ Major upgrades of Norwegian hydropower plants are underway, and 2012 saw the completion of the expansion of Svartisen with 250 MW and the completion of the maintenance project for Kvilldal, Norway's largest power plant.
- ▶ Statkraft took over operation of the 44 MW Bardufoss power plant.
- ▶ Established new business activities in Germany and the UK, offering market access for small-scale producers of renewable energy.
- ▶ SN Power acquired 40.65% of the shares in the Brazilian company Desenvix.
- ▶ Statkraft and Statoil opened the 317 MW Sheringham Shoal offshore wind farm in the UK, and acquired the development rights for the neighbouring Dudgeon field.
- ▶ Investment decisions were made for three new onshore wind farms – Ögonfågeln and Björkhöjden in Sweden and Berry Burn in the UK – totalling 436 MW.

Health, safety and the environment

There were two work-related fatal accidents in the international activities in 2012. Both accidents took place in connection with contractor work in the tunnel at SN Power's Cheves development project in Peru. In addition, two accidents occurred where persons not employed in the activities died. These took place at SN Power's La Oroya plant in Peru and at the Cetin development project in Turkey. The accidents were investigated by independent commissions and all measures are being followed up. Statkraft is working systematically to reduce risks and prevent injuries in connection with the Group's activities. Special focus is directed towards potentially high-risk incidents, and the exchange of experience across the Group has been strengthened.

There were no serious environmental incidents in 2012.

Statkraft's vision, values, strategy and important events in 2012

Statkraft is Europe's largest producer of renewable energy. Statkraft's goal is to meet the world's need for cleaner energy, and the vision is: "We deliver pure energy". The strategy aims for growth in three main areas: Hydropower, wind power and district heating.

Values

The core values of the Statkraft Group govern the activities and the employees' behaviour:

- Competent. Apply knowledge and experience to achieve ambitious goals and to win recognition as a leading player.
- Responsible. Create values while showing concern for employees, customers, the environment and society in general.
- Innovative. Think creatively, identify opportunities and develop efficient solutions.

The core values apply to all employees and anyone else who represent Statkraft.

Strategy, ambitions and important events in 2012 Increased need for pure energy creates business opportunities for Statkraft. The strategic platform aims for growth in:

- European flexible power production and market operations
- International hydropower
- Wind power in Norway, Sweden and the UK
- District heating in Norway and Sweden
- Small-scale hydropower in Norway

Statkraft's strategy is based on an evaluation of the market's attractiveness and Statkraft's ability to create value. The premises for the strategy are that business development, construction and operation of power plants must be based on high health, safety and environment standards. Planned activities in emerging markets contribute to increased challenges in connection with health, environment, safety and corruption risk, as well as the safeguarding of Statkraft's corporate responsibility. These challenges must be handled well over time to create value.

European flexible power production and market operations:

Statkraft's ambition in European flexible power production is to maintain the position as Europe's largest producer of hydropower and be an important supplier of flexible power production to Europe.

Based on fundamental market analysis and a well-defined business model, Statkraft seeks to exploit the flexibility of the power plants to produce electricity when the power is needed the most and the market conditions are most attractive. Statkraft will prioritise modernisation and expansion, as well as further development of expertise, models and systems to ensure efficient operations and increased creation of value from existing hydro and gas power plants. Furthermore, the Group seeks to increase profitability and reduce risk through market operations.

Statkraft will consider portfolio optimisation and selective investments in hydropower in Northwest Europe and will give priority to hydropower in the Nordic region, Germany, France and the UK. The market outlook for Northwest Europe is uncertain due to expectations of low or possibly negative growth in demand and considerable increase in renewable energy production. Statkraft will therefore emphasise understanding of the consequences for the future power balance, power prices and the value of flexible power production.

The European transition to renewable energy, low coal and carbon prices and a weak demand for gas power create considerable challenges for European power companies. For Statkraft, this resulted in a write-down of NOK 1762 million for the German gas power plants in consolidated operations, and NOK 268 million for gas and biomass power plants in non-consolidated operations.

Major upgrades to hydropower plants are underway in Norway. The expansion of Svartisen power plant in Nordland was completed with a new 250 MW unit in 2012, and a major maintenance project was implemented at Norway's largest power plant, Kviteldal. In Sogn og Fjordane county, the hydropower plants Eiriksdal and Makkoren are under construction to replace three old power plants which will be shut down, and in Nordland county, the power plants Nedre Røssåga and Kjensvatn are being modernised and expanded by 100 MW and 11 MW, respectively. The development of Eiriksdal and Makkoren, as well as Kjensvatn, is scheduled for completion in 2014, while Nedre Røssåga is scheduled for completion in 2016. Statkraft took over operation of Bardufoss power plant of 44 MW from Troms Kraft, following the Norwegian Competition Authority's approval of the take-over.

In 2012, the Group developed new business activities in Germany and the UK, offering market access to small-scale renewable energy producers who do not have own market operations. Contracts have been signed with a substantial number of wind power producers, with an installed effect totalling 9000 MW, and Statkraft has assumed a leading position in this market over the course of 2012.

International hydropower: Statkraft has a strategy for development of hydropower with ambitions to strengthen the Group's position in attractive emerging markets. Statkraft invests in international hydropower both directly and through the subsidiary SN Power. SN Power's strategy is to invest through participation in

strategic partnerships with international, regional or local players with complementary expertise. The strategy for international hydropower is based on expected economic growth in selected markets, increased need for pure energy as well as a large potential for hydropower. Statkraft and SN Power have sound expertise related to development and production of hydropower which can form the basis for creation of value in new markets.

Statkraft is developing hydropower production in the Turkish market, and is planning development of the Devoll project in Albania. SN Power prioritises development of hydropower in Peru, Chile, Brazil, Nepal, India and the Philippines, where the company already owns production capacity. In addition, SN Power is seeking investment opportunities in Vietnam, while Agua Imara, an SN Power subsidiary, is considering investment opportunities in southern parts of Africa and Central America.

Through the acquisition of 40.65% of the shares in Desenvix in March 2012 and the acquisition of energy trading company Enerpar in May 2011, the Group is now established throughout the value chain in Brazil – one of the world's largest power markets with hydropower as a dominant source of energy. Desenvix has 137 MW of renewable energy production (SN Power's share) and a substantial project portfolio.

Internationally, the Group has multiple hydropower plants under construction. In Turkey, three power plants are under construction with a total installed capacity of 619 MW. Through SN Power, two power plants of 168 MW in Peru and 58 MW in Panama are under construction. In addition, a 120 MW power plant in the Philippines is undergoing an upgrade. In Laos, the Theun Hinboun Power Company, where Statkraft SF owns 20%, completed the expansion of an existing power plant which entails an increase in total installed capacity from 220 MW to 500 MW.

Statkraft's long-term international investments in renewable energy make an overall positive contribution to operations. Capacity in emerging economies is being developed through the shareholding in SN Power. Challenges in connection with grid access and the power market resulted in a write-down of NOK 460 million for hydropower in India in 2012, but the overall development of the portfolio's value has nevertheless been positive in recent years, primarily due to good results from the Philippines and Peru. SN Power also wrote down a power plant by NOK 78 million.

Wind power: Statkraft's ambition is to establish a position as one of the most cost-efficient and profitable companies in onshore wind power in Norway and Sweden. As regards onshore and offshore wind power in the UK, Statkraft's ambition is to develop a future attractive position.

The wind power market in Europe is considered to be attractive due to the increasing need for new renewable power production. In order to maintain satisfactory profitability, it is necessary to reduce the costs for wind power, and to continue and gradually reduce financial subsidy schemes for new wind power from the authorities. Statkraft has substantial capacity under construction within onshore wind power in Sweden and the UK, and is prioritising to completing these projects, establishing cost-efficient development, operation and maintenance solutions, as well as strengthening the wind analysis expertise.



The onshore and offshore wind power business saw high activity levels in 2012. A milestone was reached with the official opening of the 317 MW Sheringham Shoal offshore wind farm in the UK in September. The wind farm is owned in partnership with Statoil. Statkraft has a large project portfolio within offshore wind power through the acquisition of Dudgeon Wind Farm, where Statkraft owns 30% of the shares and Statoil 70%, and the Forewind consortium, where Statkraft owns 25%. Forewind holds the rights to develop the Dogger Bank offshore wind farm, which has a maximum projected capacity of 9000 MW. Within onshore wind power, the Group has a total of seven wind farms under development, five in Sweden and two in the UK. The total installed capacity for these wind farms will be 635 MW.

District heating: Statkraft's ambition is to improve profitability, strengthen its position as one of the two largest district heating players in Norway and realise growth also outside existing licence areas. In Sweden, Statkraft plans further development of existing plants, but has currently no ambitions regarding growth in new areas.

Two new district heating plants were completed in 2012, in Harstad (24 MW) and in Stjørdal (20 MW). In addition, the segment has another three plants under construction, two in Norway and an upgrade in Sweden, with a total installed capacity of 59 MW.

Small-scale hydropower: Statkraft's ambition for small-scale hydropower production in Norway is to grow through industrial

ownership in the company Småkraft. Småkraft invests in and builds small-scale hydropower plants in partnership with local landowners.

Småkraft commissioned six new plants in 2012, with a total installed capacity of 23 MW. At the end of the year, the company had 34 power plants in operation with an annual mean production of 0.4 TWh.

Regional ownership: In addition to the five strategic focus areas, Statkraft will continue to support a sound development in the regional companies in Norway where Statkraft has ownership interests.

In January 2013, Statkraft, BKK, Haugaland Kraft, Sunnhordland Kraftlag and Sognekraft signed a letter of intent to make changes to the ownership structure of BKK and power plants in Western Norway. The parties will work towards a transaction that will entail significant assets changing hands and Statkraft ceasing to be a shareholder in BKK. The parties emphasise that such a transaction will facilitate sound industrial and financial development and growth for BKK, while ensuring public-sector control and regional ownership and management of BKK.

Skagerak Energi and Agder Energi have joined forces to construct Brokke Nord/Sør in Setesdal. The power plant, with an installed capacity of 24 MW, is scheduled for completion in 2014.

Skagerak Energi wrote down Skagerak Varme by NOK 136 million in 2012 as a result of cost overruns and changed market prospects.

Statkraft's activities

Statkraft's segment structure is presented according to the same structure for the internal governance information that the corporate management systematically reviews and uses to allocate resources and measure goal attainment. The segments are Nordic hydropower, Continental energy and trading, International hydropower, Wind power, District heating and Industrial ownership. Areas not shown as separate segments are presented under the heading Other activities.

Nordic hydropower is by far the largest of the segments measured by installed capacity and assets, as well as net operating revenues and results. The segment includes hydropower plants in Norway, Sweden and Finland. The production assets are mainly flexible. The segment's revenues are mainly generated by selling power in the spot market and under long-term contracts, the latter mainly to power-intensive industry in Norway. In Norway, Statkraft also delivers concessionary power. Multiple-year reservoirs and the flexibility of the power plants enable optimisation of power production in relation to the hydrological situation and price situation. Nordic hydropower is therefore optimised over longer time periods than one year.

Continental energy and trading includes gas power plants in Germany and Norway, hydropower plants in Germany and the UK and bio-based power plants in Germany, as well as Baltic Cable, the subsea cable between Sweden and Germany. The power production is optimised in relation to the prices on input factors (fuel, carbon and hydrology) and sales prices (power and green certificates). The segment includes trading and origination, as well as revenue optimisation and risk mitigation related to both the Continental and Nordic production. In this manner, the Group can exploit its overall market expertise in the best possible manner. The trading involves standardised and structured power contracts, gas, coal, oil and carbon.

International hydropower operates in emerging economies with expected high growth and substantial need for energy. Statkraft is focusing on selected markets where the Group's hydropower expertise can create value. The activities include the shareholding of 60% in SN Power as well as the Group's hydropower activities in Southeast Europe with emphasis on Turkey and Albania. SN Power owns interests in hydropower plants in South America, Asia and Africa, as well as wind farms and one thermal power plant in South America. In addition, SN Power owns two hydropower plants totalling 182 MW (SN Power's share) under construction. In Brazil, SN Power is also engaged in power trading. In Turkey, Statkraft owns a hydropower plant of 20 MW, while three hydropower plants totalling 619 MW are under construction. Investments are often made with local partners or international investors. The segment is also responsible for following up Statkraft SF's 20% shareholding in two hydropower plants in Laos. Statkraft SF's share of the installed capacity for these plants is 100 MW.

Wind power includes Statkraft's investments in onshore and offshore wind power. The segment has onshore wind farms in operation in Norway, Sweden and the UK, as well as an offshore wind farm in the UK. The revenues mainly derive from sale of power at spot prices as well as green certificates. The segment has seven wind farms – five in Sweden and two in the UK – under construction. These will have an installed capacity totalling 421 MW (Statkraft's share).

District heating operates in Norway and Sweden. Further growth will primarily take place in Norway where Statkraft is one of the two largest suppliers of district heating. The revenues are influenced by power prices, grid tariffs and taxes, and the price to customers is adjusted monthly or quarterly. Waste, biomass, oil and gas are important input factors in the production of district heating. In Norway, the customer basis is being strengthened through mandatory connection.

Industrial ownership includes management and development of Norwegian shareholdings, and includes the companies Skagerak Energi, Fjordkraft, BKK, Istad and Agder Energi. The two former companies are included in the consolidated financial statements, while the other three companies are reported as associated companies. Skagerak Energi's activities are concentrated around the production of power, district heating operations, distribution grid operations, electrical entrepreneur activities and natural gas distribution. Fjordkraft's activities are concentrated around the sale of electricity to private individuals and companies.

Other activities includes small-scale hydropower, the shareholding of 4.17% in E.ON SE, innovation, group functions and eliminations.

Key figures									
	Statkraft Group	Nordic hydropower	Continental energy and trading	International hydropower	Wind power	District heating	Industrial ownership	Other activities	Group items
Upstream business									
Installed capacity (MW) ¹⁾	15 345 2),3),4),5)	10 773 4)	2 474 2), 4), 5)	383 6)	276 3)		1 321 4), 5), 7)	117	
Production (TWh) ¹⁾	60.0	48.4	1.9	2.6	0.7 ⁸⁾		6.0	0.2	
District heating									
Installed capacity (MW)	710					624	87 ⁷⁾		
Production (GWh)	1 117					1 067	50		
Downstream activities									
Energy delivered, net (TWh)	7.1						7.1		
Volume delivered, electricity customers (TWh)	13.2						13.2		
Income statement (NOK million)									
Net operating revenues, underlying	18 811	12 479	1 915	1 054	216	384	3 010	565	-812
EBITDA, underlying	11 060	9 409	610	320	-113	142	1 495	-787	-17
Operating profit, underlying	8 573	8 274	245	98	-229	-2	1 061	-856	-17
Operating profit	5 365	6 610	-1 076	-93	-229	-2	846	-674	-17
Share of profit from associated companies and joint ventures	1 024	-	89	146	8	-1	781	-	-
Balance sheet (NOK million)									
Total assets	144 992	48 837	4 938	16 810	5 819	2 874	23 717	58 947	-16 950
Investments	10 673	1 509	1 132	4 209	2 300	375	538	229	-

1) Includes the share of consolidated companies and the associated gas power companies Herdecke and Naturkraft and the associated biopower companies Emden and Landesbergen.
2) Excluding Baltic Cable (600 MW).
3) Excluding Statkraft's share of Sheringham Shoal (158.5 MW).
4) Excluding pumped-storage hydropower.
5) Including Emden 4, which is in cold reserve.
6) SN Power's share of consolidated operations and power plants in Turkey. SN Power's share of power plants in associated companies and joint ventures of 754 MW is not included.
7) Skagerak Energi's share.
8) Excluding Statkraft's share of Sheringham Shoal (0.3 TWh).

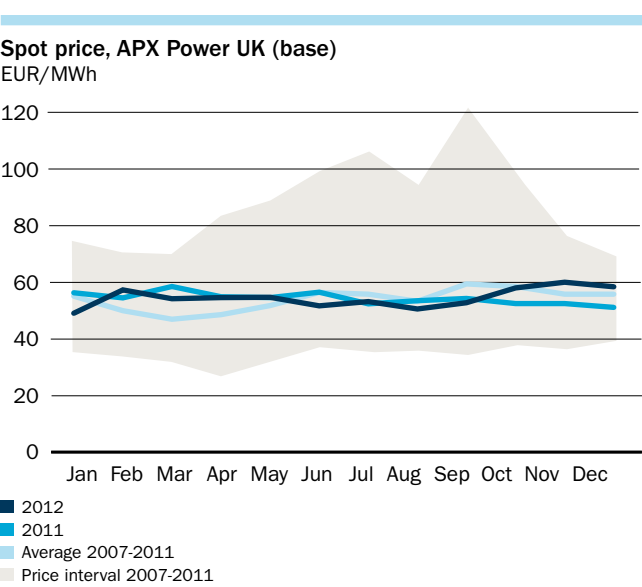
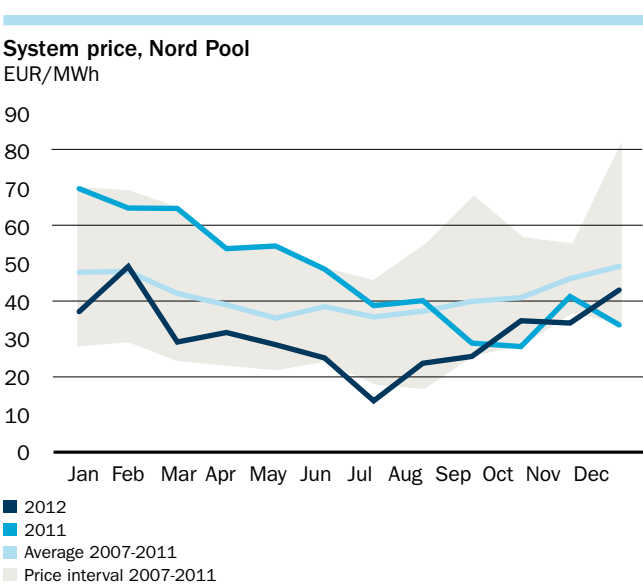
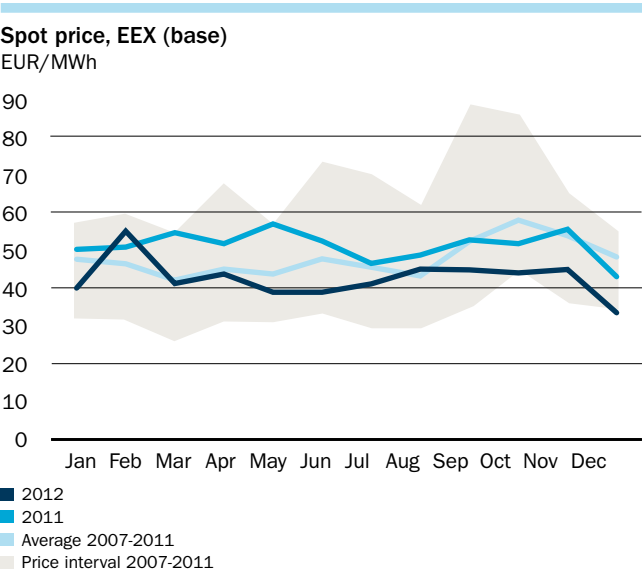
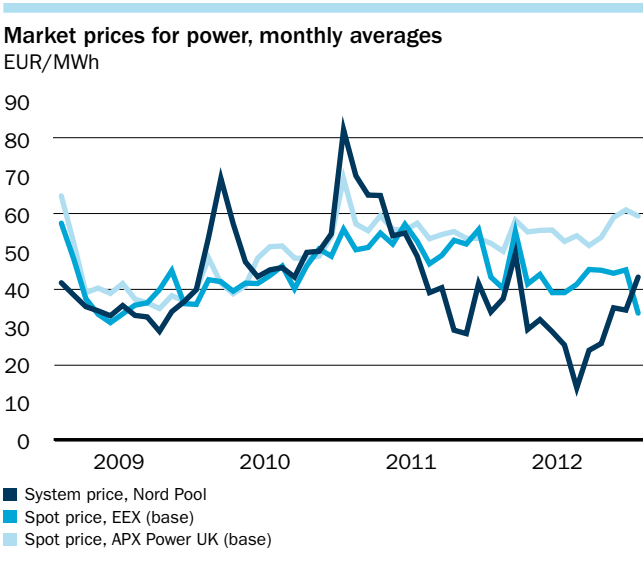
Market and production

Most of Statkraft’s production is in the Nordic region, and 93% of the production took place in this market in 2012. In addition, the Group has production assets in Germany, the UK and Turkey. The Group is exposed in other countries through the subsidiary SN Power.

The European power market

Power prices in the Nordic region in 2012 were characterised by high reservoir water levels at the beginning of the year and high inflow throughout the year. The average system price at Nord Pool ended at 31.3 EUR/MWh, 34% lower than in 2011 and the lowest since 2007. Compared with the average prices for the years 2007-2011, the decline was 25% in the Nordic region. Power prices in Germany were lower than in 2011 for most of the year. The average spot price (base) on the European Energy Exchange (EEX) was 42.6 EUR/MWh, 16% lower than in

2011 and 11% lower than average for the years 2007-11. The German power prices were characterised by weak demand as a result of the difficult economic situation in the euro countries, as well as the continued high growth in new non-flexible power production (solar and wind power). The development in fuel prices also contributed considerably to lower power prices. The price of coal delivered in Northwest Europe fell by almost 30 USD/tonne on average from 2011 to 2012. Gas prices, however, continued to rise, and prices in 2012 were 6% higher than in 2011. Gas prices were high enough to give coal power a major competitive edge over gas power. Low carbon prices had the same effect. Power prices in the UK are significantly influenced by gas prices, and the gas price increase resulted in a slight rise in power prices in 2012, in spite of weak demand trends and substantial growth in renewable power production. The average price of 55.1 EUR/MWh in 2012 was on par with both prices in 2011 and the average price for the years 2007-11. Power consumption in the Nordic region is relatively high



compared with other European countries, as a result of the combination of cold winters, high percentage of electrical heating and a relatively large percentage of power-intensive industry. In 2012, the demand for power increased by 2% in the Nordic region and 4% in Norway compared with the preceding year. The total production in Norway was 146.0 TWh, an increase of 16% from 2011. Exports amounted to 18.0 TWh, corresponding to 12% of production. A total of 3.2 TWh was exported in 2011, corresponding to 3% of production. In total, 399.0 TWh was produced in the Nordic region, an increase of 7% from 2011, while 14.4 TWh was exported, corresponding to 4% of production. 5.2 TWh was imported in 2011. Norway and Sweden were net power exporters in 2012, while Finland and Denmark were net importers. Imports from Russia to the Nordic region saw a marked decline in 2012. This was partly due to the low prices in the Nordic region, but the main explanation is ascribed to the introduction of a capacity market in Russia which adds a significant surcharge to power prices for exports during peak load hours.

The production mix in the Nordic region is changing somewhat. In 2012, Swedish wind power production increased by more than 1 TWh from 2011, to 7 TWh, while the Danish decentralised district heating production fell by more than 3 TWh. In Norway, about 1 TWh of new production capacity was added, divided relatively equally between hydropower and wind power.

There is some uncertainty as to how the Nordic power prices will be affected by an increasing power surplus. In the period 2012-2020, 26.4 TWh of new renewable power production is expected to be established in Norway and Sweden through the new common Norwegian-Swedish electricity certificate market. Combined with the 1600 MW Olkiluoto 3 nuclear power plant in Finland, this will give about 40 TWh of new production with low marginal cost per year. In addition, Denmark and Finland are developing new renewable power production in order to meet their obligations in 2020. In addition to this anticipated power surplus, the number of realised international interconnectors and the power prices in Continental Europe will be important for price formation in the Nordic region.

Other power markets

Consumption continued to rise in Turkey in 2012, and increased by 5% compared with 2011. Consumption growth and rising commodity prices resulted in spot electricity prices rising to about 65 EUR/MWh on average (base). This corresponds to an increase of about 20% from 2011. Turkey currently has no carbon price, and power prices are mainly determined by the gas price. The consumption per capita is lower in Turkey than in the EU, and consumption is expected to continue to grow.

Power prices in the bilateral market (merchant price) in India remain relatively low, mainly due to strained finances in the distribution companies and generally lower economic growth. In the Philippines, prices are stable at around 80 USD/MWh, and the country is generally experiencing robust economic growth. In Peru, prices are low in the spot market, but SN Power has

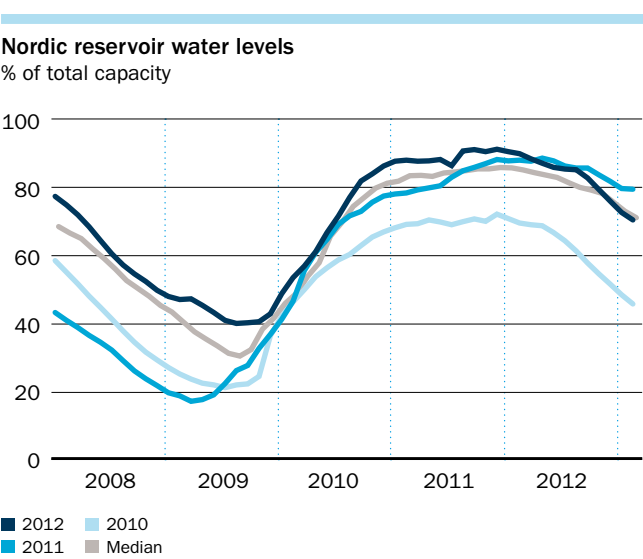
entered into several contracts with different maturities at prices above the spot prices. In Chile, power prices are at a high level of around 200 USD/MWh as a result of dry years and low production from the country's hydropower plants. In Nepal, power is sold through a power sales agreement with a fixed CPI-regulated price from 2000 to 2010. In Zambia, power is sold through a power sales agreement at a relatively low level.

Statkraft's production

Statkraft's production is determined by demand, capacity, access to resources (hydrological balance and wind), spark spread (margin between power and gas price) and power optimisation. At the end of 2012, the installed capacity amounted to 16 055 MW, with hydropower contributing 12 859 MW, gas power 2148 MW, wind power 322 MW, district heating 710 MW and biopower 16 MW. In 2012, the Group's power production totalled 60 TWh, plus 1.1 TWh of district heating.

The demand for power varies throughout the day and year, and the power markets are dependent on capacity that can be adjusted according to demand. Statkraft has a large percentage of flexible production capacity, and combined with extensive analysis and production expertise, this contributes to the Group generally managing its water resources in a sound manner. The Group's power optimisation is carefully planned and it has available power plants in periods with high demand. This expertise is also applied in the flexible power production on the Continent. Statkraft's large reservoir capacity with a combination of seasonal and multiple-year reservoirs enables the Group to manage the water resources in a perspective spanning more than one year. Accordingly, production can be kept high in peak price periods, but can be kept lower in low-price periods.

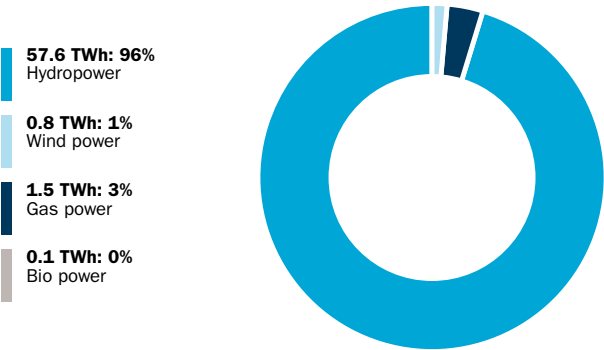
The hydrological balance was good entering 2012, and remained robust throughout the year. At the end of the year, the overall water level in the Nordic region's reservoirs was 99% of normal, corresponding to 84.5 TWh. The water level was 70% of maximum capacity, which is 121.4 TWh. This represents a decline in reservoir water levels of about 10.6 TWh from the end of 2011, when water levels were unusually high.



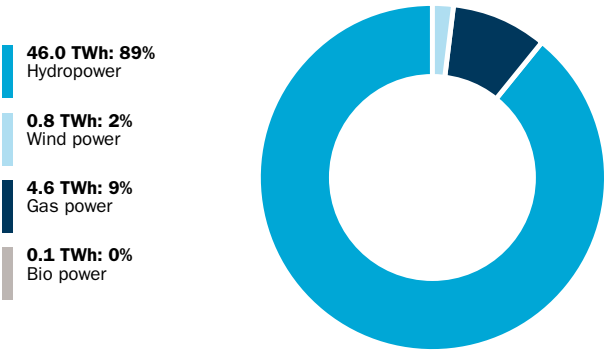
In 2012, the Group's power production was 60 TWh in total, plus 1.1 TWh of district heating, increases of 17 and 22%, respectively, from 2011. Hydropower production increased from the preceding year, mainly as a result of the good hydrological balance resulting in significantly higher Nordic hydropower production than in a normal year. Gas power production was at

the lowest level since Statkraft opened its first gas power plants in late 2007, as a result of the further deterioration in the spark spread through 2012. Statkraft's power production in Norway and the Nordic region amounted to 33 and 14%, respectively, of total production in the market in 2012.

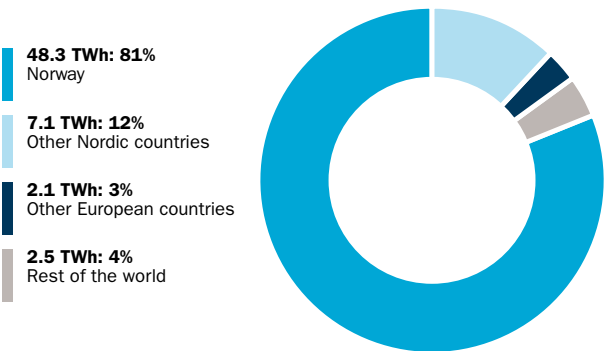
Technology 2012 (60.0 TWh)



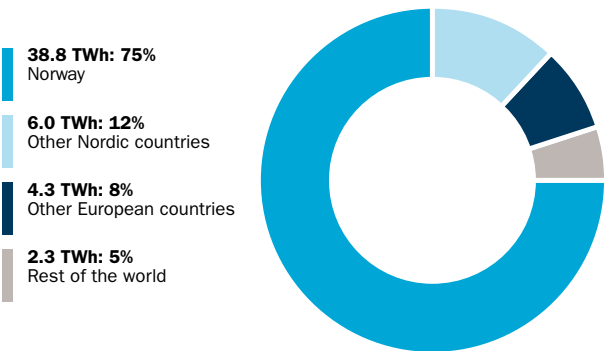
Technology 2011 (51.5 TWh)



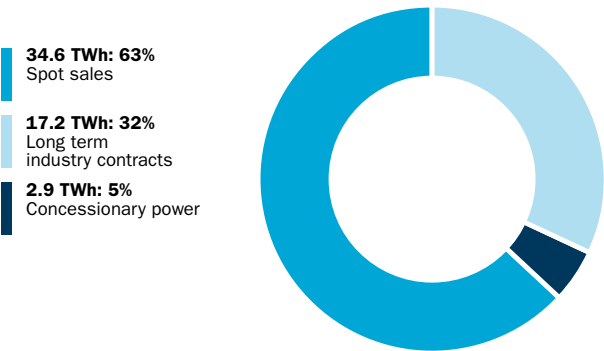
Geography 2012 (60.0 TWh)



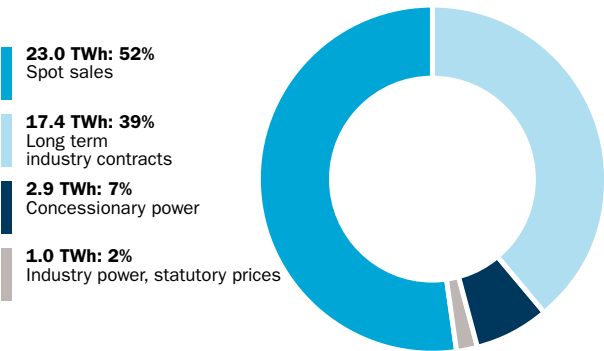
Geography 2011 (51.5 TWh)



Nordic reservoir water levels 2012 (54.7 TWh: 116% of annual mean production)



Nordic reservoir water levels 2011 (44.4 TWh: 94% of annual mean production)



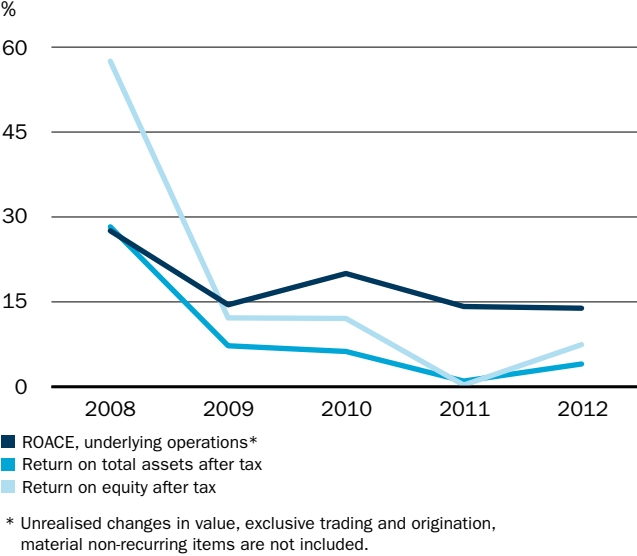
Financial performance ¹⁾

The good resource situation throughout the year resulted in Statkraft being able to maintain high Nordic hydropower production in 2012. This offset the low Nordic power prices. Net operating revenues increased by 3% to NOK 17 659 million, compared with 2011, while the operating profit fell by 14% to NOK 5365 million. The increase in revenues from high Nordic hydropower production was offset by higher write-downs of fixed assets and other operating expenses.

The Group's recorded profit before tax was NOK 8806 million (NOK 3466 million), and the net profit was NOK 4671 million (NOK 40 million). The performance improvement was primarily due to an improvement in net financial items as a result of higher unrealised currency gains and lower write-down of the shareholding in E.ON SE than in 2011.

In the following, the emphasis will be on analysing the result from the underlying operations for items up to and including the operating result. Unrealised changes in value of energy contracts and significant non-recurring items in consolidated activities are explained in the section "Items excluded from the underlying operating result". Income statement elements after the operating result are analysed in accordance with the recorded result.

Return on capital

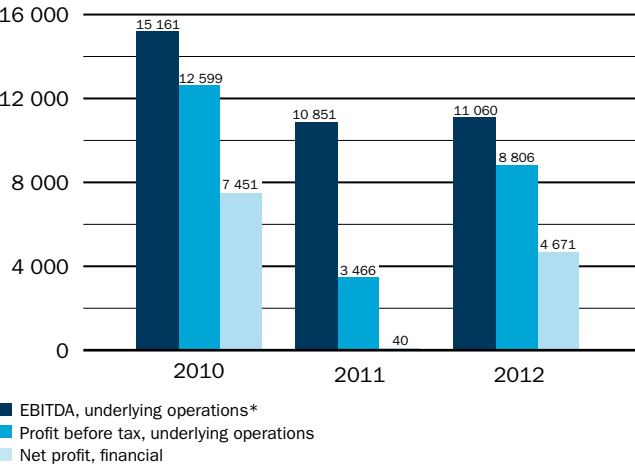


Underlying operating revenues

Statkraft's revenues are generated by spot sales, contractual sales to the industry, financial trading, grid activities, district heating and power sales to end-users. In addition, the Group delivers concessionary power. The fundamental basis for Statkraft's revenues comprises power prices, water management and production. The production revenues are optimised through financial power trading, and the Group also engages in trading activities.

About two-thirds of the net operating revenues in 2012 were related to the segment Nordic hydropower, while the Industrial ownership and Continental energy and trading segments contributed 16 and 10%, respectively. Other segments contributed between 1 and 6%. With the exception of the segments Wind power and Industrial ownership, all segments showed an increase in net operating revenues compared with 2011. The segments that contributed the most to the Group's increase were Nordic hydropower, Continental energy and trading and International hydropower. In the Nordic region, the primary drivers for the increase were spot sales revenues, while revenues from both spot sales and portfolio management were higher on the Continent. The revenue increase from International hydropower related to long-term contracts.

EBITDA and net profit NOK mill.



Return

Measured as ROACE², the Group achieved a return of 13.6% in 2012 (13.9%).

Based on the recorded profit after tax, the return on equity³ was 7.2% (0.1%), while the return on total capital⁴ was 3.8% (0.8%).

¹ Figures in parentheses show the comparable figures for 2011.
² ROACE (%): (Operating result adjusted for unrealised changes in the value of energy contracts and significant non-recurring items x 100)/average capital employed.
³ Net return on equity (%): (Result last 12 months x 100)/ average equity.
⁴ Return on total assets after tax (%): (Net result adjusted for financial expenses last 12 months x 100)/average total assets.

Underlying operating revenues			
NOK mill.	2012	2011	Change
Net physical spot sales, incl. green certificates	19 656	7 762	11 894
Concessionary sales at statutory prices	307	401	-95
Sales of electricity to industry at statutory prices	-	130	-130
Long-term commercial contracts	6 179	5 880	299
Nordic and Continental dynamic asset management portfolio	525	-124	649
Trading and Origination (exclusive of EEG 2012 and UK PPA*)	726	834	-108
Distribution grid	1 071	1 114	-43
End-users	4 024	4 902	-878
District heating	655	581	74
Other/eliminations	17	-49	67
Sales revenues	33 154	21 431	11 723
Other operating revenues	944	868	76
Gross operating revenues	34 098	22 298	11 800
Energy purchase	-14 262	-2 964	-11 298
Transmission costs	-1 025	-1 215	191
Net operating revenue	18 811	18 120	692

* EEG 2012 and UK PPA: Market access for small-scale producers of renewable energy.

Spot sales

The increase in spot sale revenues relate mainly to the new business activity in Germany and the UK, where the Group offers market access for small-scale producers of renewable energy. The sales from this activity amounted to slightly more than NOK 10 billion of the increase. The volume from own production traded in the spot market increased from 29.3 TWh to 37.8 TWh, but was mainly offset by lower spot prices. Spot revenues from own production increased by about NOK 1.8 billion, including green certificates.

The volume traded in the spot market can vary significantly between years, based on access to resources and power optimisation. The management of Statkraft’s multiple-year reservoirs in Norway should make the Group able to achieve a higher average price than other power companies in Norway. The optimisation ability is assessed through the target figure “Realised price margin”, which measures how much better the average price achieved by Statkraft is than that achieved by the rest of Norway. Statkraft has a long-term goal (rolling 60 months), and a short-term goal (rolling 12 months). In 2012, the realised price margin was higher than the targets, both in the short and long term.

Long-term agreements with the power-intensive industry

Statkraft is a major supplier to the power-intensive industry. In 2012, the volume delivered under long-term contracts amounted to 19.3 TWh, of which 17.2 TWh went to the industry in the Nordic region. The delivery to Nordic industry corresponds to 31% of the Nordic hydropower production in 2012 and about 36% of the Group’s annual mean production for Nordic hydropower. The high contract coverage stabilises Statkraft’s revenues, and earnings in 2012 were relatively good compared with the spot market prices. Most of the contract volume to Nordic industry runs until 2020.

Concessionary sales at statutory prices

In Norway, Statkraft is required to cede a share of the power

production to counties and municipalities where the power is produced, so-called concessionary power. The price for this power corresponds to, explained briefly, the average production cost, and is thus significantly lower than the market price for power. The concessionary power volume amounted to 5% of the Group’s Nordic hydropower production in 2012. In 2012, the revenues from concessionary sales amounted to NOK 307 million (NOK 401 million).

Portfolio management

In order to mitigate risk in relation to uncertainty in future price and production volumes, Statkraft hedges the production revenues through financial power trading. The hedged percentage of the production varies with market development expectations. Power prices are influenced by other commodity prices such as coal, oil, gas and carbon, and as these prices can both be input factors in gas power production (gas and carbon), and price adjustment factors in contracts, Statkraft also engages in financial trading with these commodities.

Statkraft’s analysis activities have a key position in the entire trading activities. The analysis activities are based on collection and processing of hydrological data and other market data. The data are used to estimate market prices and optimise the flexible production. In 2012, the result from the Nordic and Continental management portfolio was NOK 525 million (NOK -124 million).

A dynamic management portfolio is important to optimise future revenues, and Statkraft measures the performance through the target figure “Added value from the management portfolios” for both the Nordic and the Continental portfolio. Both portfolios outperformed the Group’s added value goals in 2012.

Trading and origination

Statkraft is also engaged in relatively short-term positioning with financial standard contracts (trading) and trading with structured

products and customised agreements for industry and commerce (origination). Revenues can vary substantially between periods and years. In 2012, the realised and unrealised revenues from trading and origination amounted to NOK 726 million (NOK 834 million). The decline is due to the new market activity in Germany and the UK being reported as trading and origination in 2011. In addition, transmission costs associated with trading and origination were recognised against income in 2012, while they were classified as transmission costs in the 2011 accounts.

Statkraft monitors the performance in trading and origination through the target figure “Creation of value from trading and origination”, which measures the net profit in relation to the risk capital. The creation of value was significantly higher than the Group’s goals in 2012.

Downstream activities and district heating

Statkraft also receives revenues from grid activities, district heating and power sales to end-users. The sales revenues from this part of the activities are large, but the margins are low compared with the other activities. In total, the revenues from the downstream activities amounted to NOK 5750 million (NOK 6597 million). Grid revenues were relatively stable, while end-user sales revenues dropped as a result of lower power prices. The drop in revenues from end-use sales was offset by correspondingly lower energy purchase costs. District heating revenues increased as a result of higher volumes.

Other operating revenues include power plant leasing income, other rental income, sale of services and gains from sale of assets, and amounted to NOK 944 million (NOK 868 million). The decline primarily relates to power plant leasing income.

Energy purchases amounted to NOK 14 262 million (NOK 2964 million). The considerable increase is primarily due to the Group’s new business activity in connection with market access for producers of renewable energy in Germany and the UK. The costs in connection with gas production and the end-user business activities fell as a result of lower production and lower power prices, respectively.

Transmission costs associated with the transport of power totalled NOK 1025 million (NOK 1215 million). The decline relates mainly to lower production in Germany and transmissions costs associated with trading and origination being recognised against revenues from the same activity in 2012, while being classified as transmissions costs in 2011.

Underlying operating expenses

NOK mill.	2012	2011	Change
Salaries and payroll costs	-3 024	-2 759	-265
Depreciation	-2 486	-2 461	-25
Property tax and license fees	-1 340	-1 254	-86
Other operating expenses	-3 387	-3 256	-131
Operating expenses	-10 238	-9 730	-508

Underlying operating expenses

The operating expenses increased by 5% from 2011.

Wage costs increased by 10% as a result of ordinary wage development, more employees as a result of growth and higher pension costs.

Deprecation increased by 1%. The increase is primarily due to new assets. The reduced depreciation basis as a result of write-downs in the fourth quarter of 2011 has the opposite effect.

Property tax and licence fees increased by 7%. The increase relates mainly to higher Norwegian property tax.

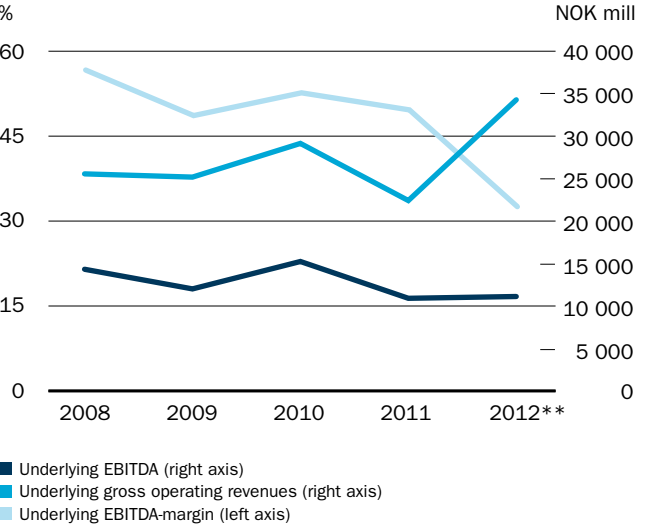
Other operating expenses primarily include purchase of third-party services, materials and costs of power plants operated by third parties. In addition come e.g. compensation payments, rent, ICT expenses, marketing, travel expenses and insurances. These costs have increased by 4%. The increase is primarily due to higher project activity levels and business development, as well as repair costs for Baltic Cable.

Underlying EBITDA and underlying operating result

Both EBITDA (operating profit before depreciation and amortisation) and the operating profit increased by 2% from 2011, to NOK 11 060 million and NOK 8573 million, respectively. The improvements relate to the segments Nordic hydropower, Continental energy and trading, as well as International hydropower. The segments Wind power, District heating and Industrial ownership all showed a decline, mainly due to lower prices.

The Group’s EBITDA and operating result are primarily generated by the segment Nordic hydropower, which contributed 85 and 97% of the total, respectively. In addition, Industrial ownership contributed 14 and 12%, respectively. Other segments were either negative or contributed with relatively small share of the total.

Underlying performance*



* Unrealised changes in values, exclusive trading, origination and material non-recurring items.
** The decrease in the EBITDA-margin in 2012 is primarily due to new business activities in Germany and United Kingdom which are recognised gross in the income statement

Historically, Statkraft has had high EBITDA margins as a result of low operating expenses for hydropower production. This has to some extent been offset by higher tax rates for Norwegian hydropower production through economic rent taxation. In 2012, Statkraft launched up a new business activity offering market access for small-scale producers of renewable energy in Germany and the UK. The contracts are recognised gross in the income statement and therefore increase both the sales revenues and the energy purchase costs substantially. The margins from the new business activities are, however, significantly lower than for the rest of the Group, resulting in a reduction in the overall EBITDA margin from 49% in 2011 to 32% in 2012 (see figure on previous page).

Items excluded from the underlying operating result

Items excluded from the underlying operating profit			
NOK mill.	2012	2011	
Unrealised changes in value energy contracts	-1 328	-1 152	
Significant non-recurring items	-1 881	-1 035	
Gain on sale, Sluppen Eiendom	-	126	
Post settlement from sale of Trondheim Energi Nett	175	-	
Impairments of fixed assets and receivables	-2 056	-1 161	

Total unrealised changes in value and significant non-recurring items in 2012 amounted to NOK -3209 million (NOK -2187 million).

Unrealised changes in the value of energy contracts

Unrealised changes in the value of energy contracts, excluding trading and origination, amounted to NOK -1328 million (NOK -1152 million). The negative development for energy contracts in 2012 was mainly due to currency effects for long-term power sales agreements entered into in EUR, and the effect of lower aluminium prices on indexed contracts in the Nordic hydropower segment. In addition, there were minor unrealised changes in value on energy contracts in the segment Continental energy and trading and International hydropower.

Significant non-recurring items

Non-recurring items excluded from the calculation of the underlying profit amounted to NOK -1881 million in 2012 (NOK -1035 million).

In the Continental energy and trading segment, gas power plants in Germany were written down by NOK 1762 million as a result of increased power production from renewable energy sources and expectations of lower margins in the coming years. In the Industrial ownership segment, Skagerak Energi wrote down the investment in Skagerak Varme by NOK 136 million as a result of cost overruns and changed market outlook. In the International hydropower segment, a power plant was written down by NOK 78 million.

Share of profit from associated companies and joint ventures

The Group has major shareholdings in the Norwegian regional power companies BKK and Agder Energi. Outside of Norway, the

Associates and joint ventures			
NOK mill.	2012	2011	Change
BKK	382	537	-155
Agder Energi	408	443	-34
Herdecke	24	-87	111
Other	209	5	204
Associates	1 024	898	126
- of which is impairment	-728	-338	-390

growth in several cases takes place through ownership in partly-owned companies.

The Herdecke gas power plant in Germany, which belongs in the Continental energy and trading segment, was written down by NOK 224 million as a result of increased power production from renewable energy sources and expectations of low margins in the coming years.

The Indian hydropower plants Malana and Allain Duhangan, where SN Power is a co-owner, were written down by NOK 460 million as a result of lacking development of and challenges in connection with the operation of the electricity grid in India, which have limited market access. The shareholding in SN Power belongs in the International hydropower segment.

The Landesbergen and Emden biomass power plants in Germany, which belong in the Continental energy and trading segment, were written down by NOK 44 million as a result of poorer market conditions, mainly due to increased wood prices.

Adjusted for write-downs, the share of profit from associated companies and joint ventures amounted to NOK 1752 million (NOK 1236 million). The improvement is mainly related to improved results from the Sheringham Shoal offshore wind farm and SN Power's activities in the Philippines. The former started full operation in 2012, and belongs in the Wind power segment. Herdecke also showed improvement, adjusted for the write-down, as a result of a positive development for unrealised changes in value of energy contracts. BKK and Agder Energi had a decline from 2011 relating to unrealised changes in value of energy contracts, and belong in the Industrial ownership segment.

Financial items

Financial income fell as a result of lower average liquidity and lower market interest rates, as well as lower dividend from E.ON SE.

Financial costs fell as a result of lower average debt, somewhat lower interest levels and increased capitalisation of construction loan interest. The Group has four loan portfolios in NOK, SEK, EUR and USD, respectively. The portfolios are exposed to both variable and fixed interest rates, with exposure to variable interest rates amounting to 67%. In 2012, the average current interest rate for loans denoted in NOK was 4.5% (4.6%), in SEK 2.5% (2.9%), in EUR 3.6% (3.9%) and in USD 3.9% (3.6%). Debt in USD is in relation to project financing in SN Power.

Net currency effects increased severely, mainly as a result of NOK and SEK growing stronger against EUR. The effects mainly stem from internal loans and currency hedging contracts, and about 85% was unrealised effects. The gain for internal loans

Financial items			
NOK mill.	2012	2011	Change
Interest income	286	572	-286
Other financial income	765	1 309	-544
Financial income	1 051	1 880	-829
Interest expenses	-1 235	-1 506	271
Other financial expenses	-50	-42	-8
Financial expenses	-1 285	-1 548	263
Net currency effects	4 467	332	4 135
Other financial items	-1 816	-4 299	2 483
Net financial items	2 417	-3 635	6 052
- of which is unrealised	2 022	-4 024	6 046

has no cash effect and has a contra entry in comprehensive income under translation effects.

Other financial items related primarily to the write-down of the shareholding in E.ON SE of NOK -2128 million (NOK -4103 million). Statkraft owns 83 415 119 shares in E.ON SE, corresponding to a shareholding of 4.17%. At year-end, the shareholding was entered in the balance sheet with a market value of NOK 8637 million.

Taxes

The recorded tax cost was NOK 4135 million (NOK 3427 million). The increase in tax cost is mainly due to higher profit before tax, as well as higher resource rent tax payable. The increase in tax cost is partly offset by lower unrealised loss on shares, which is not deductible.

The fact that the effective tax rate in the Group is higher than 28% is mainly due to hydropower production being subject to economic rent taxation, unrealised losses on shares not qualifying for tax deductions and the write-down of the gas power plants in Germany not having triggered any deferred tax assets.

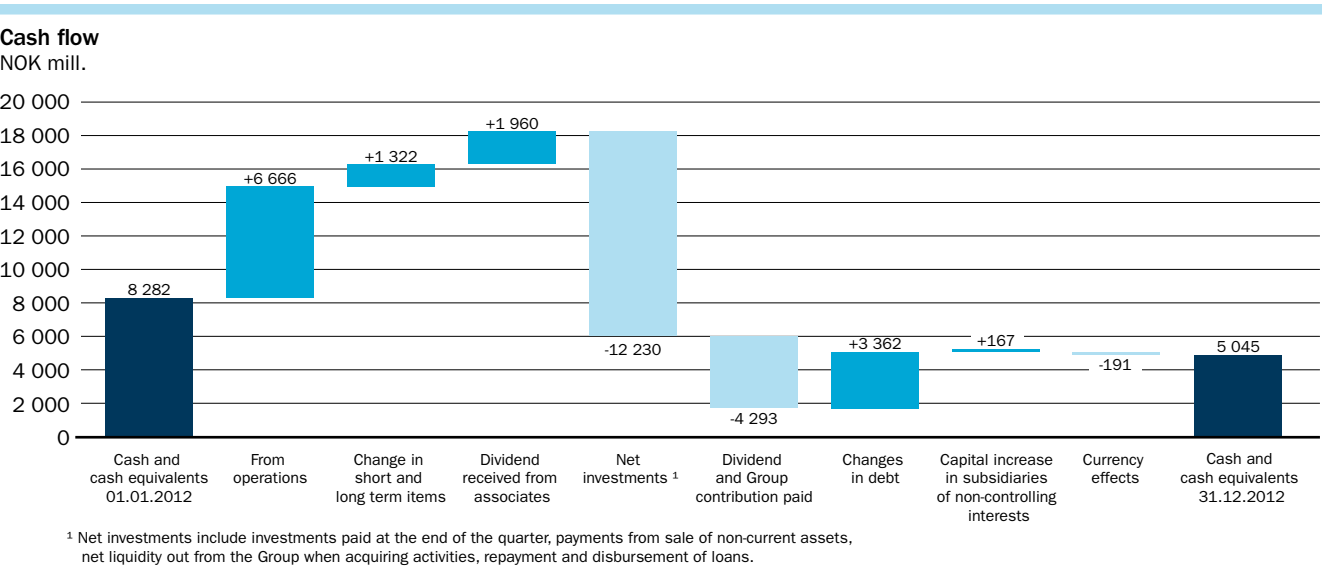
Cash flow

The contribution from operations increased by 4% to NOK 9948 million (NOK 9521 million), of which NOK 6666 million from the year's activities (NOK 7585 million). Long and short-term items saw a positive change of NOK 1322 million (NOK 299 million), mainly related to cash collateral. Dividend from associated companies increased by 20% to NOK 1960 million (NOK 1639 million), and related mainly to NOK 1261 million from associated companies in SN Power, NOK 297 million from Agder Energi and NOK 399 million from BKK.

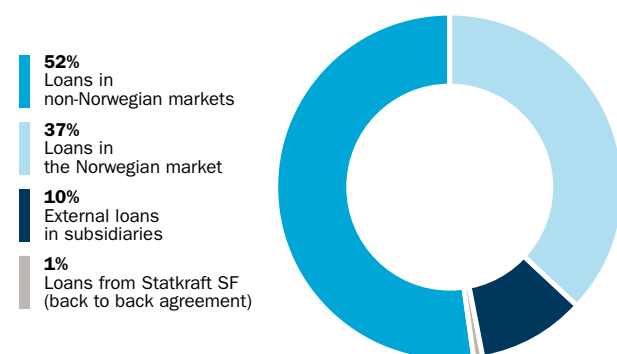
A net total of NOK 12 230 million (NOK 8202 million) was investments, of which the share purchase in Desenvix, investments in new capacity as well as lending from Statkraft Treasury Centre of NOK 1455 million, mainly to Scira, accounted for the largest items.

Net liquidity change from financing activities was NOK -764 million (NOK -13 099 million), of which dividend and group contribution amounted to NOK 4293 million (NOK 9400 million). New debt amounted to NOK 7913 million (NOK 376 million). In 2012, Statkraft issued a bond of EUR 700 million, corresponding to NOK 5.1 billion, with a maturity of 10 years. The bond is listed on the stock exchange in London, and was issued under the company's current EMTN programme. There was significant demand for the bond, which has a fixed interest rate of 2.5%. In addition, certificate loans totalling NOK 1.7 billion were taken out by the parent company, as well as a USD 0.9 billion loan in connection with project financing taken out by SN Power. Over the year, debt equalling NOK 4551 million was paid off (NOK 5169 million). Share issues in subsidiaries to non-controlling interests relate primarily to the minority share of the capital contribution in SN Power of NOK 137 million.

Translation effects for bank deposits, cash, etc. amounted to NOK -191 million, and were primarily linked to a stronger NOK compared with EUR, USD and SEK.

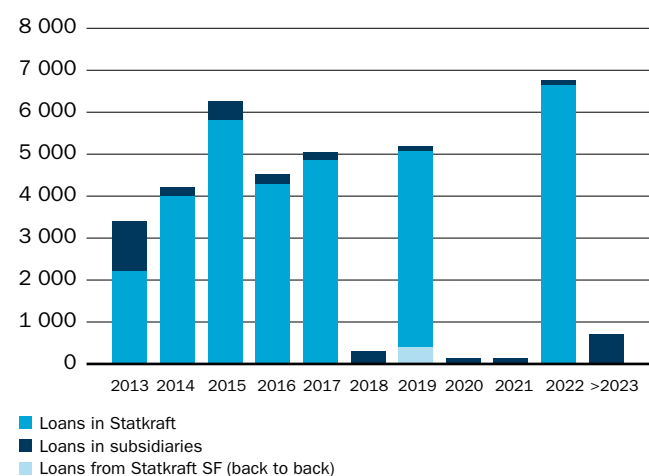


Distribution of external debt



Long-term liabilities, debt redemption profile

NOK mill.



Financial structure

The main aim of the Group's management of its capital structure is to maintain a reasonable balance between the company's debt/equity ratio, its ability to expand and its maintenance of a strong credit rating. The most important target figure for the Group's management of capital structure is long-term credit rating.

Tools for long-term management of capital structure are primarily comprised by the drawdown and repayment of long-term liabilities and payments of share capital from/to the owner. The Group is not subject to any external requirements with regard to the management of capital structure other than those relating to the market's expectations and the owner's dividend requirements.

The Group endeavours to obtain external financing from various capital markets. When raising loans, Statkraft seeks to ensure an even repayment profile, and the current maturity profile is in line with this goal. Raising of any new loans is planned in accordance with the liquidity forecast, investment decisions and sale of assets.

At the end of 2012, interest-bearing debt amounted to NOK 40 263 million, compared with NOK 36 887 million at the beginning of the year. The interest-bearing debt-to-equity ratio was 39.2%, compared with 36.0% at year-end 2011. The increase is due to both higher interest-bearing debt and lower equity. The net interest-bearing debt⁶ was NOK 34 761 million (NOK 28 150 million), and the net interest-bearing debt ratio 35.8% (30.0%). In addition to higher interest-bearing debt and lower equity, the increase is due to lower bank deposits and similar.

At the end of the year, Statkraft's equity totalled NOK 62 437 million, compared with NOK 65 651 million at the start of the year. This corresponds to 43.1% of total assets. The decline of 2.6 percentage points from 2011 is primarily due to dividend and group contribution being higher than comprehensive income in 2012.

Loans from Statkraft SF to Statkraft AS amounted to NOK 400 million at the end of the year.

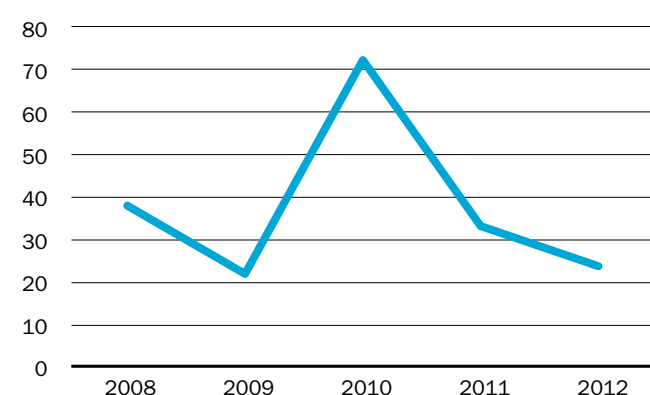
At the end of 2012, current assets, except cash and cash equivalents, totalled NOK 20 206 million and current interest-free debt amounted to NOK 16 369 million.

Financial strength and rating

It is important to Statkraft to maintain the credit rating with the two major rating agencies Standard & Poor's and Moody's. An important key figure monitored by Statkraft in relation to credit rating is the cash flow from operations in relation to net interest-bearing debt. In 2012, the key figure was 23.7%⁷, which is better than the limit value indicated by the rating agencies to maintain the current A- rating from Standard & Poor's and Baa1 from Moody's.

Cash flow from operations / net interest-bearing debt

%



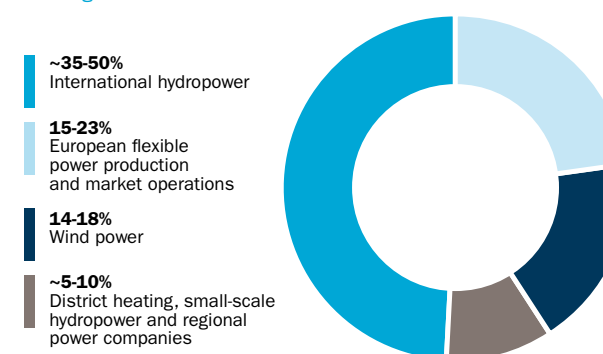
Investments and projects

In accordance with the Group's strategy, the project activity level is high, especially as regards wind power, hydropower and district heating. Statkraft is a significant developer of hydropower, nationally and internationally, through its own organisation and SN Power. Growth is driven by higher demand for energy

Investment strategy 2011-2015

70-80 NOK billion

Strategic investment areas

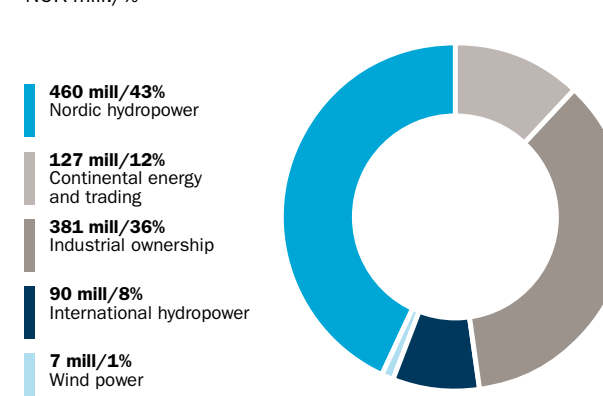


Flexibility in the investment plans



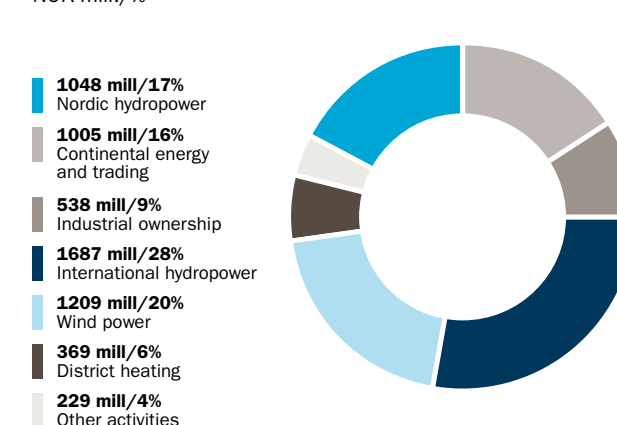
Maintenance investments (NOK mill 1065)

NOK mill./%



Investments in new capacity (NOK mill 6085)

NOK mill./%

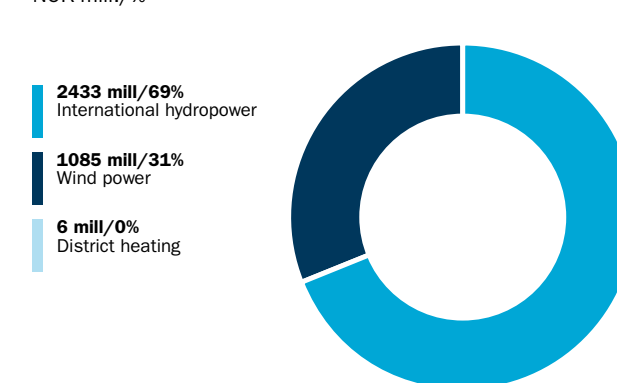


internationally and the need for energy with the lowest possible carbon emissions. Statkraft has an investment programme and an investment strategy that involves NOK 70-80 billion in the period from 2011 to 2015. In total, Statkraft invested NOK 10 673 million in 2012 (NOK 8269 million). The Group's investment programme is flexible, and the plans are subject to continuous assessment in relation to market outlook and financial strength.

European flexible power production and market operations will make up 23% of the investment plan, and include mainly upgrades and extensions within the existing hydropower portfolio in the Nordic region and the Knapsack gas power plant in Germany. In addition, preparations are underway to participate in the licensing round for hydropower in France. International hydropower represents slightly less than 50%, and includes both investments in Southeast Europe and investments outside Europa through SN Power. Wind power is expected to make up slightly less than 20% of the investment plans with the emphasis on Sweden and the UK. District heating, small-scale hydropower and investments in Skagerak Energi will cover the remaining percentage.

Investments in shareholdings (NOK mill 3523)

NOK mill./%



6) Net interest-bearing debt: Interest-bearing long-term debt + current interest-bearing debt - bank deposits cash in hand and similar - short-term financial investments.

7) Cash flow from operations / Net interest-bearing debt (%): (Net liquidity change from operating activities - Changes in short-term items) x 100 / (Current interest-bearing debt

+ Interest-bearing long-term debt - Bank deposits, cash in hand and similar)

About 60% of the investment plan relates to development of new capacity where an investment decision has already been made, while about 10% relates to maintenance and upgrades of existing power plants. The remaining percentage is in connection with projects that are not committed, and which can therefore be postponed or cancelled if ratings or market conditions so warrant.

Investments in 2012

Maintenance investments amounted to NOK 1065 million (NOK 1129 million). The investments are primarily related to the segments Nordic hydropower and Industrial ownership (Skagerak Energi).

Projects

	Project	Country	New capacity (MW) ¹⁾	Statkraft's share	Planned completion	
2012						
Investment decisions made in 2012						
Hydropower	Kjensvatn	Norway	11	100%		
	Brokke North/South	Norway	24	- ²⁾		
	Nedre Røssåga, phase 2	Norway	100	100%		
	Ögonfågningen	Sweden	99	60%		
Wind power	Björkhöjden	Sweden	270	60%		
	Tollarpjabbjär	Sweden	3	90%		
	Berry Burn	United Kingdom	67	100%		
Projects completed in 2012						
Hydropower	Svartisen	Norway	250	70%		
	La Confluencia	Chile	158	50% ³⁾		
	Allain Duhangar	India	192	43% ³⁾		
	Theun Hinboun XP	Laos	280	20% ⁴⁾		
	Stjørdal	Norway	20	85%		
	Harstad	Norway	23	100%		
District heating	Sheringham Shoal	United Kingdom	317	50%		
	UEE Macaúbas	Brazil	30	41%		
Wind power	UEE Seabra	Brazil	30	41%		
	UEE Novo Horizonte	Brazil	30	41%		
	UEE Barra dos Coqueiros	Brazil	30	36%		
Main projects under development						
Hydro power	Eiriksdal og Makkoren	Norway	56	100%	2014	2Q
	Nedre Røssåga, phase 1	Norway	-	100%	2015	2Q
	Nedre Røssåga, phase 2	Norway	100	100%	2016	3Q
	Kjensvatn	Norway	11	100%	2014	4Q
	Brokke North/South	Norway	24	- ²⁾	2014	
	Kargi	Turkey	102	100%	2013	4Q
	Cetin	Turkey	517	100%	2015	4Q
	Devoll	Albania	272	50% ⁵⁾	2018	
	Cheves	Peru	171	100% ³⁾	2014	2Q
	Binga ⁶⁾	The Philippines	120	50% ³⁾	2014	4Q
	Bajo Frio	Panama	58	26% ³⁾	2014	2Q
	Knapsack II	Germany	430	100%	2013	3Q
	Baillie Windfarm	United Kingdom	53	80%	2013	1Q
	Berry Burn	United Kingdom	67	100%	2014	1Q
	Mörtjärnberget	Sweden	85	60%	2013	4Q
	Stamåsen	Sweden	60	60%	2013	2Q
District heating	Ögonfågningen	Sweden	99	60%	2014	4Q
	Björkhöjden	Sweden	270	60%	2015	4Q
	Tollarpjabbär	Sweden	3	90%	2013	4Q
	Ås	Norway	24	100%	2013	3Q
	Sandefjord	Norway	23	100%	2015	2Q
	Hamnargård/Kungsbacka	Sweden	12	100%	2013	4Q

1) Project total, including share owned by partners 2) Owned by Agder Energi (69%) and Skagerak Energi (31%) 3) SN Power's share
4) Statkraft SF's share 5) Under development 6) Being upgraded

Going concern

In accordance with the provisions of the Norwegian Accounting Act, the board of directors confirms that the annual financial

The investments in new capacity amounted to NOK 6085 million (NOK 5217 million). The largest projects were the Norwegian hydropower plants Svartisen, Eiriksdal/Makkoren and Nedre Røssåga, the Knapsack II gas power plant in Germany, hydropower plants in Turkey, Panama and Peru, onshore wind power in Sweden and the UK, district heating plants in Norway and Sweden as well as small-scale hydro in Norway.
Investments in shareholdings amounted to NOK 3523 million (NOK 1923 million), of which the purchase of Desenvix in Brazil and offshore wind power in the UK were the largest items.

statements have been prepared on the assumption that the company is a going concern.

Risk management

Statkraft is exposed to different risks throughout its value chain. Risk management is an integrated part of all activities in Statkraft, and managers at all levels of the organisation are responsible in this regard, including subsidiaries, joint ventures and contractors.
Risk assessments are incorporated in the decision-making process, and help decision-makers prioritise and evaluate actions. Risk management is regulated by mandates, specification documents and guidelines. Follow-up of risk and risk handling are incorporated in the day-to-day business operations.
Growth and increasing internationalisation set stricter requirements to risk management in the investment portfolio. The Group's investment committee ensures independent risk assessments prior to making investment decisions and assessments across project portfolios.

Market risk and financial risk

Statkraft is exposed to significant market risk in relation to the generation and trading of power. Revenues from power generation are exposed to both volume and electricity price risk.
Statkraft manages market risk in the energy markets by trading physical and financial instruments in multiple markets. Increased integration of the energy markets is of great significance for the chosen business models and risk management. Consequently, emphasis is placed on the interrelationship between the various markets.

Sales activities are exposed to uncertainty in the sales price to retail customers and companies, as well as the purchase price in the wholesale market. Net exposure is limited through ensuring symmetry in the exposure to customers and purchases in the gross market, as well as through financial instruments.
The risks associated with currencies, interest rates and liquidity, including refinancing and new borrowing are coordinated and managed at corporate level. Statkraft is exposed to interest risk through external financing and revenues from distribution grid operations. The Group is exposed to currency risk through energy markets integration, power trading in EUR, financing and other cash flows associated with the Group's foreign companies.
Currency and interest risk are regulated by means of mandates. Forward currency contracts and interest rate swaps are the most important instruments used.

Counterparty risk and liquidity risk

Statkraft is exposed to counterparty risk through energy trading and investment of surplus liquidity. The credit rating of all counterparties is evaluated before contracts are signed, and exposure to individual counterparties is limited by mandates based on their credit rating.
The liquidity risk in Statkraft is related to the deviation between the maturity profile of financial liabilities and the cash flows generated by the assets, as well as demand for higher margin requirements in connection with financial and energy derivatives. The liquidity risk can mainly be handled through good borrowing sources, drawing rights and minimum requirements for the Group's cash and cash equivalents.

Operational risk and project execution risk

All processes in the value chain are exposed to operational risk. Project execution and operations are particularly exposed to operational risks such as injuries or fatal accidents, harm to the environment, reputational impact and financial loss.
Safety and security for employees, suppliers, partners and affected third parties are decisive factors and subject to a strong focus.
The most critical aspects are in connection with the development of Statkraft's international portfolio. Much attention is devoted to adapt and develop Statkraft's culture and best practice to a more diversified and international business environment, in order to avoid delays, cost overruns and undesirable incidents in our investment projects.
Measures to avoid irregularities and fraud, for instance leaking inside information, are implemented and integrated in the Group's business processes.
The risk of natural disasters that can harm the activities is increasing. Power plants in the Nordic countries are exposed to more extreme weather due to climate change. Measures are implemented in order to reduce the risk in connection with such incidents, including reassessment of classification and upgrading of dams as necessary.
Statkraft has insurance coverage for all significant types of material damage or injury.

Regulatory and political risk

Growth in renewable energy leads to increased exposure to subsidy support schemes. The risks related to subsidy schemes are whether/how the schemes will be maintained in the long run. This is subject to both political decisions and developments in the energy market.
Power prices depend on carbon prices. The carbon price development is uncertain, and a collapse in this market will have substantial impact on Statkraft's earnings and financial strength. Statkraft is monitoring developments and adapting its investment plan to projected earnings.
The Group has a common approach to handling regulatory factors and issues in relation to public authorities. Statkraft monitors regulatory processes which can harm the business or create new business opportunities, developing new positions for the Group on priority issues.
Risk management in Statkraft is described in detail in "Risk management for increased value creation" in the annual report on Statkraft's website.

Internal control

Internal control is a key element in sound risk management, and Statkraft is focusing on further development of internal control. Statkraft has a system for internal control over financial reporting which aims to contribute to reliable financial reporting. Statkraft has a corporate audit function to assist the board and management in making an independent and impartial evaluation of whether the Group's internal control procedures and significant risks are sufficiently managed and supervised. The Corporate audit shall also contribute to ongoing quality improvement in internal management and control systems.

A management system has been established that gathers all governing documents and facilitates a more efficient, systematic and uniform management of the Group with sufficient degree of formalisation, documentation and compliance.

Internal control in Statkraft is described in detail under "Internal control" in the annual report on Statkraft's website.

Research & development

The purpose of Statkraft's commitment to innovation, technology and research and development (R&D) is to strengthen the company's competitive advantages within the core activities, and monitor trends and developments that may influence the markets Statkraft operates in.

Much of the innovation work takes place in the business areas and focus mainly on continuous improvement and development projects which give rapid return in the form of increased creation of value. In order to strengthen competitiveness within the existing business in the longer term, an R&D programme has been established within hydropower, wind power and bioenergy.

In 2012, about NOK 120 million was spent on various R&D and innovation activities. External R&D environments and partners amount to an important pool of expertise for Statkraft, and a large share of the funds contribute to strengthening external expertise environments. For example, Statkraft participates in five national research centres for environmentally friendly energy (FMEs).

The creation of value from the R&D and innovation activities is the result of more efficient use of resources, reduced risk and reduced costs associated with project development, improving the efficiency of operations and maintenance processes or from development of new concepts and services within market operations. For example, one R&D project has developed and implemented an analysis tool for wind power production. Systematic collection and processing of operational data yield better wind forecasts and improve opportunities for operating and maintenance planning. This is used to optimise production, and the project has contributed to increase production efficiency by up to 2% for the Smøla wind farm.

The creation of value is evaluated in more dimensions than what can be directly quantified, including sound framework conditions for renewable energy production. For example, salmon population research under various water flow regimes provides a factual basis required by Statkraft in connection with revision of the terms of operation in the Group's river systems.

Through development of a video monitoring system and analyses of bird behaviour near the Smøla turbines, Statkraft contributes to establish knowledge of how bird mortality can be reduced and the exploitation of existing and new onshore and offshore wind farm can be optimised. Contributions to expertise building on this subject can be decisive for Statkraft's chances of securing licences in areas with valuable bird species.

The basis for new business development is prepared by monitoring external trends and technology development in order to highlight new business opportunities, while testing and qualifying new technology.

Along with technology development, innovation within commercial services around energy production and supply is becoming a crucial competitive advantage for the company's long-term success. In Germany, Statkraft is a market leader in offering market access and integration services to owners of renewable power plants. In 2012, our company pioneered a project to meet power demand with non-flexible renewable power generation by bundling hundreds of windmills, solar power, hydropower and biomass power plants into one intelligent, network-based virtual power plant. The active control of renewable power plants contributes to a stable power system, and reduces the costs of the energy transition in Germany. Statkraft is taking a leading role in the UK as well, demonstrating innovation by facilitating market access for owners of wind power plants through long-term power purchase agreements.

Corporate responsibility

Statkraft's core activities address one of the greatest global challenges of our time; global growth driven by fossil energy sources with large greenhouse gas emissions and serious climate change. Statkraft contributes to solving this challenge by offering renewable energy and sustainable energy solutions. As an employer, Statkraft will ensure safe operating and project activities, protecting people, society, the environment and the company's assets. In Statkraft, no activity is important enough to accept risk to life and health.

In order to succeed in safeguarding our corporate responsibility, Statkraft's actions are guided by globally supported initiatives and standards, including the principles from OECD's Guidelines for Multinational Enterprises and IFC's Performance Standards on Social & Environmental Sustainability.

Statkraft is a member of the UN Global Compact and through this committed to following up the initiative and its ten principles concerning human rights, labour rights, environment and anti-corruption, as well as reporting the results annually to Global Compact's membership register.

Statkraft's ambition is to be a leader in corporate responsibility, and assessments from independent rating agencies indicate that the Group has been successful in establishing such a position. In 2012, Statkraft achieved a rating of Prime/B- (which corresponds to a leading level) in oekom Corporate Rating of the Group's corporate responsibility performance.

In Statkraft, corporate responsibility rests with the line and is integrated in all activities. The following is a brief summary of Statkraft's work and results in the corporate responsibility area in 2012. A more detailed review can be found on Statkraft's website.

Managing corporate responsibility

Statkraft's fundamental principles for acting in a sustainable, ethical and socially responsible manner are described in Statkraft's Code of conduct. The Code of conduct applies to all employees and companies in the Statkraft Group, and Statkraft's business partners are expected to have standards in accordance with Statkraft's Code of conduct. Statkraft has also prepared corresponding guidelines particularly directed at the Group's suppliers.

Follow-up and management of Statkraft's corporate responsibility is an integrated part of Statkraft's management system, "The Statkraft Way". In 2012, Statkraft's overall policy for Corporate Responsibility & HSE was updated and the guidelines for all areas associated with corporate responsibility were revised. Performance in relation to corporate responsibility issues is followed up regularly through score cards at both the corporate and business area levels, and through the work of the corporate audit. In 2012, it was decided to further increase the systematic follow-up of compliance on the corporate level in two key areas: anti-corruption and health and safety.

Corporate responsibility is an important factor in development projects and acquisitions. Statkraft has developed a decision-making model for execution of major development projects, mergers and acquisitions, integrating important corporate responsibility issues. The model presents a system of common terms and concepts and ensures a uniform approach from the early phase and through stepwise decision processes in the Group. The basic principle is that each main decision must be accompanied by structured and documented information as regards a number of key issues, including corporate responsibility, as part of the basis for decisions.

In 2012, Statkraft has participated in the testing of IHA's (International Hydropower Association) Hydropower Sustainability Assessment Protocol, a tool to evaluate sustainability in both hydropower projects and hydropower plants in operation. The testing will continue in 2013.

Training and dilemma training for both managers and employees form an important component of the corporate responsibility work in Statkraft. In order to support this, Statkraft has prepared manuals and training programmes in anti-corruption and health and safety. In addition, corporate responsibility is a key topic in the training given to new employees and managers.

Employees facing difficult decisions can seek advice through several channels. Statkraft's employees have the right and duty to blow the whistle on questionable issues and the corporate audit functions as an independent whistleblowing channel. No whistleblower cases were registered in 2012. In development projects, any complaints from stakeholders are registered and handled in line with set procedures.

Health and safety

All work in Statkraft shall be planned and executed with zero injuries as the overall objective. Clear requirements and close follow-up in all operations and project phases are decisive to achieve safe and sound workplaces. Strong health and safety expertise is emphasised among own employees in all activities, in addition to safety training for contractors and sub-contractors. The Group's health and safety management system is based on

the requirements in the OHSAS 18001 standard and international good practices.

There were four fatal accidents in connection with Statkraft's activities in 2012, two of which were work-related.

The work-related fatal accidents took place in the Cheves development project in Peru, which is wholly owned by SN Power. The first fatal accident occurred in June when a contractor died after being hit by rocks during tunnel work. The second fatal accident occurred in October when a contractor was electrocuted. This accident also took place in connection with tunnel work.

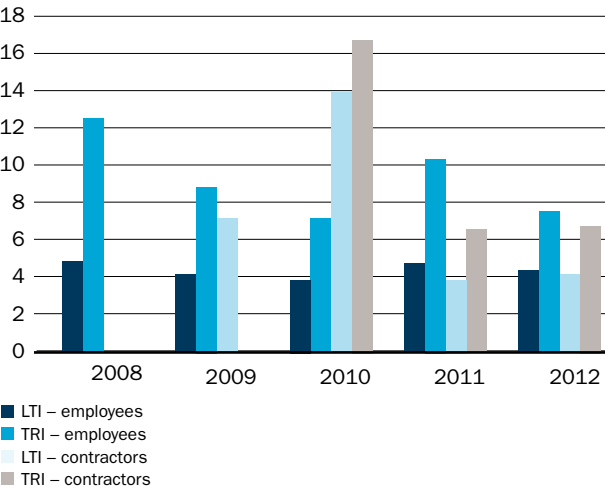
In addition there were two fatal accidents involving third parties who were in or near the Group's plants. In May, a person drowned in the inlet channel to SN Power's La Oroya plant in Peru, and in September, a lorry driver died after driving off the road near the Cetin development project in Turkey, which is wholly owned by Statkraft.

In connection with the above-mentioned fatal accidents, internal and independent investigations were conducted immediately following the incidents, in addition to the police investigation. The investigation reports with associated improvement measures were then presented and followed up by both Statkraft's board and the respective subsidiaries' boards.

Seen in a longer perspective, the development for work-related injuries is heading in the right direction, and several of the injury indicators have also improved from 2011 to 2012. The indicator for lost-time injuries, H1, was 4.1 (4.5) among the Group's employees in 2012, while the indicator for all types of injuries, H2, was 7.1 (10.0). For contractor employees, H1 was 3.6 (3.4) and H2 was 6.3 (6.2). In total, 239 injuries were registered (280), of which 138 lost-time injuries (141), among the Group's employees and contractor employees. In addition, 8239 unsafe conditions (6125) and 363 near-misses (365) were registered.

Lost-time and total recordable injurie rates for employees and suppliers

Number per million hours worked



The Group maintains a continuous focus on improving and implementing guidelines for health and safety as well as safeguarding people and assets. Special focus areas in 2012 were better traffic safety in international development projects, reviewing and verifying emergency preparedness plans and clarifying health and safety requirements in the Group's project management tools. In 2012, a full-scale emergency drill was held across two business areas and in three countries.

Absence due to illness in Statkraft has been stable for several years, and was 3.1% in 2012 (3.4%), which is within the goal of an absence due to illness rate lower than 3.5%. All Norwegian companies in the Group have entered into Inclusive workplace (IA) agreements, with active follow-up of absence and close cooperation with the company health service.

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. Parts of the business have also been certified in accordance with this standard.

There were no serious environmental incidents in the Group in 2012. 128 less serious environmental incidents were registered (185), of which three with high environmental risk and 45 breaches of licence terms (51). Most of the environmental incidents were short-term breaches of the operations provisions, minor oil spills and non-conformities in connection with waste management. These incidents had little or no effect on the environment.

Statkraft continuously follows up the business' impact on biodiversity, both in its operations and project development. Extensive surveys and measures are implemented e.g. in connection with migrating fish - especially salmon and eel (hydropower), birds of prey - particularly white-tailed eagles and golden eagles (onshore wind power) and marine mammals – particularly seals and whales (offshore wind power).

In 2012, Statkraft established an internal, cross-disciplinary climate panel to better safeguard and coordinate climate issues across the organisation, technologies, processes and geographical locations. The climate panel will contribute to the assessments of which climate scenarios to apply in investment decisions, planning, operations and various market assessments. IPCC's premises will play a key role in Statkraft's work in this regard.

A new indicator for environment in the Group's score card was implemented in 2012. This indicator is based on an independent evaluation of the Group's total environmental performance and is presented in the form of a rating like financial ratings. The Group aims for a rating of Prime (B- or better) and achieved this in 2012. Statkraft uses the rating and underlying information in its own improvement work and is making a determined effort to steadily improve environmental performance.

Statkraft's greenhouse gas emissions amounted to 483 879 tonnes of CO₂ equivalents in 2012 (1 161 900 tonnes), of which 82% was from the Group's gas power activities. In 2012, about 97% of the Group's power and district heating production was based on renewable energy sources.

In 2012, Statkraft consumed 2054 GWh of electricity (1150 GWh). All electricity consumed in the Group has been

certified as renewable in accordance with RECS (Renewable Energy Certificate System).

In 2012, Statkraft generated 78 844 tonnes of hazardous waste from power and district heating production. This was treated in accordance with applicable regulations. The bulk of this (99%) was waste products from waste and bio combustion plants.

Role in society

Over the course of 2012, Statkraft contributed NOK 14 225 million in economic value creation (NOK 8841 million), of which NOK 2900 million was proposed disbursed as dividend to the owner (NOK 4288 million), while taxes and fees to the Norwegian State and municipalities amounted to NOK 5801 million (NOK 4987 million). Statkraft's total investments in 2012 amounted to NOK 10 673 million (NOK 8269 million), of which NOK 1753 million (NOK 3641 million) in Norway and NOK 8921 million (NOK 4628 million) abroad. Of these investments, 57% were in connection with expansion of production capacity.

Statkraft desires positive and open dialogue and interaction with everyone affected by the Group's business activities. This is ensured through regular meetings with host municipalities, meetings with stakeholders in development projects and through active participation in national and international forums for energy and corporate responsibility issues.

In several of the development projects, Statkraft implemented extensive surveys, analyses and measures in 2012 to achieve optimal solutions for both the execution of the projects and those affected by the projects. Examples of projects where such work has played a key role include the Theun-Hinboun Expansion Project in Laos (where Statkraft has a 20% shareholding), development of hydropower in the Cetin project in Turkey (wholly owned by Statkraft) and development of wind power in northern Sweden (where Statkraft has a shareholding of 60%).

The Statkraft Fund was phased out in 2012. The funds managed by the fund are now used in long-term agreements with various special-interest organisations. The main purpose of these partnership agreements is to contribute to exchange of experience and increased expertise for everyone involved, as well as to strengthen environmental and humanitarian efforts where Statkraft has business activities.

Employees and organisation

Clear leadership, a positive working environment conducive to professional growth and expertise development are all strategically important areas in Statkraft. Statkraft's management platform describes the most important drivers for good management as regards achieving the Group's strategic ambitions, and all managers are regularly measured against them. Competence development is followed up systematically through appraisal interviews, and employees are, in addition to courses and further education, encouraged to seek internal rotation.

In 2012, a joint employee opinion survey was held in Statkraft, Skagerak Energi and SN Power, yielding good results. The purpose of the survey was to improve Statkraft as a workplace, and the results will be followed up by each individual department.

The launch and implementation of The Statkraft Way in 2012 has further highlighted the allocation responsibilities, roles, goals and performance follow-up in the entire organisation. In 2012, Statkraft introduced a new system for variable wage which is based on performance and goal attainment to a greater extent than previously.

Statkraft works in a focused and systematic manner to recruit and remains an attractive employer both among graduates and experienced employees. The Group has a trainee programme, which included 15 trainees in 2012.

Statkraft aims for a close and structured cooperation with all represented trade unions. In addition to national cooperation with trade unions, Statkraft established a European works council (Statkraft European Works Council, SEWC) in 2011, with employee representatives from Norway, Sweden, Germany and the UK. SEWC is an important cooperation forum for coordinating and implementing principles and guidelines as regards labour issues and labour rights in Statkraft. SEWC also ensures a good flow of information concerning decisions made, and provides employee representatives from the different countries with a formal and accepted arena for meeting with the corporate management.

Statkraft wants a diverse working environment and considers equal treatment a tenet in its recruitment and HR policy. Objective and professional recruitment processes, both for internally and externally announced positions, will ensure that the best qualified candidate is always chosen. Since the start-up of Alarga in 2007, Statkraft has been one of the foundation's partners. Alarga works to increase the share of multicultural expertise in Norwegian businesses.

Statkraft strives to attain an even gender distribution in the Group, and more women in managerial positions. Towards the end of 2012, Statkraft and a number of other major Norwegian companies initiated a research project to identify specific measures to improve the gender balance in executive positions. In 2012, 24% (23%) of the Group's employees were women, and the percentage of women in executive positions was 21% (20%). Among new employees, the percentage of women was 29%. 44% of Statkraft's board members are women. The board follows up the work to achieve an even gender balance, including compliance with statutory requirements relating to gender distribution in the boards of subsidiaries and companies where Statkraft has major ownership interests.

At the end of 2012, the Group had 3475 full-time equivalents (3358). The Group had employees in 23 countries, and 34% (33%) were located outside Norway. Average seniority in Statkraft was 10.8 years and staff turnover in 2012 was 5.7% (6.8%).

Corporate governance

Statkraft's sound corporate governance shall contribute to sustainable and lasting value creation in the Group. Efficient and transparent management and control of the business will form the basis for creating long-term values for the owner, employees, other stakeholders and society in general, and will help inspire confidence among stakeholders through predictability and credibility. Open and accessible communication will ensure that the Group maintains a good relationship with society in general and the stakeholders who are affected by the company's activities in particular.

Statkraft is subject to the reporting requirements relating to corporate Governance under Section 3-3b of the Accounting Act and applies the Norwegian Code of Practice for Corporate Governance to the extent permitted by the company's organisation and ownership structure. Non-compliances are attributable to the fact that Statkraft is not a publicly listed company and that the Norwegian state is the sole owner of the company, as well as restrictions contained in the Articles of Association. The noncompliances concern equal treatment of shareholders, freely negotiable shares, dividend, the general meeting and the election committee. Statkraft also applies the Norwegian State's principles for sound corporate governance.

Corporate governance and the corporate governance statement are described in more detail in the Corporate governance statement in the annual report on Statkraft's website.

The work of the board of directors

Olav Fjell succeeded Svein Aaser as the chairman of the board in June, but there were no other changes in the board's composition in 2012.

The board of Statkraft AS held 12 board meetings in 2012. In addition to the daily operations and the board's follow-up of new industrial power agreements, a significant part of the work of the board 2012 dealt with the upgrading, operation and maintenance of hydropower plants in Norway, as well as SN Power's investment decisions and development of hydropower plants in South America. Statkraft is in the process of establishing itself as a major player in onshore and offshore wind power in the UK and onshore wind power in the Nordic region. Over the course of 2012, Statkraft maintained its focus on district heating in the Nordic region and on hydropower in Turkey.

The board has an audit committee consisting of four of the directors. The audit committee held six meetings during the course of the year. The board also has a remuneration committee consisting of the chairman of the board and two of the board members. The remuneration committee has held four meetings during the course of the year.

Profit allocation

The board of Statkraft SF proposes a dividend of NOK 2900 million, corresponding to 85% of the dividend basis. The dividend basis is calculated as the consolidated result for Statkraft SF after tax and minority interests, adjusted for unrealised gains and losses. The dividend will be disbursed from Statkraft SF, and in order to provide Statkraft SF with sufficient ability to disburse dividend, the board proposes the following allocation of the annual profit in Statkraft AS:

Profit allocation	
Amounts in NOK million	
Net annual profit in Statkraft AS' company accounts	5 088
Allocation of profit for the year:	
Allocated dividend from Statkraft AS to Statkraft SF	4 000
Allocated to other equity	1 088

The parent company's distributable equity was NOK 13 022 million at year-end.

Outlook

Nordic power prices are expected to be somewhat lower than in previous years. Statkraft has major flexibility and can increase or reduce production in periods with high and low power prices due to high reservoir capacity. Production of gas power is expected to remain low due to demanding market conditions. Long-term power contracts contribute to stabilise the Group's earnings.

Statkraft is Europe's largest producer of renewable energy, and aims to strengthen this position by exploiting the business opportunities created by the European facilitation for more renewable energy. Flexible Nordic hydropower may have a stronger role in the future with a greater share of solar and wind power, and more cables are installed for power exchange between the Nordic region and Continental Europe.

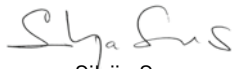
Over the course of the next decades, the need for energy outside Europe is expected to increase substantially, especially in emerging economies. Statkraft's investments in hydropower internationally are part of the Group's long-term strategy where the Group's expertise is exploited to ensure increased supply of renewable energy and profitable growth.

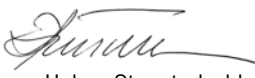
The Board of Directors of Statkraft AS
Oslo, 13 March 2013

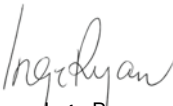

Olav Fjell
Chair


Ellen Stensrud
Deputy chair


Berit Rødseth
Board member


Silvija Seres
Board member


Halvor Stenstadvold
Board member


Inge Ryan
Board member


Odd Vanvik
Board member


Lena Halvari
Board member


Thorbjørn Holøs
Board member


Christian Rynning-Tønnesen
President and CEO



Declaration from the board and CEO

We confirm to the best of our knowledge that the consolidated financial statements for 2012 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the financial statements for the parent company for 2012 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the board of directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the key risks and uncertainties the companies are faced with.

The Board of Directors of Statkraft AS
Oslo, 13 March 2013


Olav Fjell
Chair


Ellen Stensrud
Deputy chair


Berit Rødseth
Board member


Silvija Seres
Board member


Halvor Stenstadvold
Board member


Inge Ryan
Board member


Odd Vanvik
Board member


Lena Halvari
Board member


Thorbjørn Holøs
Board member


Christian Rynning-Tønnesen
President and CEO

Group Financial Statements



Statement of Comprehensive Income

Statkraft AS Group

NOK million	Note	2012	2011
RESULTS			
Sales revenues	3, 13, 21	31 211	21 209
Other operating revenues	14	1 119	994
Gross operating revenues	3	32 331	22 203
Energy purchases	15, 21	-13 647	-3 894
Transmission costs		-1 025	-1 215
Net operating revenues	3	17 659	17 094
Salaries and payroll costs	16, 17	-3 024	-2 759
Depreciation, amortisation and impairments	3, 23, 24	-4 543	-3 564
Property tax and licence fees	18	-1 340	-1 254
Other operating expenses	19	-3 387	-3 314
Operating expenses		-12 294	-10 891
Operating profit	3	5 365	6 203
Share of profit from associates and joint ventures	3, 25	1 024	898
Financial income	20	1 051	1 880
Financial expenses	20	-1 285	-1 548
Net currency effects	20, 21	4 467	332
Other financial items	20, 21	-1 816	-4 299
Net financial items		2 417	-3 635
Profit before tax		8 806	3 466
Tax expense	22	-4 135	-3 427
Net profit		4 671	40
Of which non-controlling interest		230	264
Of which majority interest		4 441	-224
Other comprehensive income			
Changes in the fair value of financial instruments		337	-103
Estimate deviation pensions		1 045	-936
Items recorded in comprehensive income in associates and joint ventures		320	-517
Currency translation effects		-4 536	-171
Translation differences		-2 833	-1 727
Total comprehensive income		1 838	-1 687
Of which non-controlling interest		-156	186
Of which majority interest		1 994	-1 873

Balance Sheet

Statkraft AS Group

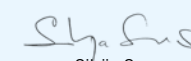
NOK million	Note	31.12.2012	31.12.2011
Assets			
Intangible assets	23	3 214	3 108
Property, plant and equipment	24	83 057	81 240
Investments in associates and joint ventures	3, 25	17 974	16 109
Other non-current financial assets	26	10 714	12 163
Derivatives	30	4 782	4 315
Non-current assets		119 741	116 935
Inventories	27	1 581	973
Receivables	28	13 251	12 010
Short-term financial investments	29	457	455
Derivatives	30	4 918	5 223
Cash and cash equivalents (incl restricted funds)	31	5 045	8 282
Current assets		25 251	26 943
Assets		144 992	143 878
EQUITY AND LIABILITIES			
Paid-in capital		45 569	45 569
Retained earnings		9 934	12 840
Non-controlling interests		6 934	7 241
Equity		62 437	65 651
Provisions	17, 32	20 019	21 403
Long-term interest-bearing liabilities	33	33 177	31 443
Derivatives	30	5 905	4 507
Long-term liabilities		59 101	57 353
Short-term interest-bearing liabilities	33	7 086	5 444
Taxes payable	22	3 239	3 396
Other interest-free liabilities	34	8 866	6 525
Derivatives	30	4 265	5 509
Short-term liabilities		23 455	20 874
Equity and liabilities		144 992	143 878

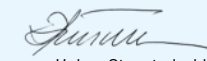
The Board of Directors of Statkraft AS
Oslo, 13 March 2013

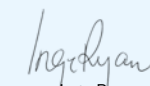

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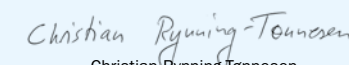

Halvor Stenstadvold
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Inge Ryan
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Lena Halvari
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Thorbjørn Holøs
Board member


Christian Rynning-Tønnesen
President and CEO

Statement of Cash Flow

Statkraft AS Group

NOK million	Note	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		8 806	3 466
Profit+/-loss- on sale of non-current assets		-28	-34
Depreciation, amortisation and impairments	23, 24	4 543	3 564
Profit from the sale of shares and associates		-81	-111
Profit from the sale of activities		-	-240
Share of profit from associates and joint ventures	25	-1 024	-898
Unrealised changes in value	21	-1 154	5 122
Taxes paid		-4 396	-3 284
Cash flow from operating activities		6 666	7 585
Changes in long-term items		-294	244
Changes in short-term items		1 616	55
Dividend from associates		1 960	1 639
Net cash flow from operating activities	A	9 948	9 521
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment, maintenance	3	-1 065	-1 129
Investments in property, plant and equipment, new capacity ¹⁾	3	-6 408	-4 793
Proceeds from sale of non-current assets		126	318
Business divestments, net liquidity accruing to the Group		-	452
Business combinations, net liquidity outflow from the Group	5	-54	-766
Proceeds from sale of other companies		-	66
Loans to third parties		-2 294	-1 708
Repayment of loans		839	298
Investments in other companies		-3 374	-940
Net cash flow from investing activities	B	-12 230	-8 202
CASH FLOW FROM FINANCING ACTIVITIES			
New debt	33	7 913	376
Repayment of debt	33	-4 551	-5 169
Dividend and group contribution paid		-4 293	-9 400
Share issue in subsidiary to non-controlling interests		167	1 094
Net cash flow from financing activities	C	-764	-13 099
Net change in cash and cash equivalents	A+B+C	-3 046	-11 780
Currency exchange rate effects on cash and cash equivalents		-191	10
Cash and cash equivalents 01.01	31	8 282	20 052
Cash and cash equivalents 31.12	31	5 045	8 282
Unused committed credit lines		12 000	12 000
Unused overdraft facilities		2 205	2 200
Restricted cash	31, 36	-232	-786

¹⁾ Investments in new capacity in 2012 are NOK 323 million higher than investments in new capacity in note 3 Segment Information, due to investments of NOK 424 million from 2011 paid in 2012, and NOK 101 million i 2012 not yet paid at year-end.

Statement of Changes in Equity

Statkraft AS Group

NOK million	Paid-in capital	Other equity	Accu- mulated translation differences	Retained equity	Total majority	Non-controlling interests	Total equity
Balance as of 31.12.2010	45 569	30 041	-7 592	22 449	68 018	7 284	75 302
Net profit	-	-224	-	-224	-224	264	40
Items in other comprehensive income that recycle over profit/loss:							
Changes in fair value of financial instruments	-	-23	-	-23	-23	-80	-103
Estimate deviation pensions	-	-1 096	-	-1 096	-1 096	-204	-1 300
Income tax related to estimate deviation pensions	-	307	-	307	307	57	364
Equity holdings in associates and joint ventures	-	-474	-	-474	-474	-43	-517
Exchange differences arising on translating foreign entities	-	-	-363	-363	-363	192	-171
Total comprehensive income for the period	-	-1 510	-363	-1 873	-1 873	186	-1 687
Dividend and group contribution	-	-7 432	-	-7 432	-7 432	-280	-7 712
Business combinations	-	-316	-	-316	-316	-5	-321
Divestments	-	-	-	-	-	-120	-120
Transactions with non-controlling interests	-	12	-	12	12	109	121
Capital increase	-	-	-	-	-	1 094	1 094
Liability from the option to increase shareholding in subsidiary	-	-	-	-	-	-1 027	-1 027
Balance as of 31.12.2011	45 569	20 795	-7 955	12 840	58 409	7 241	65 651
Net profit	-	4 441	-	4 441	4 441	230	4 671
Items in other comprehensive income that recycle over profit/loss:							
Changes in fair value of financial instruments	-	372	-	372	372	-35	337
Estimate deviation pensions	-	1 224	-	1 224	1 224	229	1 453
Income tax related to estimate deviation pensions	-	-343	-	-343	-343	-64	-407
Equity holdings in associates and joint ventures	-	320	-	320	320	-	320
Exchange differences arising on translating foreign entities	-	-	-4 020	-4 020	-4 020	-516	-4 536
Total comprehensive income for the period	-	6 014	-4 020	1 994	1 994	-156	1 838
Dividend and group contribution	-	-4 900	-	-4 900	-4 900	-308	-5 208
Business combinations	-	-	-	-	-	126	126
Capital increase	-	-	-	-	-	167	167
Liability from the option to increase shareholding in subsidiary	-	-	-	-	-	-137	-137
Balance as of 31.12.2012	45 569	21 909	-11 975	9 933	55 503	6 934	62 437

Statkraft's general assembly approved 21 June 2012 a dividend of NOK 4900 million to be paid to Statkraft SF. In respect of the current year, the directors propose that a dividend of NOK 4000 million will be paid to Statkraft SF. This dividend is subject to approval by the general assembly and has not been included as a liability in these consolidated financial statements.

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Note 1 General information and summary of significant accounting policies

GENERAL INFORMATION

Statkraft AS (Statkraft) consists of Statkraft AS with subsidiaries. Statkraft AS is a Norwegian limited company, established and domiciled in Norway. Statkraft AS is wholly owned by Statkraft SF, which is in turn wholly owned by the Norwegian state, through the Ministry of Trade and Industry. The main office lies in Oslo and the company has debt instruments listed on the Oslo Stock Exchange and London Stock Exchange.

Basis of preparation of the financial statements Statkraft's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU.

Changes to accounting policies, new accounting standards and interpretations These financial statements have been prepared in accordance with all mandatory standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

There are no new or revised interpretations during 2012 that will have an effect on the consolidated financial statements in the current or future periods.

At the time of adoption of these financial statements, the following standards are issued by the IASB, but not yet effective for the financial year 2012.

Management expects these standards will be applied in the consolidated financial statements from the year 2013 or later. Completion dates are those of the IFRSs endorsed by the EU. These may in some cases differ from the effective date by the IASB. Management has not completed the assessment of the potential impact of the introduction of these new and revised / amended standards. Standards that are clearly not relevant to the Group's financial statements are not included in the overview below.

IAS 28 Investment in Associates and Joint Ventures As a consequence of the new standards IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates has been renamed IAS 28 Investment in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Within the EU/EEA area, the amendments are effective for annual periods beginning on or after 1 January 2014. Statkraft has decided to use its right to implement the standard from 1 January 2013. The effect is not yet quantified.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. As a result, the Group has evaluated the entities to be consolidated pursuant to IFRS 10 and compared with the requirements of the current IAS 27. The contents of the control concept is somewhat changed from IAS 27. Decisive for the companies to be consolidated under IFRS 10 is whether there is control. Control exists when the investor has power over the investee, is exposed, or has rights to variable returns from the investee, and the ability to use force to control the activities of investee that significantly affect returns. Within the EU / EEA area, IFRS 10 is effective for annual periods starting on or after 2014. Statkraft has decided to use its right to implement the standard from 1 January 2013. The effect is not yet quantified.

IFRS 11 Joint Arrangements This standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. All entities meeting the definition of a joint venture must be accounted for using the equity method. Within the EU/EEA area, IFRS 11 is effective for annual periods beginning on or after 1 January 2014. Statkraft has decided to use its right to implement the standard from 1 January 2013. The effect is not yet quantified.

IFRS 12 Disclosure of Interests in Other Entities IFRS 12 applies for enterprises with interests in subsidiaries, joint arrangements, associates and structured entities. IFRS 12 replaces the disclosure requirements that were previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. Within the EU/EEA area, IFRS 12 is effective for annual periods beginning on or after 1 January 2014. Statkraft has decided to use its right to implement the standard from 1 January 2013.

IFRS 13 Fair Value Measurement The standard establishes a single source of guidance under IFRS for all fair value measurements, i.e., for requirements of all standards related to measuring fair value for assets and obligations. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. The effect of implementation of the amendments to IFRS 13 will be limited.

IAS 19 Employee Benefits The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The amendments to IAS 19 will impact the net benefit expense, as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. Statkraft is not using the corridor method today and as of 2012 is the expected return on assets is the same as the discount rate. The effect of implementation of the amendments to IAS 19 will therefore be limited. The amendments are effective for accounting periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments - disclosures The amendments imply that entities are required to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting agreements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments - presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods.

IFRS 9 Financial Instruments IFRS 9, as issued, reflects the first phase of IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for accounting periods beginning on or after 1 January 2013, but amendments to IFRS 9 issued in December 2011 moved the mandatory effective date to 1 January 2015. Subsequent phases of this project will address hedge accounting and impairment of financial assets. The Group will evaluate potential effects of IFRS 9 in accordance with the other phases as soon as the final standard, including all phases, is issued.

Comparative figures All amounts in the income statement, balance sheet, statement of equity, cash flow statement and notes have been given with comparative figures from the previous year.

SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES

Below is a description of the most important accounting principles used in the preparation of the consolidated accounts. These principles have been used in the same manner in all presented periods, unless otherwise stated. The consolidated accounts have been prepared on the basis of the historical cost principle, with the following modifications: Value adjustment of derivatives, financial instruments held for trading purposes, financial assets held for sale and other financial assets and liabilities recognised at fair value through profit or loss.

Consolidation principles The consolidated accounts show the overall financial result and the overall financial situation for the parent company Statkraft AS and subsidiaries where the Group has controlling influence through direct or indirect ownership of the majority of the voting capital. Controlling influence is normally achieved through ownership of 50% or more of voting capital, but this may not be the case if shareholder agreements apply. Intercompany sales and balances and gains and losses on intercompany transactions have been eliminated. Subsidiaries are consolidated from the date when the Group achieves control and are excluded from the consolidation when control ceases.

Acquisitions The acquisition method is applied in business combinations. The compensation is measured at fair value on the transaction date, which is also when fair value of identifiable assets, liabilities and contingent liabilities acquired in the transaction is measured. The transaction date is deemed to be the time when risk and control has been transferred and normally coincides with the completion date. Non-controlling interests are recognised either at fair value or the proportionate share of the identifiable net assets and liabilities. The assessment is done for each transaction. Any differences between cost price and fair value for acquired assets, liabilities and contingent liabilities are recognised as goodwill or recognised in income where the cost price is lower. No provisions are recognised for deferred tax on goodwill. Transaction costs are recognised in the income statement when incurred.

Associates and joint ventures Shares in companies in which Statkraft exercises a significant, but not controlling influence, and shares in companies with joint control are treated in accordance with the equity method. Significant influence normally means that the Group owns between 20 and 50% of the voting capital. The Group's share of the companies' profit/loss after tax, adjusted for amortisation of excess value and any deviations from accounting policies, are shown on a separate line in the consolidated income statement. Such investments are classified as non-current assets in the balance sheet and are recognised at cost price adjusted for the accumulated share of the companies' profit or loss, dividends received, currency adjustments, and equity transactions.

The principles applying for the recognition of acquisition of associated companies and joint ventures in the accounts are the same as those applied for the acquisition of subsidiaries.

Co-owned power plants Co-owned power plants, which are those power plants in which Statkraft owns shares regardless of whether they are operated by Statkraft or one of the other owners, are recognised in the accounts in accordance with the proportionate consolidation method in IAS 31.

Leased power plants Power plants that are leased to third parties are recognised in accordance with the proportionate consolidation method. Gross leasing revenues are included in other operating revenues, while operating expenses are recorded under the relevant cost.

Revenues Revenues from the sale of goods and services are recognised on an accruals basis. Earnings from sales are recognised when the risk and control over the goods have substantially been transferred to the buyer.

Power revenues Energy revenues are recognised upon delivery. Realised revenues and losses from trading portfolios are presented net as

sales revenues. For physical and financial contracts covered by IAS 39 are presented unrealized changes in the same accounting line item as earned and realised revenues.

Distribution grid revenues Distribution grid activities are subject to a regulatory regime established by the Norwegian Water Resources and Energy Directorate (NVE). Each year the NVE sets a revenue ceiling for the individual distribution grid owner. Revenue ceilings are set partly on the basis of historical costs, and partly on the basis of a norm. The norm is there to ensure efficient operation by the companies. An excess/shortfall of revenue will be the difference between actual income and allowed income. The revenue ceiling can be adjusted in the event of changes in delivery quality. Revenues included in the income statement correspond to the actual tariff revenues generated during the year. The difference between the revenue ceiling and the actual tariff revenues comprises a revenue surplus/shortfall. Excess or shortfall of revenue is not recognised in the balance sheet. The size of this is stated in Note 35.

Dividend Dividends received from companies other than subsidiaries, associates and joint ventures are recognised in income when the distribution of the dividend has been finally declared in the distributing company.

Sale of property, plant and equipment When selling property, plant and equipment, the gain/loss from the sale is calculated by comparing the sales proceeds with the residual book value of the sold operating asset. Calculated profits/losses are recognised under other operating revenues and other operating expenses respectively.

Public subsidies Public subsidies are included on a net basis in the income statement and balance sheet. Where subsidies are connected to activities that are directly recognised in the income statement, the subsidy is treated as a reduction of the expenses connected to the activity that the subsidy is intended to cover. Where the subsidy is connected to projects that are recognised in the balance sheet, the subsidy is treated as a reduction of the amount recognised in the balance sheet.

Foreign currency Subsidiaries prepare their accounts in the company's functional currency, normally the local currency in the country where the company operates. Statkraft AS uses Norwegian Kroner (NOK) as its functional currency, and it is also the presentation currency for the consolidated accounts. When preparing the consolidated accounts, foreign subsidiaries, associated companies and joint ventures are translated into NOK in accordance with the current exchange rate method. This means that balance sheet items are translated to NOK at the exchange rate at 31 December; while the income statement is translated using monthly weighted average exchange rates throughout the year. Currency translation effects are recognised in comprehensive income and reclassified to the income statement upon sale of shareholdings in foreign companies.

Current transactions denominated in foreign currency are translated to the market price on the transaction date, while the balance sheet items are evaluated at the balance sheet date rates. Currency effects are recognised under financial items. Gains and losses resulting from changes in exchange rates on debt to hedge net investments in a foreign entity are recognised directly in comprehensive income, and reclassified to the income statement upon sale of the foreign entity.

Financial instruments

General On initial recognition, financial investments are allocated to one of the categories of financial instruments described in IAS 39. The various categories that are relevant for Statkraft and the treatment to be adopted for the instruments included in each of these categories are described below.

Measurement of different categories of financial instruments

1) Financial instruments valued at fair value through profit or loss Derivatives are financial instruments valued at the fair value through profit or loss. Statkraft has two main types of derivatives, energy derivatives and currency and interest rate derivatives.

Energy derivatives consist of both stand-alone derivatives, and embedded derivatives that are separated from the host contract and recognised at fair value as if the derivative were a stand-alone contract. Financial contracts for the purchase and sale of energy related products are classified as derivatives. Physical contracts for the purchase and sale of energy related products contained in the trading portfolios, or which are financially settled, are regarded as financial instruments. Physical contracts for the purchase and sale of energy related products that are entered into as a result of mandates connected to Statkraft's own requirements for use or procurement in own production normally fall outside the scope of IAS 39, as long as such contracts are not resold or do not contain written options in the form of volume flexibility. Other financial instruments held for trading purposes are also valued at fair value in the balance sheet. Changes in value are recognised through profit or loss.

2) Loans and receivables are measured at fair value on initial recognition together with directly attributable transaction costs. In subsequent periods, loans and receivables are measured at amortised cost using the effective interest rate method, where the effective interest remains the same over the entire term of the instrument. An impairment loss is recognised in the income statement.

3) Assets classified as available for sale are assets which are not included in any of the above categories. Statkraft classifies strategic long-term shareholdings in this category. The assets are initially measured at fair value together with directly attributable transaction costs. Subsequently, the assets are measured at fair value with changes in value recorded against comprehensive income. Assets classified as held for sale where the fair value is less than its carrying amount is impaired through the income statement if the impairment is significant or permanent (25% impairment / 6-12 months). Additional decline in value will result in an immediate impairment. Impairment can not be reversed through the income statement until the asset is realised.

4) Financial liabilities are measured at fair value on initial recognition including directly attributable transaction costs. In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method, where the effective interest remains the same over the entire term of the instrument.

The determination of the fair value of such assets is described in more detail in Note 11.

Financial instruments used in hedge accounting Financial instruments that are designated as hedging instruments or hedged items in hedge accounting are identified on the basis of the intention behind the acquisition of the financial instrument. In a true value hedging the value change will meet the corresponding change in value of the hedged item, while for cash flow hedges and hedges of net investments in foreign operations will recognise the value changes in other comprehensive income. See also the more detailed description of hedge accounting in Note 12.

Presentation of derivatives in the income statement and balance sheet Derivatives not relating to hedging arrangements are recognised on separate lines in the balance sheet under assets or liabilities. Derivatives with respective positive and negative values are presented gross in the balance sheet. Derivatives is presented net provided there is legal right to the set off of different contracts, and such set-off rights will actually be used for the current cash settlement during the terms of the contracts. All energy contracts traded via energy exchanges are presented net in the balance sheet. Changes in the fair value of energy derivatives are recognised in the income statement on the same accounting line item as earned and realised sales revenues and accrued and realised energy purchases. Change in fair value of currency and interest rate derivatives are presented together with realised financial income and expenses.

Taxes

General Group companies that are engaged in energy generation in Norway are subject to the special rules for taxation of energy companies. The Group's tax expense therefore includes, in addition to ordinary income tax, natural resource tax and resource rent tax.

Income tax Income tax is calculated in accordance with ordinary tax rules, so that the tax rate applied is at any time the adopted. The tax charge in the income statement comprises taxes payable and changes in deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward. Deferred tax assets are recognised in the balance sheet to the extent that it is probable that the assets will be realised. Tax related to items booked in other comprehensive income is also recognised in other comprehensive income, while tax related to equity transactions is recognised in equity.

Natural resource tax Natural resource tax is a profit-independent tax that is calculated on the basis of the individual power plant's average output over the past seven years. The tax rate is NOK 13/MWh. Income tax can be offset against the natural resource tax paid. Any natural resource tax that exceeds income tax can be carried forward with interest to subsequent years, and is recorded as prepaid tax.

Resource rent tax Resource rent tax is a profit-dependent tax that is calculated at a rate of 30% of the net resource rent revenue generated by each power plant. Resource rent revenue is calculated on the basis of the individual power plant's production hour by hour, multiplied by the spot price for the corresponding hour. The actual contract price is applied for deliveries of concessionary power and power subject to physical contracts with a term exceeding seven years. Income from green certificates include in gross net resource rent revenue. Actual operating expenses, depreciation and a tax-free allowance are deducted from the calculated revenue in order to arrive at the tax base. The tax-free allowance is set each year on the basis of the taxable value of the power plant's operating assets, multiplied by a normative interest rate set by the Ministry of Finance. The relevant normative interest rate for 2012 has been set at 1.5%. From 2007 onwards negative resource rent revenues per power plant can be pooled with positive resource rent revenues for other power plants. Negative resource rent revenues per power plant from the 2006 fiscal year or earlier years can only be carried forward with interest offset against future positive resource rent revenues from the same power plant. Deferred tax assets linked to negative resource rent carry-forwards and deferred tax linked to other temporary differences are calculated on the basis of power plants where it is probable that the deferred tax asset will be realised within a time horizon of ten years. The applied rate is a nominal tax rate of 30%. The tax-free allowance is treated as a permanent difference in the year it is calculated for, and therefore does not affect the calculation of deferred tax connected with resource rent.

Deferred tax liabilities and deferred tax assets are recognised net provided these are expected to reverse in the same period. The same applies to deferred tax liabilities and deferred tax assets connected to resource rent tax. Deferred tax positions connected with income tax payable cannot be offset against tax positions connected with resource rent tax.

Classification as short-term/long-term Balance sheet items can be classified as short-term when they are expected to be realised within 12 months of the balance sheet date. With the exception of the items mentioned below, all other items are classified as long-term. Some derivatives that are hedging instruments in hedge accounting are presented together with the hedging item. The first year's repayments relating to long-term liabilities are presented as short-term items.

Intangible assets Costs relating to intangible assets, including goodwill, are recognised in the balance sheet at historic cost provided that the requirements for doing so have been met. Goodwill and intangible assets with an indefinite useful life are not amortised.

Note 1 continued

Research and development costs Research costs are recognised in the income statement on an ongoing basis. Development costs are capitalised to the extent that a future financial benefit can be identified from the development of an identifiable intangible asset.

Property, plant and equipment Investments in production facilities and other property, plant and equipment are recognised at cost less accumulated depreciation and impairments. Depreciation is charged from the time the assets are available for use. The cost of property, plant and equipment includes fees for acquiring or bringing assets into a condition in which they can be used. Directly attributable borrowing costs are added to acquisition cost. Expenses incurred after the operating asset has been taken into use, such as ongoing repair and maintenance expenses, are recognised in the income statement ongoing, while other expenses that are expected to increase future production capacity are recognised in the balance sheet. In the case of time-limited licences, provisions are made for decommissioning costs, with a balancing entry increasing the recognised value of the relevant asset. Increased book value is depreciated over the license period.

Costs incurred for own plant investments are recognised in the balance sheet as facilities under construction. Acquisition cost includes directly attributable costs including interest on loans.

Depreciation is calculated on a straight-line basis over assets' expected useful economic lives. Residual values are taken into account in the calculation of annual depreciation. Periodic maintenance is recognised in the balance sheet over the period until the time when the next maintenance round is scheduled. Estimated useful lives, depreciation methods and residual values are assessed annually.

Land including waterfall rights is not depreciated, as the assets are deemed to have perpetual life if there is no right of reversion to state ownership.

Impairments Property, plant and equipment and intangible assets that are depreciated are assessed for impairment when there is any indication that future earnings do not justify the book value. Intangible assets with an indefinite useful life are not amortised, but are subject to an annual impairment test. Impairments are recognised as the difference between the book value and recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

In assessing impairments, non-current assets are grouped into the lowest level of identifiable assets that can generate independent cash flows (cash-generating units). With the exception of goodwill, the possibilities of reversing previous impairment on non-current assets are assessed at each reporting date.

Cash-generating units A cash-generating unit (CGU) is the lowest level of independent cash flows can be measured. The highest level of a CGU is a reported operating segment. CGU in Statkraft is defined as follows:

Hydropower: Power plants located in the same water resource and managed together to optimise power production.

Wind power plants: Wind turbines in a wind farm connected to a common transformer

Gas power plants: Normally constitutes a gas power plant a CGU unless two or more plants is controlled and optimised together so that revenue is not independently.

District heating: Each plant together with associated infrastructure including transmission lines.

Biomass power plants: The individual plants.

The impairment test of goodwill segment is used as the lowest CGU.

Leases A lease is recognised as a financial leasing agreement when the risks and returns incidental to ownership have been substantially transferred to Statkraft. Operational leases are recognised as they occur.

Inventories

1. Green certificates and CO₂ certificates Green certificates awarded by own production are measured at cost price and classified as intangible assets. The same applies for CO₂ certificates. Green certificates and CO₂ certificates are deemed to be held for trading purposes and are recognised as inventories. Inventories of green certificates and CO₂ certificates held for trading purposes are measured at net realisable value. Net realisable value is measured as sales value less expected costs to sell.

2. Other inventories Other inventories are measured at the lowest of cost price and net realisable value.

Cost price is allocated to specific inventories where possible. For exchangeable goods, cost price is allocated in accordance with the weighted average or the FIFO (first in, first out) method.

Cash and cash equivalents The item cash and cash equivalents also includes certificates and bonds with short residual terms at the time of acquisition. The item also includes restricted funds. The amount of restricted funds is specified below the cash flow statement and in Note 31. The market settlement for derivatives connected with financial activities (cash collateral) is recognised in the balance sheet.

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

Provisions, contingent assets and contingent liabilities Provisions are only recognised where there is an existing obligation as a result of a past event, and where it is more than 50% probable that an obligation has arisen. When lower probability the conditions will be stated in the notes of the financial statements unless the probability of payment is very low. Provisions are recognised in the amount that is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Contingent assets and contingent liabilities are not recognised in the financial statements.

Concessionary power, licence fees and compensation Each year concessionary sales are made to local authorities at statutory prices stipulated by the Norwegian Parliament (Storting). The supply of concessionary power is recognised as income on an ongoing basis in accordance with the established concessionary price. In the case of certain concessionary power contracts, agreements have been made regarding financial settlement in which Statkraft is invoiced for the difference between the spot price and the concessionary price. Such concessionary contracts are not included in the financial statements. The capitalised value of future concessionary power obligations is estimated and disclosed in Note 32.

Licence fees are expensed as they accrue and are paid annually to central and local government authorities. The value of future licence fees recognised in the balance sheet is estimated and disclosed in Note 18.

The Group pays compensation to landowners for the right to use waterfalls and land. In addition, compensation is paid to others for damage caused to forests, land, telecommunications lines, etc. Compensation payments are partly non-recurring and partly recurring, and take the form of cash payments or a liability to provide compensational power. The present value of obligations connected to the annual compensation payments and free power are classified as provisions for liabilities. Annual payments are recognised as other operating expenses, while non-recurring items are offset against the provision.

Pensions

Defined benefit schemes A defined benefit scheme is a retirement benefit scheme that defines the retirement benefits that an employee will receive on retirement. The retirement benefit is normally set as a percentage of the employee's salary. To be able to receive full retirement benefits, contributions will normally be required to be paid over a period of between 30 and 40 years. Employees who have not made

Note 1 continued

full contributions will have their retirement benefits proportionately reduced. The liability recognised in the balance sheet which relates to the defined benefit scheme is the present value of the future retirement benefits that are reduced by the fair value of the plan assets. The present value of future benefits in the pension schemes accrued at the balance sheet date is calculated by accrued benefits method.

Estimate deviations attributable to changes in actuarial assumptions or base data are recognised in other comprehensive income.

Net pension fund assets for overfunded schemes are classified as non-current assets and recognised in the balance sheet at fair value. Net retirement benefit liabilities for underfunded schemes and non-funded schemes that are covered by operations are classified as long-term liabilities.

The net retirement benefit cost for the period is included under salaries and other payroll costs, and comprises the total of the retirement benefits accrued during the period, the interest on the estimated liability and the projected yield on pension fund assets.

Defined contribution schemes A defined contribution scheme is a retirement benefit scheme where the Group pays fixed contributions to a fund manager without incurring further obligations for Statkraft once the payment has been made. The payments are expensed as salaries and payroll costs.

Note 2 Accounting judgements, estimates and assumptions

ACCOUNTING JUDGEMENTS

In applying the Group's accounting policies, the company's management has exercised judgement which affects items in the income statement, balance sheet and notes. Accounting judgements that are of material importance to the Group's Financial Statements are as follows:

Non-financial energy contracts According to IAS 39 shall non-financial energy contracts that are covered by the definition of "net financial settlements" be treated as if these were financial instruments. This will typically apply to contracts for physical purchases and sales of power and gas. Management has reviewed the contracts that are defined as financial instruments, and those contracts that are not covered by the definition as a result of "own use" exception.

ESTIMATES AND ASSUMPTIONS

Statkraft's corporate management has applied estimates and assumptions that affect the items in the income statement, balance sheet and notes. Future incidents and changes to framework conditions may result in a need to change estimates and assumptions. Estimates and assumptions of significance for the financial statements are summarised below.

Property, plant and equipment Property, plant and equipment is depreciated over its expected useful life. Expected useful life is estimated based on experience, historical data and accounting judgements, and is adjusted in the event of any changes to the expectations. Residual values are taken into account in calculating depreciation. The evaluation of residual values is also subject to estimates. The estimates regarding decommissioning costs, which are also part of the carrying value of the assets, are evaluated currently.

SEGMENTS

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

CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. The statement starts with the Group's profit before taxes in order to show cash flow generated by operating activities. The cash flow statement is divided in net cash flow from operations, investments and financing activities. Dividends disbursed to the owner and to non-controlling interests are presented under financing activities. Receipts and payments of interest and dividends from associated companies are presented as provided cash flow from operations.

Impairments Significant investments are made in property, plant and equipment, intangible assets, associates and joint ventures. These non-current assets are tested for possible impairment where there are any indications of loss of value. Such indications could include changes in expectations regarding future power prices, production volumes, regulatory issues, maturity in infrastructure and project risk. Goodwill and other intangible assets with perpetual useful life are tested annually for impairment. Calculating the recoverable amount requires a series of estimates concerning future cash flows, of which price paths and production volume are the most important. See note 24 for more information.

Deferred tax assets Recognition of deferred tax assets involves judgment, and carried to the extent that it is probable that it will be utilised. The Group has recognised also deferred tax assets associated with negative resource rent revenues in the balance sheet. Deferred tax assets relating to resource rent revenue carry-forwards are recognised in the balance sheet with the amount expected to be utilised within a period of ten years. The period over which negative resource rent revenues can be used is estimated on the basis of expectation relating to expectations of future power prices and production volumes.

Pensions The calculation of pension liabilities involves the use of judgement and estimates across a range of parameters. The discount rate is set at 3.8% for Norwegian pension schemes and is based on high quality corporate bonds (OMF). This is a change from previous years where government bonds have been the base for setting the discount rate. Statkraft is of the opinion that the OMF market represent a deep and liquid marked with relevant durations that qualify as discount rate according to IAS 19.

The discount rate based on government bonds would have been as comparison 2.3%. Increasing the discount rate has resulted in an estimated decrease in net pension liability of about NOK 1600 million. Refer to Note 17 for a more detailed description of the assumptions used. The Note also shows how sensitive the calculations are in relation to the most important assumptions.

Note 3 Segment information

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

We are presenting the underlying results for each of the segments. The underlying results consist of ordinary results, adjusted for unrealised effects from energy contracts (excluding Trading and Origination) and material non-recurring items.

The segments are:

Nordic hydropower is the largest segment and includes hydropower plants in Norway, Sweden and Finland. The production assets consist mainly of water regulation facilities.

Continental energy and trading includes gas power plants in Germany and Norway, hydropower plants in Germany and the UK and bio-based power plants in Germany, as well as Baltic Cable AB, the subsea cable between Sweden and Germany.

The segment includes Trading and Origination (exclusive EEG 2012 and UK PPA), as well as revenue optimisation and risk mitigation related to both the Continental and Nordic production. In this manner, the Group can take advantage of its overall market expertise in the best possible manner. From 2012 Statkraft offers market access to minor renewable energy producers in Germany and the United

Kingdom . This introduction has resulted in substantially increased gross operating revenues and energy purchase.

International hydropower operates in emerging economies with expected high growth and substantial need for energy. Statkraft focuses on selected markets where the Group's hydropower expertise can be applied.

Wind power includes Statkraft's investments in land-based and offshore wind power. The segment has land-based wind farms in operation in Norway, under development and in operation in Sweden and the United Kingdom. The segment has offshore wind power in operation and under development in the United Kingdom.

District heating operates in Norway and Sweden. Further growth will primarily take place in Norway where Statkraft is one of the two largest suppliers of district heating.

Industrial ownership includes management and development of Norwegian shareholdings within the Group's core business.

Other activities include small-scale hydropower, the shareholding of 4.17% in E.ON SE, innovation, internal financial loans to other segments from Statkraft Treasury Centre and group functions.

Group items include non-recurring items, unrealised effects on energy contracts excluding Trading and Origination, eliminations and unallocated assets.

Accounting specification per segment

Segments	Statkraft AS	Nordic	Continental	Inter-	Wind	District	Industrial	Other	Group
NOK million	Group	Hydropower	Energy & Trading	national Hydropower	Power	Heating	ownership	activities	Items
2012									
Operating revenues external, underlying	32 331	9 998	15 055	1 566	34	625	6 691	117	-1 755
Operating revenues internal, underlying	-	3 221	-32	1	508	1	33	452	-4 184
Gross operating revenues, underlying	32 331	13 219	15 022	1 567	542	626	6 724	568	-5 939
Net operating revenues, underlying	17 659	12 479	1 915	1 054	216	384	3 010	565	-1 964
Operating profit/loss, underlying	5 365	8 274	245	98	-229	-2	1 061	-856	-3 225
Unrealised value changes energy contracts	-	-1 663	441	-113	-	-	1	7	1 328
Significant non-recurring items	-	-	-1 762	-78	-	-	-216	175	1 881
Operating profit/loss	5 365	6 610	-1 076	-93	-229	-2	846	-674	-17
Share of profits/losses from associated companies and joint ventures	1 024	-	89	146	8	-1	781	-	-
Profit/loss before financial items and tax	6 389	6 610	-987	53	-221	-3	1 627	-674	-17

Balance Sheet 31.12.12

Investments in associates and joint ventures	17 974	-	485	6 368	1 658	-	9 463	-	1
Other assets	127 018	48 837	4 453	10 442	4 161	2 874	14 254	58 947	-16 951
Total assets	144 992	48 837	4 938	16 810	5 819	2 874	23 717	58 947	-16 950
Depreciation, amortisation and impairments	-4 543	-1 136	-2 126	-301	-116	-145	-650	-69	-
Maintenance investments	1 065	460	127	90	7	-	381	-	-
Investments in new generating capacity	6 085	1 048	1 005	1 687	1 209	369	538	229	-
Investments in shares	3 523	-	-	2 433	1 085	6	-	-	-

Note 3 continued

Segments	Statkraft AS	Nordic	Continental	Inter-	Wind	District	Industrial	Other	Group
NOK million	Group	Hydropower	Energy & Trading	national Hydropower	Power	Heating	ownership	activities	Items
2011									
Operating revenues external, underlying	22 203	8 388	4 280	1 047	39	554	7 799	232	-137
Operating revenues internal, underlying	-	4 286	-174	19	311	1	43	632	-5 117
Gross operating revenues, underlying	22 203	12 674	4 106	1 066	350	555	7 842	864	-5 255
Net operating revenues, underlying	17 094	12 045	1 230	796	329	357	3 198	860	-1 721
Operating profit/loss, underlying	6 203	8 002	-413	-1	-104	40	1 297	-334	-2 283
Unrealised value changes energy contracts	-	-765	-260	-18	-	-	59	-167	1 152
Significant non-recurring items	-	-	-1 087	-74	-	-	-	126	1 035
Operating profit/loss	6 203	7 236	-1 760	-93	-104	40	1 356	-375	-97
Share of profits/losses from associated companies and joint ventures	898	-	-98	449	-389	4	933	-1	-
Profit/loss before financial items and tax	7 101	7 236	-1 858	356	-493	44	2 289	-377	-97

Balance Sheet 31.12.11

Investments in associates and joint ventures	16 109	-	533	5 875	650	1	9 050	-	-1
Other assets	127 768	48 761	5 759	8 466	2 711	2 660	13 900	61 139	-15 625
Total assets	143 878	48 761	6 292	14 342	3 361	2 661	22 949	61 139	-15 626
Depreciation, amortisation and impairments	-3 564	-1 117	-1 425	-295	-104	-106	-449	-68	-
Maintenance investments	1 129	469	303	69	1	8	248	32	-
Investments in new generating capacity	5 217	1 397	1 446	959	491	401	348	175	-
Investments in shares	1 923	-	585	1 051	187	97	2	-	-

Specification of non-recurring items:

NOK million	2012	2011
Unrealised value changes energy contracts, excl Trading & Origination	-1 328	-1 152
Material non-recurring items:	-1 881	-1 035
Gain on sale of Sluppen Eiendom AS	-	126
Final settlement of sale of Trondheim Energi Nett AS	175	-
Depreciation power plant in Nepal due to reversion to state ownership	-	-74
Impairments of non-current assets and receivables	-2 056	-1 087
Eliminations and other group items	-17	-97
Total	-3 225	-2 283

Specification per product

Reference is made to Note 13.

Specification per geographical area

External sales revenues are allocated on the basis of the geographical origin of generating assets or activities.

Fixed assets consist of property, plant and equipment and intangible assets except deferred tax and are allocated on the basis of the country of origin for the production facility or activity.

Geographical areas	Statkraft AS	Norway	Germany	Sweden	UK	Other
NOK million	Group					
2012						
Sales revenues external	31 211	15 908	13 399	104	-	1 800
Non-current assets as of 31.12	84 306	51 294	3 678	17 437	2 218	9 679
2011						
Sales revenues external	21 209	17 125	2 999	93	240	752
Non-current assets as of 31.12	81 672	49 973	4 288	17 472	1 539	8 400

Information regarding significant customers

No external customers account for 10% or more of the Group's operating revenues.

Note 4 Events since the balance sheet date

On 4 February 2013, Statkraft received a decision from the Ministry of Petroleum and Energy (MPE) granting an exemption from the licence provisions for the transfer of the leased power plants (Sauda I-IV, Svelgen I-II, Tysso II) from Statkraft SF to Statkraft Energi AS.

In January 2013, Statkraft signed a letter of intent with BKK, Haugaland Kraft, Sunnhodland Kraftlag and Sognekraft to make changes in the ownership structure of BKK and power plants in Western Norway.

Note 5 Business combinations

BUSINESS COMBINATIONS 2012

Fountain Intertrade Corporation On 6 March 2012, Statkraft, through SN Power and Agua Imara, achieved a majority on the board of the company Fountain Intertrade Corp. (FIC), Panama, in accordance with the shareholder agreement between the parties. SN Power via Agua Imara owned and owns 50.1% of the shares in the company. The change in the composition of the board means that SN Power has achieved control as regards IFRS. As a result, FIC has been derecognised as an associate company and incorporated into the consolidated accounts as a subsidiary from the acquisition date of 6 March. There were no gain or loss from the derecognition.

Catamount Energy Ltd. On 15 November 2012, Statkraft UK Ltd acquired the remaining 50% of the company Catamount Energy Ltd for NOK 120 million. The fair value of the former shareholding has been estimated at NOK 120 million. As of the fourth quarter, a preliminary acquisition cost allocation of NOK 240 million has been made, mainly showing that value exceeding the book equity has been transferred to tangible fixed assets by NOK 342 million and intangible assets by NOK -65 million. Goodwill of NOK 64 million has been identified. The derecognition of the earlier recognised asset created a gain of NOK 115 million presented under financial items.

Other acquisitions Other purchases contains the acquisition of Muchinga Power Company Ltd. 20 September 2012 for a purchase price of NOK 24 Million and the acquisition of Hamneset Energisentral AS on 2 May 2012 for a purchase price of NOK 4 million.

Allocation of purchase price for business combinations in 2012

	Fountain Intertrade Corp. ¹⁾	Catamount Energy Ltd. ¹⁾	Other Acquisitions ¹⁾	Total
Acquisition date	06.03.2012	15.11.2012		
Voting rights/shareholding acquired through the acquisition	0.00%	50.00%		
Total voting rights/sharholding following acquisition	50.10%	100.00%		
Measurement of non-controlling interests	Proportionate	Proportionate	Proportionate	

Consideration

NOK million				
Cash	-	120	28	148
Fair value of earlier recognised shareholdings	121	120	-	241
Total acquisition cost	121	240	28	389

Book value of net acquired assets (see table below)	242	-36	1	207
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Identification of excess value, attributable to:

Intangible assets	-	-65	-	-65
Property, plant and equipment	-	342	3	345
Gross excess value	-	277	3	280
Deferred tax on excess value	-	-64	-	-64
Net excess value	-	213	3	216

Fair value of net acquired assets, excluding goodwill	242	177	4	423
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Of which

Majority interests	121	177	4	302
Non-controlling interests	121	-	-	121
Total	242	177	4	423

Total acquisition cost	121	240	28	389
Fair value of net acquired assets, acquired by the majority through the transaction	121	177	4	302
Goodwill ²⁾	-	63	24	87

¹⁾ The allocation of purchase price is deemed to be provisional pending the completion of the final valuation of the acquired assets and liabilities.

²⁾ Recognition of goodwill in the acquisition of Lunsemfwa Hydro Power Company Ltd. relates to recognition of deferred tax liabilities on added values at nominal value.

Note 5 continued

NOK million	Fountain Intertrade Corp.	Catamount Energy Ltd.	Other Acquisitions	Total
Book value of net acquired assets				
Intangible assets	258	65	20	343
Property, plant and equipment	48	-	-	48
Other non-current financial assets	5	-	-	5
Non-current assets	311	65	20	396
Cash and cash equivalents	93	-	1	94
Receivables	3	5	-	8
Current assets	96	5	1	102
Acquired assets	407	70	21	498
Long-term interest bearing liabilities	122	102	-	224
Other interest-free liabilities	13	4	20	37
Taxes payable	6	-	-	6
Derivatives	24	-	-	24
Liabilities and non-controlling interests	165	106	20	291
Net value of acquired assets	242	-36	1	207
Net value of acquired assets, including the value of private placing	242	-36	1	207
Total acquisition cost	121	240	28	389
Non-cash elements of acquisition cost	121	120	-	241
Consideration and cost in cash and cash equivalents	-	120	28	148
Cash and cash equivalents in acquired companies	93	-	1	94
Net cash payments in connection with the acquisitions	-93	120	27	54
Fair value of acquired receivables	3	5	-	8
Gross nominal value of acquired receivables	3	5	-	8
Gain/loss from derecognition of earlier recognised shareholding	-	115	-	115
Contribution to gross operating revenue since acquisition date	-	-	2	2
Contribution to net profit since acquisition date	-6	-	1	-5
Proforma figure 2012 gross operating revenue	-	-	4	4
Proforma figure 2012 gross net profit	-6	6	1	1

BUSINESS COMBINATIONS 2011

Baillie Windfarm Ltd. Up until 25 March 2011 Statkraft UK Ltd. owned 33.9% of BWFL. Statkraft UK Ltd. (SUK) had significant influence, therefore treating the investment as an associate. On 25 March SUK increased its investment to 80% and introduced an intermediate holding company Baillie Windfarm Holdings Ltd. (BWFHL) by purchasing shares for NOK 160 million. (BWFL) is a company developing a wind farm in Scotland, owned jointly by Statkraft UK Ltd. and land owners at the site. The wind farm is in the development stage having agreed planning permission, consent, and consensus with land owners of the site. Statkraft is currently constructing the site into a 21 turbine 52.5 MW wind farm.

Energias do Paraná Ltda. (Enerpar) The SN Power Group purchased 100% of Enerpar, a company registered in Paraná in Brazil with closing 25 May 2011. The company's activities consists of managing power purchase agreements in total of approximately 140 MW with duration up to 2025, and at the time of achieving control, there were no employees in the company. The purchase price for the acquisition

has been settled with a cash payment of BRL 120 million (NOK 410 million). Carrying value of the company's net assets at the time of achieving control is considered representing fair value, and no goodwill has been identified.

Lunsemfwa Hydro Power Company Ltd. On 1 April 2011, a subsidiary of SN Power, Agua Imara, purchased 51% of Lunsemfwa Hydro Power Company Ltd. in Zambia. Lunsemfwa currently owns two hydro-power plants, Mulungushi Hydro Power Station and Lunsemfwa Hydro Power Station (LHPC), with a combined generation capacity of 46.5 MW (28.5 MW and 18 MW respectively). In addition, a 50% share in Muchinga Power Company Ltd., with potential for developing additional 120 MW has been acquired. The purchase price amounts to USD 47 million (NOK 244 million) in total, whereas USD 37 million has been paid in cash, and USD 10 million has been settled through a private placement. Added values have been identified on existing water regulation facilities and water rights, as well as goodwill.

Bio Varne AS On 27 October 2011 Statkraft AS purchased 98% of Bio Varne AS, with a purchase price of NOK 96 million. Bio Varne further owns 85% of the shares in Stjørdal Fjernvarme AS. The acquisition strengthens the strategic activities within the segment District Heating.

Allocation of purchase price

for business combinations in 2011

	Energias	Lunzemfwa Hydro	Baillie	Bio	
	do Paraná Ltda.	Power Comp. Ltd.	Windfarm Ltd.	Varne AS	Total
Acquisition date	25.05.2011	01.04.2011	25.03.2011	27.10.2011	
Voting rights/shareholding acquired through the acquisition	100.00%	51.00%	46.00%	98.00%	
Total voting rights/sharholding following acquisition	100.00%	51.00%	80.00%	98.00%	
Measurement of non-controlling interests	Proportionate	Proportionate	Proportionate	Proportionate	

Consideration

NOK million					
Cash	410	190	160	96	856
Private placing	-	54	-	-	54
Fair value of earlier recognised shareholdings	-	-	118	-	118
Total acquisition cost	410	244	278	96	1 028

Book value of net acquired assets (see table below)	410	73	347	98	928
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Identification of excess value, attributable to:

Property, plant and equipment	-	533	-	-	533
Gross excess value	-	533	-	-	533
Deferred tax on excess value	-	-186	-	-	-186
Net excess value	-	347	-	-	347

Fair value of net acquired assets, excluding goodwill	410	420	347	98	1 275
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Of which

Majority interests	410	214	278	96	997
Non-controlling interests	-	206	69	2	277
Total	410	420	347	98	1 275

Total acquisition cost	410	244	278	96	1 028
Fair value of net acquired assets, acquired by the majority through the transaction	410	214	278	96	997
Goodwill ¹⁾	-	30	-	-	30

¹⁾ Recognition of goodwill in the acquisition of Lunsemfwa Hydro Power Company Ltd. relates to recognition of deferred tax liabilities on added values at nominal value.

NOK million	Energias	Lunzemfwa Hydro	Baillie	Bio	
	do Paraná Ltda.	Power Comp. Ltd.	Windfarm Ltd.	Varne AS	Total
Book value of net acquired assets					
Intangible assets	-	-	89	-	89
Deferred tax assets	61	-	-	8	69
Property, plant and equipment	-	67	351	188	606
Derivatives	787	-	-	-	787
Other non-current financial assets	-	-	-	1	1
Non-current assets	848	67	440	197	1 552
Cash and cash equivalents	9	47	-	34	90
Receivables	33	17	1	9	60
Inventories	-	-	-	1	1
Current assets	42	64	1	44	151
Acquired assets	890	131	441	241	1 703
Long-term interest bearing liabilities	-	64	-	98	162
Short-term interest bearing liabilities	-	-	4	41	45
Deferred tax	267	21	89	-	377
Other interest-free liabilities	33	19	1	-	53
Taxes payable	1	8	-	-	9
Derivatives	179	-	-	-	179
Non-controlling interests	-	-	-	5	5
Liabilities and non-controlling interests	480	112	94	144	830
Net value of acquired assets	410	19	347	98	874
Net value of acquired assets, including the value of private placing	410	73	347	98	928
Total acquisition cost	410	244	278	96	1 028
Non-cash elements of acquisition cost	-	-54	-118	-	-172
Consideration and cost in cash and cash equivalents	410	190	160	96	856
Cash and cash equivalents in acquired companies	-9	-47	-	-34	-90
Net cash payments in connection with the acquisitions	401	143	160	62	766
Fair value of acquired receivables	33	17	1	9	60
Gross nominal value of acquired receivables	33	17	1	9	60
Gain/loss from derecognition of earlier recognised shareholding	-	-	113	-	113
Contribution to gross operating revenue since acquisition date	221	58	-	13	292
Contribution to net profit since acquisition date	-9	24	4	-5	14
Proforma figure 2011 gross operating revenue	379	76	-	51	506
Proforma figure 2011 gross net profit	-9	30	5	-8	18

Note 6 Management of capital structure

The main aim of the Group's management of its capital structure is to maintain a reasonable balance between the company's debt/equity ratio, its ability to expand and its maintenance of a strong credit rating.

Tools for long-term management of capital structure are primarily comprised by the draw-down and repayment of long-term liabilities and payments of share capital from/to the owner. The Group endeavours to obtain external financing from various capital markets. The Group is not subject to any external requirements with regard to the management of capital structure other than those relating to the market's expectations and the owner's dividend requirements.

Overview of capital included in management of capital structure

NOK million	Note	2012	2011
Interest-bearing long-term liabilities	33	33 177	31 443
Short-term interest-bearing liabilities	33	7 086	5 444
Cash and cash equivalents and short-term financial investments	29, 31	-5 502	-8 737
Net liabilities		34 761	28 150

There were no changes in the Group's targets and guidelines governing the management of capital structure in 2012.

The most important target figure for the Group's management of capital structure is long-term credit rating. Statkraft AS has a long-term credit rating of A- (stable outlook) from Standard & Poor's and Baa1 (stable outlook) from Moody's. Statkraft's goal is to maintain its current rating, and BBB+/Baa1 as a minimum.

Note 7 Market risk in the group

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY

Statkraft has a unified approach to the Group's market risks. Statkraft is engaged in activities that entail risk in many areas. Risk management is about assuming the right risk based on the Group's ability and willingness to take risks, expertise, solidity and development plans. The purpose of the risk management is to identify threats and opportunities for the Group, and to manage the risk towards an acceptable level to provide reasonable surety for achieving the Group's objectives.

Market risk is the risk that a financial instrument's fair value or future cash flows will fluctuate as a result of changes in market prices. In Statkraft, market risk will primarily relate to electricity price risk, CO₂ prices, gas price risk, interest rate risk and foreign currency risk. The following section contains a more detailed account of the various types of market risk, and how these are managed.

DESCRIPTION OF RISK MANAGEMENT IN ENERGY TRADING

Risk management in energy trading in Statkraft focuses on whole contract portfolios rather than specific contracts in accordance with IAS 39. Internal guidelines for market exposure have been established for all portfolios. Responsibility for continual monitoring of granted mandates and frameworks lies with independent organisational units. The frameworks for trading in both financial and physical contracts are continually monitored and regularly reported.

A description of the energy portfolios in Statkraft can be found below:

Nordic hydropower The Nordic hydropower portfolio is intended to cover hydropower production in the Nordic region and its associated risk. Nordic hydropower is exposed to both price and volume risk, as both future prices and water inflow are unknown. Mandates are based on annual volume thresholds and available production. The objective of the portfolio management is to optimise portfolio revenues and in addition reduce the portfolio risk. The risk is quantified using simulations of various scenarios for relevant risk factors.

Net exposure in this portfolio is derived from continually updated production forecasts, physical purchase and sale contracts, as well as contracts traded via energy exchanges and bilateral financial contracts. The financial contracts are both contracts traded via energy exchanges and bilateral contracts. These generally have terms of less than five years, though some financial contracts run until 2020. Some of the perpetual concessionary power agreements have been renegotiated to financial settlement for shorter terms.

The physical sales commitments include long-term sales contracts, concessionary power obligations, as well as miscellaneous free power and compensation power contracts. The majority of the statutory-priced industrial contracts expired in July 2011. The long-term contracts have varying terms, but the longest runs until 2030. The concessionary power contracts are perpetual. For certain of these sales obligations, the price is indexed to other market risks such as metals and foreign currency.

Financial contracts and embedded derivatives in physical contracts are recognised at fair value, other contracts do not qualify for recognition in the balance sheet and are recognised in the income statement as part of normal purchase and sale.

Continental assets The purpose of the portfolio is to manage energy production in continental Europe, including the gas-fired power plant at Kårstø, as well as associated risks.

The market risk in the portfolio is derived from the future market prices for electricity, CO₂, gas, coal and oil products. Mandates are based on annual volume thresholds and available production. The objective of the portfolio management is to optimise portfolio revenues and in addition reduce the portfolio risk. The risk is quantified using simulations of various scenarios for relevant risk factors.

The assets in this portfolio are Baltic Cable AB, the gas power plants, financial and physical energy contracts, sourcing contracts and other continental assets. Statkraft engages in trading in accordance with the applicable mandates by locking in earnings when electricity prices are attractive relative to gas prices plus CO₂ costs. In addition, Statkraft also engages in financial trading to maximise the revenues from Baltic Cable.

Note 7 continued

The contract portfolio consists of financial and physical contracts relating to these assets. All financial contracts as well as several physical contracts are recognised at fair value.

The Group has shareholdings in gas-fired power plants, and has in this connection entered into long-term supply contracts for natural gas. The purchase price for these contracts is indexed to gas and oil products. The duration of the agreements differ. The gas agreements are recognised at fair value in accordance with IAS 39.

The financial contracts in the portfolio are forward contracts for electricity, CO₂, oil products, gas and coal. The price development in the spot market for electricity, gas, the underlying commodities that are included in the indexing of the gas contracts and CO₂ therefore affect the earnings of the gas-fired power plants.

Trading and Origination Statkraft has various portfolios for trading and origination that are managed independently of the Group's expected electricity production. Teams have been established in Oslo, Trondheim, Stockholm, London, Amsterdam and Düsseldorf. The portfolios act in the market with the aim to realize gains on changes in the market value of energy and energy-related products, as well as gains on non-standardised contracts.

Statkraft has allocated risk capital for the trading and origination business. Clear guidelines have been established for the types of products that are allowed to be traded. The mandates for trading and origination activities are adhered to through specified limits for Value-at-Risk and Profit-at-Risk. Both methods calculate the maximum potential loss a portfolio can incur, with a given probability factor over a given period of time. Credit risk and operational risk are also quantified in connection with the allocated risk capital.

All trading and origination contracts, except for power purchase agreements with minor producers of renewable energy in Germany and in the UK, are recognised at fair value in accordance with IAS 39.

The trading activities involve buying and selling standardised and traded products. Electricity and CO₂ products, as well as green certificates, gas and oil products are traded. The contracts in the trading portfolio have durations ranging from 0 to 5 years.

Origination activities include buying and selling both standardised products and structured contracts. Structured products may be energy contracts with a special duration, long-term contracts or energy contracts in different currencies. The trading with transport capacity over borders and virtual power plant contracts are also included in the activities. Quoted, traded contracts such as system price, regional prices and foreign currency are generally used to reduce the risk involved in trading in structured products and contracts. The majority of the contracts in the portfolio have duration of up to five years, though some contracts run until 2028.

Other industrial power contracts All of SN Power's power contracts are part of Other industrial power contracts. The exposure within these power contracts is mostly related to future price changes in the Brazilian market. Development of price paths are performed in cooperation between Statkraft's market department, local analysts and external consultants.

FOREIGN EXCHANGE AND INTEREST RATE RISK

Statkraft is exposed to two main types of risk as regards the financial activities in the Group; foreign exchange risk and interest rate risk. Statkraft uses interest rate and foreign currency instruments in its management of the company's interest rate and foreign exchange exposure.

Interest rate and currency swaps and forward exchange rate contracts are used to achieve the desired currency and interest rate structure for the company's loan portfolio. Forward exchange rate contracts are also used to hedge cash flows denominated in foreign currency.

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

Foreign exchange risk Statkraft incurs currency risk in the form of transaction risk mainly in connection with energy sales revenues, investments and dividend from subsidiaries and associates in foreign currency. Balance sheet risk is related to shareholdings in foreign subsidiaries in Belgium, the UK, Sweden, Turkey and Germany as well as in SN Power which uses USD as its functional currency. There is also balance sheet risk in connection with investment in some associates.

The operational currency for Statkraft's trading on energy exchanges is EUR, which means that all contracts that are entered into via energy exchanges are denoted in EUR and are thus exposed to EUR. A corresponding currency exposure is incurred in connection with energy trading on other exchanges in other currencies than EUR. Statkraft hedges its currency exposure related to cash flows from energy sales of physical contracts and financial trading on energy exchanges, investments, dividends and other currency exposures in accordance with the company's financial strategy. Exposure hedging is achieved by using financial derivatives and loans in foreign currencies as hedging instruments. Few of the hedging relationships fulfil the requirements of hedge accounting in accordance with IAS 39.

Interest rate risk Most of Statkraft's interest rate risk exposure relates to the loan portfolio. An interest rate management framework has been established based on a mix between fixed and floating interest rates. The objective is to ensure that most of the loan portfolio is exposed to floating interest rates, but that up to 50% of the loan portfolio can be exposed to fixed interest rates. As a rule fixed interest rates shall apply for a period of more than five years. The strategy for managing interest rate risk has been established based on an objective of achieving the most cost-efficient financing, coupled with the aim of a certain stability and predictability in finance costs. A management framework has also been established to limit the interest rate exposure in currencies other than NOK. The currency positions that are to be entered into are assessed on an ongoing basis, given the market conditions observed for the currency and the overall exposure that exists for that currency.

Compliance with the limit for currency risk is followed up continuously by the independent middle-office function. Responsibility for entering into and following up positions has been separated and is allocated to separate organisational units. The interest rate exposure per currency in relation to established frameworks in the finance strategy is regularly reported to corporate management via the CFO.

Note 8 Analysis of market risk

Statkraft follow up market risk in energy optimisation, portfolios for Trading and Origination, currency and interest rate positions, distribution grid and end-user activities and district heating.

The Group quantifies risk as deviations from expected post-tax results with a given confidence level. Market risk is included in these calculations, which are used both in the follow-up of the business areas/portfolios and at Group level as part of reporting to corporate management and the Board. Statkraft's targets for market risk shall have a 95% probability of covering all potential losses (deviations from expected results) connected with the market risk of positions at the balance sheet date during the course of a year. Uncertainty in the underlying instruments/prices and their interrelatedness are calculated using statistical methods.

The time period for the calculations is one year. For contracts with exposure of more than one year, only the uncertainty relating to the current year is reflected in the calculations. The exposure can take the

form of actual exposure or an expected maximum utilisation of frameworks. The model also takes into account correlation, both within the individual areas and between the areas.

Total market risk as of 31 December 2012 was calculated at NOK 1209 million. Total market risk before diversification effects is higher than in 2011. However, the total market risk after diversification effects is at the same level as in 2011. The increase stems mainly from market risk in energy optimization, and this varies considerably over time as a result of uncertainty and the level of energy prices and production volumes.

The diversification effect emerges as the difference between total market risk in the specified areas and total market risk, where the correlation between e.g. energy prices, interest rates and currency exchange rates is taken into account. There is a minor increase in diversification effects measured both in NOK and as a percentage.

NOK million	2012	2011
Market risk in energy optimisation (volume risk, spot price risk and hedging)	1 599	1 167
Market risk in portfolios for Trading and Origination (excl. EEG 2012 and UK PPA)	257	271
Market risk in interest rates and currency	69	197
Market risk in distribution grid revenues	30	36
Market risk in end-user activities and district heating	50	50
Total market risk before diversification effects	2 005	1 721
Diversification effects	-797	-511
Total market risk	1 209	1 210
Diversification effect as a percentage	40%	30%

Specification of loans by currency ¹⁾

NOK million	2012	2011
Loans in NOK	16 671	15 204
Loans in SEK	2 583	2 624
Loans in EUR	15 413	14 756
Loans in USD	2 478	2 118
Loans in other currencies	9	9
Total	37 154	34 711

¹⁾ Includes long-term interest-bearing liabilities, first year's instalments on long-term interest-bearing liabilities, certificates, and the currency effects of combined interest rate and currency swaps.

Specification of interest by currency ¹⁾

	2012	2011
Nominal average interest, NOK	4.50%	4.60%
Nominal average interest, SEK	2.50%	2.90%
Nominal average interest, EUR	3.60%	3.90%
Nominal average interest, USD	3.90%	3.60%

¹⁾ Includes long-term interest-bearing liabilities, first year's instalments on long-term interest-bearing liabilities, certificates, interest rate swaps and combined interest rate and currency swaps.

Fixed interest rate loan portfolio ¹⁾

NOK million	Future interest rate adjustments				Total
	2013	1-3 years	3-5 years	5 years and more	
Loans in NOK	9 448	388	2 624	4 211	16 671
Loans in SEK	2 574	-	-	8	2 583
Loans in EUR	10 287	21	381	4 724	15 413
Loans in USD	1 490	-	-	988	2 478
Loans in other currencies	-	-	-	9	9
Total	23 800	409	3 005	9 940	37 154

¹⁾ Includes long-term interest-bearing liabilities, first year's instalments on long-term interest-bearing liabilities, certificates, and the currency effects of combined interest rate and currency swaps. The split between years also shows the timing of interest rate adjustments for interest rate swaps and combined interest rate and currency swaps.

Short-term financial investments – bonds per debtor category

NOK million	2012	2011	Mod. duration	2012 Average interest rate (%)
Commercial and savings banks	108	103	2.18	2.90%
Industry	30	30	2.43	3.05%
Public sector	97	90	3.10	2.81%
Total	235	223		

Note 9 Credit risk and liquidity risk

Statkraft's financial instruments are exposed to credit risk and liquidity risk.

CREDIT RISK

Credit risk is the risk of a party to a financial instrument inflicting a financial loss on the other party by not fulfilling its obligations. Statkraft assumes counterparty risk in connection with energy trading and physical sales, when placing surplus liquidity and when trading in financial instruments.

It is assumed that no counterparty risk exists for financial energy contracts which are settled through an energy exchange. For all other energy contracts entered into, the limits are stipulated for the individual counterparty using an internal credit rating. The counterparties are allocated to different categories. The internal credit rating is based on financial key figures. Bilateral contracts are subject to limits for each counterparty with regards to volume, amount and duration.

In order to reduce credit risk, bank guarantees are used in some cases when entering into agreements. The bank which issues the guarantee must be an internationally rated commercial bank. Parent company guarantees are also used. In such cases, the parent company is assessed and classified in the normal way. Subsidiaries will naturally never be rated higher than the parent company. In connection with bank guarantees and parent company guarantees, the counterparty will be classified in the same category as the issuer of the guarantee.

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

Placement of surplus liquidity is mainly divided among institutions rated A- or better. For financial instruments, loss exposure is calculated in the event of breach of contract by the counterparty. Statkraft

has entered into agreements relating to interim cash settlement of the market value of financial derivatives with its counterparties (cash collateral), significantly reducing counterparty exposure in connection with these agreements.

Statkraft has good follow-up routines for ensuring that outstanding receivables are paid as agreed. Customer lists sorted by age are followed up continuously. If a contractual counterparty experiences payment problems, special procedures are applied.

The individual counterparty exposure limits are monitored continuously and reported regularly. In addition, the counterparty risk is quantified by combining exposure with the probability of the individual counterparty defaulting. The overall counterparty risk is calculated and reported for all relevant units, in addition to being consolidated at the Group level and included in the Group risk management.

The risk of counterparties not being able to meet their obligations is considered to be limited. Historically, Statkraft's losses on receivables have been limited.

Statkraft's gross credit risk exposure corresponds to the recognised value of financial assets, which are found in the various notes to the balance sheet. Statkraft has provided parent company guarantees for subsidiaries and associates (Note 36). The maximum credit risk exposure does not exceed the already recognised value of financial assets. Gross exposure to credit risk in financial assets is partly reduced through collateral. To the extent that relevant and substantial collateral has been provided, this has been presented below.

In the case of financial derivatives, the credit risk for most counterparties and derivatives is reduced by the provision of security in the form of cash collateral. Cash collateral is settled on a weekly basis and will therefore not always be settled on 31 December. There could therefore be an outstanding credit risk at the year-end.

Frameworks for exposure to individual counterparties have been adopted in the case of short-term financial investments.

NOK million	Note	2012	2011
Gross exposure credit risk:			
Other non-current financial assets	26	8 873	11 046
Derivatives	30	9 700	9 538
Receivables	28	13 251	12 010
Short-term financial investments	29	457	455
Cash and cash equivalents	31	5 045	8 282
Total		37 326	41 331

Exposure reduced by security (guarantees, cash collateral etc.):

Derivatives	33	-2 957	-1 330
Net exposure credit risk		34 369	40 001

LIQUIDITY RISK

Statkraft assumes a liquidity risk because the term of its financial obligations is not matched to the cash flows generated by its assets. Further Statkraft summes liquidity risk due to cash payments because of security requirements linked to both financial contracts in the forward market (energy exchanges) and cash collateral requirements related to financial derivatives. Statkraft has good borrowing opportunities from the Norwegian and international money markets and in the banking market. Drawdown facilities have been established to secure access to short-term financing. A guarantee framework has been established to cope with significant fluctuations in the collateral required for financial contracts in the forward market required by Nord Pool. Statkraft has a KPI for liquidity capacity, and it shows Statkraft's ability to cover its future obligations. The liquidity capacity target should be between 1.5 and 4.0. Liquidity capacity in this context is

defined as cash and cash equivalents, plus committed drawdown facilities, overdrafts and projected receipts for the next six months divided by projected payments for the next six months.

The finance department prepares the liquidity forecasts, which are important for daily liquidity management and for planning future financing requirements. The liquidity reserve is a tool for the finance department's risk management and functions as a buffer in relation to the liquidity forecast. The liquidity reserve consists of the company's cash and cash equivalents, committed drawdown facilities and overdraft facilities. Cash and cash equivalents are intended to cover normal fluctuations in the company's cash flow. Committed drawdown facilities will be Statkraft's buffer against unforeseen events with significant cash flow consequences. An individual target figure for short-term liquidity capacity, which reflects Statkraft's ability to cover its future obligations, is included in the Group's balanced scorecard.

Maturity schedule, external long-term liabilities

NOK million	2013	2014	2015	2016	2017	After 2017
Instalments on loans from Statkraft SF	-	-	-	-	-	400
Instalments on bond loans from the Norwegian market	-	3 989	2 147	4 283	-	2 500
Instalments on other loans raised in non-Norwegian markets	2 204	-	3 668	-	4 841	8 759
Instalments on external loans in subsidiaries and other loans	1 109	248	449	235	193	1 465
Interest payments	1 549	1 468	1 232	1 042	827	2 015
Total	4 862	5 706	7 496	5 560	5 861	15 139

Allocation of non-discounted value of derivatives per period

The Group has a significant number of financial derivatives which are reported as derivatives in the balance sheet. For derivatives with negative market value, where contractual due dates are decisive for the understanding of the timing of the cash flows, the non-discounted values are allocated to the time periods shown in the table below.

NOK million	2013	2014	2015	2016	2017	After 2017
Energy derivatives	3 157	1 127	559	409	342	527
Interest rate and foreign currency derivatives	117	-11	1 054	111	156	1 195
Total derivatives	3 274	1 116	1 613	520	498	1 722

Note 10 Use of financial instruments

Financial instruments account for a significant part of Statkraft's total balance sheet and are of material importance for the Group's financial position and results. Most of the financial instruments can be categorised into the two main categories of financial activities and energy trading. In addition to the above, other financial instruments exist in the form of accounts receivable, accounts payable, cash, short-term financial investments and equity investments.

Financial instruments in energy trading Within energy trading, financial instruments are used in the trading and origination activity. The trading and origination activity is managed independent from the Group's energy production. It's main objective is to achieve profit from changes in the market value of energy- and energy related financial products, as well as profit from unstandardized contracts. Financial instruments are also used as part of the Group's financial hedging strategy for continuous optimisation of future revenues from the expected production volume. Financial instruments in energy trading mainly consist of financial and physical agreements relating to purchase and sale of power, gas, oil, coal and CO₂ quotas. Derivatives recognised in the balance sheet are shown as separate items in the balance sheet and are evaluated at fair value with changes in

value recognised in the income statement. As the Group's future own production of power does not qualify for recognition in the balance sheet under IAS 39, the effect of changes in value of financial energy derivatives may have major effects on the income statement without necessarily reflecting the underlying activities.

Financial instruments in financial activities Financial instruments used in financial activities primarily consist of loans, interest rate swaps, combined interest rate and currency swaps and forward exchange contracts. Financial derivatives are used as hedging instruments in accordance with the Group's financial hedging strategy. The hedging objects will be assets in foreign currency, future cash flows or loan arrangements valued at amortised cost. For selected loan arrangements where the interest rate has been changed from fixed to floating (fair value hedging), some net investments in foreign units and cash flows, hedging is reflected in the accounts in accordance with IAS 39. Because not all financial hedging relationships are being reflected in the accounts, changes in value for financial instruments may result in volatility in the income statement without fully reflecting the financial reality.

Note 11 Fair value of financial instruments

FAIR VALUE OF ENERGY DERIVATIVES

The fair value of energy derivatives is set at quoted prices when market prices are available. The fair value of other energy derivatives has been calculated by discounting expected future cash flows. Below is a description of assumptions and parameters that have been applied in the determination of fair value.

Electricity price Energy exchange contracts are valued at official closing rates on the balance sheet date. The closing rates are discounted.

For other bilateral electricity contracts, the expected cash flow is stipulated on the basis of a market price curve on the balance sheet date. The market price curve for the next five years is stipulated on the basis of official closing rates on energy exchanges. For time horizons beyond five years, the price curve is adjusted for expected inflation.

Prices in some contracts refer to area prices. These contracts are valued using the official closing rates on energy exchanges, where such exist. Separate models are used for regional prices without official closing prices. If the contracts extend beyond the horizon quoted on energy exchanges, the price is adjusted for the expected rate of inflation.

Raw materials Statkraft has power and gas contracts where the references for the contract price include the price development of gas and oil products. These are valued using forward prices from relevant commodity exchanges and major financial institutions. If quotes are not available for the entire time period, the commodity prices are adjusted for inflation based on the most recent quoted price in the market.

CO₂ contracts CO₂ contracts are priced based on the forward price of EUA quotas and CER quotas. For time horizons above 9 years, the prices are adjusted for expected inflation.

Foreign currency Several energy contracts have prices in different currencies. Quoted foreign exchange rates from European Central Bank (ECB) are used in the valuation of contracts denominated in foreign currency. If there are no quotes for the entire time period in question, the interest parity is used to calculate exchange rates.

Interest rates The market interest rate curve (swap interest rate) is used as a basis for discounting derivatives. The market interest rates are stipulated on the basis of the publicised swap interest rate from major financial institutions. Credit surcharge is added to the market interest rate curve in cases where the credit risk is relevant. This applies to all external bilateral contracts classified as assets and liabilities.

FAIR VALUE OF CURRENCY AND INTEREST RATE DERIVATIVES

The fair value of interest rate swaps and combined interest- and currency swaps is determined by discounting expected future cash flows to current value through use of observed market interest rates and quoted exchange rates from ECB. The valuation of forward currency exchange contracts is based on quoted exchange rates, from which the forward exchange rate is extrapolated. Estimated present value is subjected to a test of reasonableness against calculations made by the counterparties to the contracts.

FAIR VALUE OF FINANCIAL INVESTMENTS

Certificates and bonds Certificates and bonds are valued at quoted prices.

Shares and shareholdings Shares and shareholdings are valued at quoted prices where such are available and the securities are liquid. Other securities are valued by discounting expected future cash flows.

FAIR VALUE OF EQUITY INVESTMENTS IN THE CO₂ FUND

Equity investments in CO₂ funds are valued by discounting expected future cash flows. Assumptions concerning the number of quotas that will be distributed by the fund are a discretionary estimate. The price assumption is described under CO₂ contracts above.

FAIR VALUE OF LONG-TERM LIABILITIES, FIRST YEAR'S INSTALMENT ON LONG-TERM LIABILITIES AND CERTIFICATE LOANS

The fair value is calculated on the basis of valuation techniques where expected future cash flows are discounted to present value. Expected cash flows are calculated and discounted using observed market interest rates and exchange rates for the various currencies (swap interest rate curve) adjusted upwards for credit risk.

Note 11 continued

Assets and liabilities recognised at amortised cost

NOK million	Note	2012 Recognised value	2012 Fair value	2011 Recognised value	2011 Fair value
Financial assets valued at amortised cost					
Loans to associates	26	1 066	1 091	497	516
Bonds and other long-term receivables	26	775	775	620	620
Accounts receivable	28	6 642	6 642	4 823	4 823
Accrued revenues etc.	28	1 881	1 881	1 937	1 937
Short-term receivables from associates	28	3 876	3 876	3 069	3 069
Interest-bearing restricted funds	28	291	-	396	396
Other receivables	28	560	560	1 785	1 785
Cash and bank deposits	31	4 295	4 295	6 083	6 083
Total		19 386	19 120	19 209	19 228

Financial liabilities valued at amortised cost

Long term interest bearing debt to Statkraft SF	33	-400	-478	-400	-468
Bond loans in the Norwegian market	33	-12 919	-12 982	-12 907	-13 193
Other loans raised in non-Norwegian markets	33	-17 267	-19 136	-15 123	-16 762
External loans in subsidiaries and other loans	33	-2 591	-2 673	-3 013	-3 025
Debt connected to cash collateral	33	-2 957	-2 957	-1 330	-1 330
Certificate loans	33	-700	-700	-	-
Overdraft facilities	33	-96	-96	-	-
First year's instalment on long-term liabilities	33	-3 313	-3 371	-3 268	-3 277
Short term interest bearing debt to Statkraft SF	33	-	-	-405	-405
Other short-term loans	33	-20	-20	-441	-441
Accounts payable	34	-1 359	-1 359	-923	-923
Indirect taxes payable	34	-1 810	-1 810	-2 009	-2 009
Interest free debt to Statkraf SF	34	-1 320	-1 320	-	-
Other interest-free liabilities	34	-4 377	-4 377	-3 593	-3 593
Total		-49 129	-51 279	-43 412	-45 426

Assets and liabilities recognised at fair value, divided among level for fair-value measurement

The company classifies fair-value measurements by using a fair-value hierarchy which reflects the importance of the input used in the preparation of the measurements. The fair-value hierarchy has the following levels:

Level 1: Non-adjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Other data than the quoted prices included in Level 1, which are observable for assets or liabilities either directly, i.e. as prices, or indirectly, i.e. derived from prices.

Level 3: Data for the asset or liability which is not based on observable market data.

2012

NOK million	Note	Fair-value measurement at period-end using:			Fair value
		Level 1	Level 2	Level 3	
Financial assets at fair value					
Energy derivatives	30	19	3 579	2 385	5 983
Currency and interest rate derivatives	30	-	3 717	-	3 717
Bonds	29	236	-	-	236
Shares and other investments	29	98	-	-	98
Money market fund	29	123	-	-	123
Money market funds, certificates, promissory notes, bonds	31	750	-	-	750
Total		1 226	7 296	2 385	10 907

Available-for-sale financial assets

Other shares and securities	26	8 873	-	-	8 873
Total		8 873	-	-	8 873

Financial liabilities at fair value

Energy derivatives	30	-22	-3 832	-4 070	-7 924
Currency and interest rate derivatives	30	-	-2 246	-	-2 246
Equity investment CO ₂ fund	32	-	-	-36	-36
Total		-22	-6 078	-4 106	-10 206

Note 11 continued

2011

NOK million	Note	Fair-value measurement at period-end using:			Fair value
		Level 1	Level 2	Level 3	
Financial assets at fair value					
Energy derivatives	30	20	4 137	3 714	7 871
Currency and interest rate derivatives	30	-	1 667	-	1 667
Bonds	29	224	-	-	224
Shares and other investments	29	116	-	-	116
Money market fund	29	115	-	-	115
Money market funds, certificates, promissory notes, bonds	31	2 199	-	-	2 199
Total		2 674	5 804	3 714	12 192

Available-for-sale financial assets

Other shares and securities	26	11 053	-	-	11 053
Total		11 053	-	-	11 053

Financial liabilities at compulsory fair value

Energy derivatives	30	-205	-2 979	-5 357	-8 541
Currency and interest rate derivatives	30	-	-1 475	-	-1 475
Equity investment CO ₂ fund	26	-	-	-7	-7
Total		-205	-4 454	-5 364	-10 023

Total unrealised changes in value

NOK million	Note	2012	2011
Energy contracts	21	-868	-1 098
Currency and interest rate contracts	21	2 022	-4 024
Total		1 154	-5 122

Assets and liabilities measured at fair value based on Level 3

NOK million	Financial assets at fair value	Financial liabilities at fair value	Total
Opening balance 01.01.2012	3 714	-5 364	-1 650
Unrealised changes in value, incl. currency translation effects	-1 295	488	-807
Purchase	-	-27	-27
Moved from Level 3	-34	797	763
Closing balance 31.12.2012	2 385	-4 106	-1 721

Net realised gain (+)/loss (-) for 2012 **-271**

Opening balance 01.01.2011	2 584	-4 150	-1 566
Unrealised changes in value, incl. currency translation effects	348	-839	-491
Purchase	824	-179	645
Moved from Level 3	-42	-196	-238
Closing balance 31.12.2011	3 714	-5 364	-1 650

Net realised gain (+)/loss (-) for 2011 **-222**

Sensitivity analysis of factors classified to Level 3

NOK million	10% reduction	10% increase
Net effect on energy prices	1 003	-174
Net effect on gas prices	164	-120

The reason why the effects are not symmetrical is due to volume flexibility in the contracts that reduce the downside.

Note 12 Hedge accounting

Fair-value hedging Three loan arrangements are treated as fair value hedges. Issued bond loans have been designated as hedging objects in the hedging relationships, and the associated interest rate swaps have been designated as hedging instruments.

The hedging objects are issued fixed-interest bonds with a total nominal value of EUR 1200 million. The hedging instruments are interest rate swaps with a nominal value of EUR 1200 million, entered into with major banks as the counterparties. The agreements swap interest rate from fixed to floating 3-month and 6-month EURIBOR. The critical terms of the hedging object and hedging instrument are deemed to be approximately the same, and 90–110% hedging efficiency is assumed. The inefficiency is recognised in the income statement.

Fair value of hedging instruments

NOK million	2012	2011
Hedging instruments used in fair value hedging	1 224	1 007
Hedging instruments in cash flow hedging ¹⁾	-290	-223
Hedging instruments used to hedge net investments in a foreign operation ²⁾	632	57
Total fair value of hedging instruments	1 566	841

¹⁾ The value represents the fair value of financial instruments. The changes in fair value is recognised in other comprehensive income.

²⁾ The value represents the currency effects from financial instruments. The currency effects is recognised in other comprehensive income.

Other information on fair value hedging

NOK million	2012	2011
Net gain (+)/loss (-) on hedging instruments	46	206
Net gain (+)/loss (-) on hedging objects, in relation to the hedged risk	-43	-198
Hedge inefficiency	3	8

Note 13 Sales revenues

Statkraft's revenues come from spot sales, contract sales to the industry, financial trading, distribution grid operations, as well as district heating and power sales to end-users.

Statkraft optimises its hydropower generation in the Nordic area based on an assessment of the value of available water in relation to actual and expected future spot prices. This is done irrespective of contracts entered into. In the event that Statkraft has physical contractual obligations to supply power that deviate from actual output, the difference is either bought or sold on the spot market. Necessary spot purchases are recorded as a correction to power sales.

Hedging of net investments in foreign operation EUR 2088 million of Statkraft AS' debt is designated as hedging of the net investment in Statkraft Treasury Centre. The currency effects on this debt are recognised in other comprehensive income. The accumulated effect at the end of 2012 is that NOK 632 million is recognised in other comprehensive income. The effect for the year 2012 is of NOK 574 million.

Cash flow hedging As a general rule, the Group does not hedge cash flows. However, cash flow hedges have been established in SN Power and its subsidiaries. This is related to cash flows in various currencies which have been hedged to SN Power's functional currency in USD. The hedge strategy relates to large investments, in total hedges for USD 92 million. Further, hedge accounting is practised for hedges of floating interest rates into fixed interest rates using interest rate swaps, for a total of USD 192 million.

Physical and financial contracts are used to hedge underlying production in the form of purchase and sales positions. Sales positions are taken to hedge the price of a specific part of the planned future output. Buying positions are taken to adjust the hedging level if the assumptions change and Statkraft is considered to have a too highly hedged position. All contracts are recognised as adjustments to the underlying revenue from production based on the margin between the contract price and the spot price.

NOK million	2012	2011
Net physical spot sales, including green certificates ¹⁾	19 656	7 762
Concessionary sales at statutory prices ²⁾	307	401
Industrial sales at statutory prices ³⁾	-	130
Long-term commercial contracts ⁴⁾	4 159	4 433
Nordic and Continental Dynamic Asset Management Portfolio	596	1 253
Trading and Origination (w/o EEG 2012 and UK PPA) ¹⁾	726	834
Distribution grid	1 071	1 114
End User	4 024	4 903
District heating	655	581
Other/eliminations	17	-202
Sales revenues	31 211	21 209

¹⁾ Spot sale revenues increased substantially due to Statkraft offering market access to minor renewable energy producers in Germany (EEG) and the UK (UK PPA) from 2012.

The contracts are recorded gross in the income statement and appear in the items net physical spot sales and energy purchases. See note 15.

²⁾ Statkraft has obligations to supply power to local authorities at concessionary prices.

³⁾ Statutory-priced industrial contracts ran until 2011. As the statutory-priced contracts have expired, they have mainly be replaced by commercial agreements.

⁴⁾ Statkraft has a number of physical contractual obligations of varying duration to both Norwegian and international customers.

Note 14 Other operating revenues

NOK million	2012	2011
Other leasing and service revenues	419	387
Other operating revenues ¹⁾	701	607
Total	1 119	994

¹⁾ Other operating revenues include a settlement from the sale of Trondheim Energi Nett AS amounting to NOK 175 million. In addition, a gain of NOK 65 million is included from selling Sjøfossen power plant with associated waterfall rights.

Note 15 Energy purchases

NOK million	2012	2011
Gas purchases	2 747	2 368
Energy purchase for external producers ¹⁾	9 657	930
End-user activities ²⁾	1 243	596
Total	13 647	3 894

¹⁾ Energy purchases increased substantially due to Statkraft offering market access to minor renewable energy producers in Germany and the United Kingdom from 2012.

The amount includes variable lease of NOK 590 million (UK PPA), see note 37. The contracts are recorded gross in the income statement and appear in the items energy purchases and net physical spot sales. See note 13.

²⁾ A material part of the energy purchase is related to the end-user business within the Group. The income from the end-user business is however entirely external, and consequently, sales revenues and energy purchase of this business are not directly comparable.

Note 16 Payroll costs and number of full-time equivalents

NOK million	2012	2011
Salary	2 117	1 970
Employers' national insurance contribution	326	306
Pension costs	459	362
Other benefits	122	121
Total	3 024	2 759

The Group employed an average of 3417 full-time equivalents in 2012. The corresponding figure for 2011 was 3329. As of 31. December 2012 the Group employed 3475 full-time equivalents. The corresponding figure for 2011 was 3358. Pension costs are described in further detail in Note 17.

Note 17 Pensions

The Group has mainly defined benefit schemes. In a few cases defined contribution schemes have been established in accordance with local statutes.

Funded defined benefit schemes The companies in the Group have organised their pension schemes in the National Pension Fund (SPK), own pension funds as well as in insurance companies. Employees in the Group's Norwegian companies participate in public service occupational pension schemes in accordance with the Norwegian Public Service Pension Fund Act, the Norwegian Public Pension Service Pension Fund Transfer Agreement and the regulatory framework governing public service pensions. 2414 employees and 1218 pensioners were covered by benefit schemes as of 31 December 2012.

Pension benefits from the SPK are guaranteed by the Norwegian state (Section 1 of the Pension Act). The occupational pension schemes cover retirement, disability, surviving spouse and child's pension. With maximum accrual, the retirement schemes provide pension benefits amounting to 66% of pensionable income, up to 12 times the National Insurance Scheme's basic amount (G). Those born in 1943 or later will get their pension benefit adjusted for life expectancy. Adjustment for life expectancy may lead to lower pension benefits than 66% of pensionable income. Members of SPK born in 1958 or earlier will still receive 66% of the pension base due to an individual guarantee. Pension rights will be regulated with the National Insurance Scheme's basic amount (G). Current pensions will be adjusted by the National Insurance Scheme's basic amount (G) less a fixed factor of 0.75 percentage points.

Pension scheme benefits are coordinated with the benefits provided by the Norwegian National Insurance Scheme. The majority of the companies also offer early retirement from the age of 62 under the Norwegian early retirement pension scheme.

Employees who leave the company before pensionable age receive a deferred pension entitlement provided they have at least three years' pension entitlements. In schemes that are part of SPK, participating companies are not responsible for these obligations.

Companies with schemes in the SPK pay an annual premium and are responsible for the financing of the scheme. The SPK scheme is not asset-based, but management of the pension fund assets (fictitious assets) is simulated as though the assets were invested in 1, 3, 5 or 10-year Norwegian government bonds or a combination of these. In this simulation it is assumed that the bonds are held to maturity. The pension assets are guaranteed by the Norwegian government and up to 35% of the pension fund assets can be invested in the Norwegian Government Pension Fund - Global, which is a real fund where yields are linked to the market situation. The investment choice principles have been set out in a separate investment strategy for the Statkraft Group's pension assets in SPK. The Group will not make any new investments in the Norwegian Government Pension Fund - Global.

The pension funds and insurance companies have placed the pension assets in a diversified portfolio of Norwegian and foreign interest-bearing securities, Norwegian and foreign shares, secured loans

The following assumptions are used	31.12.2012	01.01.2012	31.12.2011	01.01.2011
Annual discount rate ¹⁾	3.80-4.25%	2.80-5.20%	2.80-5.20%	3.70-5.50%
Salary adjustment	3.75%	4.00%	4.00%	4.00%
Adjustment of current pensions	2.75%	3.00%	3.00%	3.00%
Adjustment of the National Insurance Scheme's basic amount (G)	3.50%	3.75%	3.75%	4.00%
Forecast voluntary exit				
• Up to age 45	3.50%	3.50%	3.50%	3.50%
• Between ages 45 and 60	0.50%	0.50%	0.50%	0.50%
• Over age 60	0.00%	0.00%	0.00%	0.00%
Projected yield ¹⁾	3.80-4.25%	2.80-4.50%	2.80-4.50%	3.70-6.00%
Rate of inflation ¹⁾	1.75-2.50%	2.00-2.90%	2.00-2.90%	2.00-3.30%
Tendency to take early retirement (AFP)	10.00–30.00%	10.00–30.00%	10.00–30.00%	10.00–30.00%

¹⁾ Intervals apply for discount rate, projected yield and rate of inflation for foreign entities.

to members, hedge funds and properties through external asset managers.

Defined-benefit schemes have been established for a limited number of employees in companies outside Norway.

Unfunded defined benefit schemes In addition to the above, some Group companies in Norway have entered into pension agreements that provide all employees whose pensionable incomes exceed 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G. Due to new guidelines for companies owned by the Norwegian state, as stated by the Government 31 March 2011, the agreement was closed 30 April 2012. Existing members will still be part of the agreement.

Existing members of the closed agreement who leave the company before pensionable age receive a deferred pension entitlement for the scheme above 12G, provided they have at least three years' pension entitlements.

Actuarial calculations The present value of defined benefit pension liabilities and the current year's accrued pension entitlements are calculated using the accrued benefits method. The net present value of pension benefits accrued at the balance sheet date adjusted for expected future salary increases until pensionable age is based on best estimate assumptions as of 31 December 2012. Calculations are based on staff numbers and salary data at the end of the year.

Estimate deviation in 2012 is mainly due to updated assumption on discount rate.

Explanation for selected assumptions as of 31 December 2012 The discount rate is set at 3.8% for Norwegian pension schemes and is based on high quality corporate bonds (OMF). This is a change from previous years where government bonds have been the base for setting the discount rate. Statkraft is of the opinion that the OMF market represent a deep and liquid marked with relevant durations that qualify as discount rate according to IAS 19. The discount rate based on government bonds would have been 2.3%. The increased discount rate has reduced the net pension liability with approximately 1600 million NOK.

Salary adjustments for Norwegian schemes are mainly calculated as the total of the expected nominal salary increase of 1.75%, inflation of 1.75% and career progression increase of 0.25%, with some minor adaptations.

For the majority of the Norwegian schemes, adjustment of current pensions follows the Norwegian National Insurance Scheme's basic amount (G less 0.75 percentage points). For demographic factors, the K2005, GAP07 and IR73 tariffs are used to establish mortality and disability risks. The stipulation of parameters which apply to foreign defined-benefit schemes is adapted to local conditions.

Note 17 continued

Breakdown of net defined benefit pension liability

NOK million	2012	2011
Present value of accrued pension entitlements for funded defined benefit schemes	5 106	5 914
Fair value of pension assets	3 616	3 296
Net pension liability for funded defined benefit schemes	1 490	2 619
Present value of accrued pension entitlements for unfunded defined benefit schemes	351	410
Employers' national insurance contribution	255	424
Net pension liabilities in the balance sheet (see Note 32)	2 096	3 453

Movement in defined benefit pension liability during the year

NOK million	2012	2011
Defined benefit pension liabilities 01.01	6 324	4 954
Increase in liabilities due to new subsidiaries/members	2	9
Reduction in liabilities as a result of transfer of employees	-	-23
Present value of accrued pension entitlements for the year	361	283
Interest expenses	171	177
Amortisation of scheme change	-10	5
Estimate deviation	-1 276	1 049
Paid benefits	-108	-129
Currency effects	-8	-1
Gross defined benefit pension liabilities 31.12	5 457	6 324

Movement in the fair value of pension assets for defined benefit pension schemes

NOK million	2012	2011
Fair value of pension assets 01.01	3 296	3 124
Projected yield on pension assets	112	136
Estimate deviation	-	-117
Total contributions	312	281
Increase in pension assets due to new subsidiaries/members	2	2
Reduction in assets as a result of transfer of employees	-	-6
Paid benefits	-99	-125
Currency effects	-7	-
Fair value of pension assets 31.12	3 616	3 296

Pension assets comprise	2012	2011
Equity instruments	532	530
Interest-bearing instruments	2 771	2 465
Other	313	300
Fair value of pension assets assets 31.12	3 616	3 296

Movement in actuarial gains and losses recognised directly in comprehensive income

NOK million	2012	2011
Cumulative amount recognised in comprehensive income before tax 01.01	3 543	2 243
Recognised in comprehensive income during the period	-1 453	1 300
Cumulative amount recognised directly in equity before tax 31.12	2 089	3 543
Deferred tax relating to actuarial gain (-)/loss (+) recognised directly in comprehensive income	585	992
Cumulative amount recognised directly in equity after tax 31.12	1 504	2 551

Pension cost recognised in the income statement

Defined benefit schemes

NOK million	2012	2011
Present value of accrued pension entitlements for the year	361	283
Interest expense	171	177
Projected yield on pension assets	-115	-136
Amortisation of scheme changes	-10	5
Employee contributions	-26	-26
Employers' national insurance contribution	53	41
Pension cost defined benefit schemes	434	345

Defined contribution schemes

Employer payments	25	18
Total pension cost - see Note 16	459	362

	Discount rate	Annual salary increase	Increase in G	Staff turnover rate
Sensitivity analysis upon changes in assumptions	1%	-1%	1%	-1%
Increase (+)/decrease (-) in net pension cost for the period	-78	92	59	-62
Increase (+)/decrease (-) in net pension liability 31.12.2012	-872	1 093	414	-428

Note 18 Property tax and licence fees

NOK million	2012	2011
Property tax	1 026	970
Licence fees	314	284
Total	1 340	1 254

Licence fees are adjusted in line with the Consumer Price Index, with the first adjustment taking place on 1 January five years after the licence was granted and every fifth year thereafter.

The present value of the Group's future licence fee obligations that are not provided for in the annual financial statements is estimated at NOK 5718 million, discounted at an interest rate of 5.5% in accordance with the regulations relating to the adjustment of licence fees, annual compensation and funds, etc. In 2011, the amount was NOK 4739 million with interest rate of 6%.

Note 19 Other operating expenses

NOK million	2012	2011
Purchase of third-party services	1 045	909
Materials	475	446
Cost of power plants operated by third parties	521	491
Compensation payments	104	104
Rent	275	258
IT expenses	152	138
Marketing	117	128
Travel expenses	173	160
Insurance	110	120
Other operating expenses	414	560
Total	3 387	3 314

Note 20 Financial items

2012	Assessment basis					Total
	Fair value through profit or loss	Amortised cost	Available for sale	Equity method	Bank	
NOK million						
Financial income						
Interest income	29	83	-	-	174	286
Dividend other shares/investments	-	-	632	-	-	632
Other financial income	-	18	-	115	-	133
Total	29	101	632	115	174	1 051
Financial expenses						
Interest expenses external debt	-	-1 311	-	-	-	-1 311
Other interest expenses	-49	-42	-	-	-12	-103
Capitalised borrowing costs	-	179	-	-	-	179
Other financial expenses	-	-	-	-	-50	-50
Total	-49	-1 174	-	-	-62	-1 285
Net currency effects	1 904	2 670	-	-	-107	4 467
Other financial items						
Net gains and losses on derivatives and securities	349	-	-	-	-	349
Impairment and gain/loss of financial assets ¹⁾	-	-25	-2 140	-	-	-2 165
Total	349	-25	-2 140	-	-	-1 816
Net financial items	2 233	1 572	-1 508	115	5	2 417

¹⁾ See note 26.

Note 20 continued

2011	Assessment basis					Total
	Fair value through profit or loss	Amortised cost	Available for sale	Equity method	Bank	
NOK million						
Financial income						
Interest income	108	65	-	-	399	572
Dividend other shares/investments	-	-	993	-	-	993
Other financial income	-	146	-	169	-	315
Total	108	211	993	169	399	1 880
Financial expenses						
Interest expenses external debt	-	-1 440	-	-	-	-1 440
Other interest expenses	-31	-88	-	-	-2	-121
Capitalised borrowing costs	-	55	-	-	-	55
Other financial expenses	-	-	-	-	-42	-42
Total	-31	-1 473	-	-	-44	-1 548
Net currency effects	-276	467	-	-	141	332
Other financial items						
Net gains and losses on derivatives and securities	-152	-	-	-	-	-152
Impairment and gain/loss of financial assets ¹⁾	-	-	-4 147	-	-	-4 147
Total	-152	-	-4 147	-	-	-4 299
Net financial items	-351	-795	-3 154	169	496	-3 635

¹⁾ See note 26.

Note 21 Unrealised effects reported in profit and loss

2012	2011		
	Unrealised	Realised	Total
NOK mill.			
Sales revenues			
Long term contracts	-2 020	6 179	4 159
Nordic and Continental Dynamic Asset	71	525	596
Trading and Origination (w/o EEG 2012 and UK PPA)	460	266	726
End User	-	4 024	4 024
Other sales revenues	-	21 706	21 706
Eliminations	7	-6	1
Total sales revenues	-1 483	32 694	31 211
Energy purchase	615	-14 262	-13 647
Net currency effects	3 815	652	4 467
Other financial items			
Net gains and losses on derivatives and securities	347	2	349
Impairment and gain/loss of financial assets	-2 140	-25	-2 165
Total unrealised effects	1 154	-	-5 122

Note 22 Taxes

The tax expense comprises the following

NOK million	2012	2011
Income tax	2 751	2 348
Resource rent tax	1 628	1 409
Correction relating to tax assessment for previous years	64	79
Change in deferred tax	-404	-557
Withholding tax ¹⁾	95	149
Tax expense in the income statement	4 135	3 427

¹⁾ Withholding tax relates to received dividend. Accumulated withholding tax of 69 million Euros has been expensed which Statkraft is claiming reimbursed. The contingent asset is not recognized in the balance sheet.

Income tax payable

NOK million	2012	2011
Income taxes payable on the Group's profit for the year	2 751	2 348
Effect of Group contributions on tax liability	-815	-752
Income tax payable before offsetting against natural resource tax for the year	1 936	1 596

Tax payable in the balance sheet

NOK million	2 012	2011
Natural resource tax	577	575
Resource rent tax	1 628	1 409
Income tax exceeding natural resource tax	1 359	1 021
Prepaid tax	-517	-
Tax due from previous financial years	189	390
Tax payable in the balance sheet	3 239	3 396

Prepaid tax included in receivables

NOK million	2012	2011
Prepaid tax included in receivables - see note 28	510	-

Reconciliation of nominal Norwegian tax rate of 28% and effective tax rate

NOK million	2012	2011
Profit before tax	8 806	3 466
Expected tax expense at a nominal rate of 28%	2 466	970

Effect on taxes of

Resource rent tax	1 613	1 534
Differences in tax rates from Norway	-378	-523
Change in tax rates	-299	-
Share of profit from associates	-286	-251
Tax-free income	-172	-233
Changes relating to previous years	-5	79
Reduction in value E.ON SE shares	596	1 149
Change in unrecognized deferred tax assets	631	439
Other permanent differences, net	-30	262
Tax expense	4 135	3 427
Effective tax rate	47.0%	98.9%

Note 22 continued

BREAKDOWN OF DEFERRED TAX

The following table provides a breakdown of the net deferred tax liability. Deferred tax assets and liabilities connected with various tax subjects/ regimes are presented separately in the balance sheet. Deferred tax assets are recognised in the balance sheet to the extent that it is probable that these will be utilised.

	Recognised during the period	Recognised in comprehensive income	Acquisitions and sale of companies	Group contribution	
NOK million	01.01.2012				31.12.2012
Current assets/current liabilities	639	-1 219	111	-	815
Property, plant and equipment ¹⁾	7 150	-342	-177	64	-
Pension liabilities	-941	-43	411	-	-
Other long-term items	1 420	1 285	-56	-	-
Tax loss carryforward/compensation ¹⁾	-210	-69	-	-	-
Deferred tax, resource rent tax	1 794	-477	-	-	-
Negative resource rent tax carryforward ²⁾	-3 078	461	-	-	-
Total net deferred tax liability	6 774	-404	289	64	815
Of which presented as deferred tax asset, see Note 23	2 219				
Of which presented as deferred tax liability, see Note 32	8 993				

	Recognised during the period	Recognised in comprehensive income	Acquisitions and sale of companies	Group contribution	
NOK million	01.01.2011				31.12.2011
Current assets/current liabilities	1 910	-410	-	190	-1 052
Property, plant and equipment ¹⁾	6 098	570	113	369	-
Pension liabilities	-605	25	-364	5	-
Other long-term items	2 251	-831	-	-	-
Tax loss carryforward/compensation ¹⁾	-190	21	-7	-32	-
Deferred tax, resource rent tax	1 761	33	-	-	-
Negative resource rent tax carryforward ²⁾	-3 113	35	-	-	-
Total net deferred tax liability	8 112	-557	-258	532	-1 052
Of which presented as deferred tax asset, see Note 23	1 954				
Of which presented as deferred tax liability, see Note 32	10 066				

¹⁾ The Group also has deferred tax assets not recognized in the balance sheet. This mainly relates to Germany with not recognized deferred tax assets of NOK 1368 million as of 31.12.2012 (NOK 831 million as of 31.12.2011).

²⁾ Tax assets related to negative resource rent tax carryforward that are estimated used within the next ten years, are recognised in the balance sheet. Normal production and price curve expectations for the next ten years form the basis for the calculation of expected future taxable profit. Off-balance sheet deferred tax assets related to negative resource rent tax carryforward amounted to NOK 1695 million as of 31.12.2012 (NOK 1462 million as of 31.12.2011).

Deferred tax recognised in comprehensive income

NOK million	2012	2011
Estimate deviation pension	407	-364
Translation differences	-245	106
Net investment hedge	126	-
Total deferred tax recognised in comprehensive income	289	-258

Note 23 Intangible assets

NOK million	2012	2011
Deferred tax asset	1 964	2 219
Goodwill	684	711
Other	566	178
Total	3 214	3 108

Deferred tax is presented in more detail in Note 22.

NOK million	Goodwill	Other	Total
2012			
Book value 01.01	711	178	889
Additions	-	174	174
Additions from business combinations	87	278	365
Capitalised loan expenses	-	22	22
Reclassifications between asset classes	-36	36	-
Transferred to/from fixed assets	-	17	17
Currency translation effects	-36	-10	-47
Disposals	-10	-11	-21
Amortisation	-	-95	-95
Impairments	-31	-22	-53
Book value 31.12	684	566	1 250
Cost 31.12	1 161	1 105	2 266
Accumulated amortisation and impairments 31.12	-478	-539	-1 016
Book value 31.12	684	566	1 250

2011			
Book value 01.01	547	480	1 027
Additions	-	24	24
Additions from business combinations	119	-	119
Reclassifications between asset classes	64	-64	-
Transferred to/from fixed assets	-	-150	-150
Currency translation effects	19	7	26
Disposals	-8	-46	-54
Amortisation	-	-14	-14
Impairments	-30	-59	-89
Book value 31.12	711	178	889

Cost 31.12	1 383	415	1 798
Accumulated amortisation and impairments 31.12	-672	-237	-909
Book value 31.12	711	178	889

Expected economic lifetime	10–15 years
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IMPAIRMENT GOODWILL

The goodwill has been tested for impairment at year-end. The testing resulted in no material impairment losses in the financial statements for 2012.

RESEARCH AND DEVELOPMENT

The Group's research and development activities comprise activities relating to new energy sources and the further development of existing plants and technologies. Research activities relating to new energy sources include general research projects. These projects are intended to provide further knowledge on technologies or other areas that could provide a basis for future activities/projects.

In order to gain new knowledge and develop new methods within the fields of energy optimisation and preservation, the Group also performs research and development activities in connection with existing plants/energy sources. Research and development activities carried out in 2012 and 2011 are expensed with about NOK 120 million and NOK 150 million, respectively.

Note 24 Property, plant and equipment

NOK million	Regulation plants	Turbines, generators etc.	Distribution grid facilities	Share- holdings in power plants operated by third parties	Properties, mountain halls, buildings, road, bridge and quay facilities	Plants under construction	Other ¹⁾	Total
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2012

Book value 01.01	19 030	17 144	3 550	2 107	29 215	6 181	4 013	81 240
Additions	84	720	135	42	318	5 169	509	6 976
Additions from business combinations	-	-	-	-	74	285	34	393
Transferred between asset classes	123	596	70	-2	134	-1 163	243	-
Transferred from intangible assets	-	-	1	-	-	-	-17	-17
Disposals	-	-90	-1	-1	-39	-58	-245	-434
Capitalised loan expenses	-	-	-	-	-	179	-	179
Currency translation effects	-123	-281	-13	-	-499	-213	-28	-1 158
Depreciation	-513	-904	-283	-71	-304	-	-321	-2 398
Impairments	-	-989	-	-	-133	-874	-1	-1 997
Accumulated depreciation/ impairments on disposals	-	47	1	2	14	-	207	271
Book value 31.12	18 601	16 242	3 459	2 076	28 780	9 506	4 394	83 057

Cost 31.12	26 015	31 409	8 137	3 306	32 725	10 862	7 423	119 877
Accumulated amortisation and impairments 31.12	-7 415	-15 167	-4 678	-1 230	-3 946	-1 356	-3 029	-36 820
Book value 31.12	18 601	16 242	3 459	2 076	28 780	9 506	4 394	83 057

2011

Book value 01.01	21 384	17 642	4 559	2 160	28 574	2 614	858	77 791
Additions	69	404	75	53	327	4 940	432	6 300
Additions from business combinations	-	491	-	-	626	10	12	1 139
Transferred between asset classes	-1 937	-59	-358	-1	126	-936	3 165	-
Transferred from intangible assets	-	34	-	-	38	70	8	150
Disposals	-	-13	-486	-26	-219	-33	-232	-1 009
Capitalised loan expenses	-	1	-	-	-	42	3	46
Currency translation effects	-2	13	-	-	115	-13	-1	112
Depreciation	-481	-892	-261	-79	-351	-	-310	-2 374
Impairments	-3	-484	-	-	-79	-513	-8	-1 087
Accumulated depreciation/ impairments on disposals	-	7	21	-	58	-	86	172
Book value 31.12	19 030	17 144	3 550	2 107	29 215	6 181	4 013	81 240

Cost 31.12	25 945	30 588	7 965	3 267	32 832	6 696	6 905	114 198
Accumulated depreciation and impairments	-6 915	-13 444	-4 415	-1 160	-3 617	-515	-2 892	-32 958
Book value 31.12	19 030	17 144	3 550	2 107	29 215	6 181	4 013	81 240

¹⁾ The Other item mainly includes district heating plants, buildings, office and computer equipment, electro-technical installations and vehicles.

Property, plant and equipment include leased waterfall rights where power plants are owned and operated by the lessee. At the end of the lease agreement, Statkraft has mainly the right to aquire the plan facilities at a technical value.

INVESTMENTS IN 2012

Additions of property, plant and equipment in 2012 of NOK 6976 million and of intangible assets of NOK 174, consisted of both investments in increased capacity and maintenance investments. Maintenance investments amounted to NOK 1065 million (NOK 1129 million in 2011). These investments relate primarily to the segments Nordic hydropower and Industrial ownership (Skagerak Energi). Investments in increased capacity was NOK 6085 million (NOK 5217 million in 2011). The largest projects were the Norwegian hydropower plants Svartisen, Eiriksdal / Makkoren and Nedre Røssåga, power plant Knapsack II in Germany, hydropower plants in Turkey, Panama and Peru, land-based wind power in Sweden and the United Kingdom, district heating plants in Norway and Sweden, and small-scale hydropower in Norway.

Note 24 continued

IMPAIRMENT 2012

Property, plant and equipment are impaired in 2012 with a total of NOK 1997 million compared with NOK 1087 million in 2011.

Assets in the segment Continental energy and trading are impaired by NOK 1762 million related to gas power plants in Germany, (NOK 1087 million in 2011). High gas prices, low coal and CO₂ prices that result in high coal production, high production of renewable energy and flat demand growth for power, are creating major challenges for European gas. Expectations of continued low margins for gas power plants in Germany have resulted in the impairment.

Assets in the segment Industrial ownership are impaired by NOK 136 million. In essence, this is related to cost overruns in two development projects.

Assets in the segment International hydropower, on a power plant in SN Power Group, have been impaired by NOK 78 million because of lower expected future cash flows.

NOK million	Carried value	Value in use	Impairment in 2012
Landesbergen	59	-	59
Knapsack	4 113	2 410	1 703
Other	826	590	236
Total impairment			1 997

Impairment assessment In assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). The recoverable amount of a cash-generating unit is calculated based on the value of the asset for the business. The recoverable amount is the higher of fair value less costs to sell and value in use. Identification of an asset's cash-generating unit involves judgment by management at Statkraft.

Impairment of gas power plant in Germany The Knapsack power plant consists of two production plants in Knapsack I and Knapsack II, of which the latter is under construction and will be completed in spring 2013. When Knapsack II is completed, the Knapsack plants will be operated as a single unit and it is the management's opinion that the cash flows of the two plants in Knapsack are not independent of each other and that Knapsack on this basis is considered as a single cash-generating unit.

Basis of valuation The recoverable amount is based on value in use. Value in use is estimated using discounted future cash flows. Projected revenues are based on a combination of spot- and capacity markets. Many market participants, including Statkraft, have assumed that in the future there will be introduced compensation schemes in Germany. This is to ensure that flexible power plants can provide the available capacity when the market needs it. In liquid periods, observable market prices are used, for subsequent periods, a combination of Statkraft's expectations for long-term spot prices and expected market capacity are being used. Prices are linearly interpolated in the periods between 2017 and 2019 and between 2021 and 2024.

USEFUL ECONOMIC LIFETIMES

A more detailed specification of the useful economic lifetimes of the various assets is provided below. There have been no material changes in depreciation schedules compared with previous years:

	Depreciation period (years)		Depreciation period (years)
Waterfall rights	perpetual	Distribution grid facilities	
Land	perpetual	– transformer	35
Dams		– switchgear, high voltage	35
– riprap dams, concrete dams	75	Buildings (admin etc.)	25–50
– other dams	30	Wind mills	
Tunnel systems	75	– land-based	20–22
Mechanical installations		Other fixed installations	
– pipe trenches	40	– permanent	20
– generators (turbine, valve)	40	– less permanent	10
– other mechanical installations	15	Miscellaneous fixtures	5
Underground facilities	75	Office and computer equipment	3
Roads, bridges and quays	75	Furnishings and equipment	5
Electrotechnical installations		Vehicles	8
– transformer/generator	40	Construction equipment	12
– switchgear (high voltage)	35	Small watercraft	10
– control equipment	15	Gas and steam generators	20–25
– operating centre	15	Water cooling systems	20–25
– communication equipment	10	Gas power plant transformers	20–25

Note 25 Associates and joint ventures

2012

2012											

¹⁾ In Herdecke there has been an impairment of NOK 224 million due to low margins expected in the years to come. Unrealized value changes included in the Share of profits, see note 13.

²⁾ The companies Malana Power Ltd. and Allan Duhanan Inc. are classified as one cash generating unit, and are therefore presented as one company in the table. The impairment of NOK 460 million is due to challenges in operating the power grid in India. This has led to restriction of market access.

³⁾ There has been an impairment of NOK 44 million in the biomass plants Landsbergen and Emden in Germany due to worsened market conditions. This is mainly due to increased wood prices.

2011

	Kraftwerk- gessellschaft	SN Aboitiz Power –	Hidro- electrica La Higuera	Malana Power Company					
NOK million	BKK	Agder	Scira ¹⁾	Herdecke	Magat Inc.	S.A.	Ltd.	Other	Total
Opening balance 01.01	5 458	3 929	904	627	1 276	1 183	1 575	2 138	17 090
Share of profits	551	508	-367	-87	634	-177	-11	-39	1 013
Amortisation of excess values	-14	-66	-	-	2	-	-24	-13	-115
Capital increase	-	-	-	-	-	-	-	360	360
Investment/sales	-	-	-	-	-	-	-	-21	-21
Dividend	-649	-409	-	-5	-587	-	-	11	-1 639
Currency effects	-	-	22	-14	25	-75	-67	207	98
Transactions against other comprehensive income	-219	-158	-	-48	-13	-39	-	-196	-673
Capital decrease	-	-	-	-4	-	-	-	-	-4
Closing balance 31.12	5 127	3 804	559	470	1 337	891	1 474	2 447	16 109
Excess value 31.12.2011	2 254	2 306	-	-	410	798	930	533	7 231
Of which unamortised waterfall rights	1 818	333	-	-	1 013	798	-	404	4 366

¹⁾ Share of profits includes impairment of NOK 338 million due to delays and cost overruns.

Business in equity-accounted investees

The power company BKK has its roots and operations in Western Norway. The Group's core activities are the production, sale and transmission of electric power. Alongside its core activities, the company also sells consultation and contracting services. BKK also offers broadband, district heating and joint metering of energy.

Agder Energy is an supplier within renewable energy. The Group's activities comprise the generation, distribution and sale of energy, as well as providing energy related services.

Note 25 continued

OVERVIEW OF COMPANIES RECOGNISED IN ACCORDANCE WITH THE EQUITY METHOD

Shares in associates and joint ventures are recognised using the equity method in the consolidated financial statements. This applies to the following companies:

Name	Registered office	Shareholding	Voting share
Joint ventures:			
Andershaw Wind Power Limited	London	50.00%	50.00%
Barmoor Wind Power Ltd.	Berwick upon Tweed	50.00%	50.00%
Biomassheizkraftwerk Landesbergen GmbH	Landesbergen	50.00%	50.00%
Burica Hydropower SA	Panama City	50.00%	50.00%
Devoll Hydropower SHA	Tirana	50.00%	50.00%
Dugar Hydro Power Ltd	Himachal Pradesh	50.00%	50.00%
Hidroelectrica La Confluencia S.A	Santiago	50.00%	50.00%
Hidroelectrica La Higuera S.A	Santiago	50.00%	50.00%
HPC Ammerån AB	Stockholm	50.00%	50.00%
HPC Byske AB	Stockholm	50.00%	50.00%
HPC Edsox AB	Stockholm	50.00%	50.00%
HPC Röan AB	Stockholm	50.00%	50.00%
Kraftwerksgesellschaft Herdecke, GmbH & Co. KG	Hagen	50.00%	50.00%
Luster Småkraft AS	Gaupne	50.00%	50.00%
Naturkraft AS	Tysvær	50.00%	50.00%
Scira Offshore Energy Ltd. (Scira)	London	50.00%	50.00%
Statkraft Agder Energi Vind DA ¹⁾	Kristiansand	62.00%	62.00%
Viking Varme AS	Porsgrunn	50.00%	50.00%
Associates:			
Agder Energi AS (Agder)	Kristiansand	45.50%	45.50%
Allain Duhangan Hydro Power Ltd.	New Dehli	43.10%	43.10%
Bergenshalvøens Kommunale Kraftselskap AS (BKK)	Bergen	49.90%	49.90%
Biomassheizkraftwerk Emden GmbH	Emden	30.00%	30.00%
Dudgeon Offshore Wind Limited	London	30.00%	30.00%
Desenvix Energias Renováveis S.A	Florianopolis	40.65%	40.65%
Energi og Miljøkapital AS	Skien	35.00%	35.00%
Forewind Ltd.	London	25.00%	25.00%
Istad AS	Molde	49.00%	49.00%
Kokemäenjoen Säännöstely-yhtiö	Helsinki	15.20%	15.20%
Länsi-Suomen Voima Oy	Helsinki	13.20%	13.20%
Malana Power Company Ltd.	New Dehli	49.00%	49.00%
Manila-Oslo Renewable Enterprise Inc	Manilla	16.70%	16.70%
Midtnorge Kraft AS	Rissa	40.00%	40.00%
Nividhu (Pvt) Ltd.	Colombo	30.00%	30.00%
Rullestad og Skromme Energi AS	Etne	35.00%	35.00%
SN Aboitiz Power – Magat Inc	Manila	40.00%	40.00%
SN Aboitiz Power Benguet Inc	Manila	40.00%	40.00%
SN Aboitiz Power Cordillera Inc	Manila	40.00%	40.00%
SN Aboitiz Power Hydro Inc	Manila	40.00%	40.00%
SN Aboitiz Power Nueva Ecija Inc	Manila	40.00%	40.00%
SN Aboitiz Power Pangasnan Inc	Manila	40.00%	40.00%
SN Aboitiz Power RES Inc	Manila	40.00%	40.00%
SN Aboitiz Power Generation Inc	Manila	40.00%	40.00%
The foundation Norwegian Electricity Cooperation	Oslo	29.00%	29.00%

¹⁾ A shareholder's agreement indicates joint control in Statkraft Agder Energi Vind DA.

None of the companies have observable market value in the form of listed market prices or similar.

Note 25 continued

Joint arrangements

Statkraft has shareholdings in jointly owned power plants. These power plants are treated as joint arrangements and are recognised with Statkraft's share of income, expenses, assets and liabilities.

Name	Shareholding
Aurlandsverkene	7.00%
Båtfors	6.64%
Folgefonn ⁶⁾	100.00%
Forsmo	2.20%
Grytten	88.00%
Gäddede	70.00%
Harjavalta	13.20%
Harrsele	50.57%
Järnvägsforsen	94.85%
Kobbelv	82.50%
Kraftverkene i Orkla	48.60%
Leirdøla	65.00%
Leiro	65.00%
Nordsvorka	50.00%
Rana ⁵⁾	35.00%
Røldal-Suldal Kraft AS ²⁾	4.79%
Selfors	10.60%
Sima	65.00%
Sira-Kvina Kraftselskap DA ¹⁾	46.70%
Solbergfoss ³⁾	33.33%
Stegaros	50.00%
Svartisen	70.00%
Svorka	50.00%
Tyssefaldene ⁴⁾	60.17%
Vikfalli	88.00%
Volgsjöfors	73.10%
Ulla-Førre ⁷⁾	73.48%

¹⁾ Statkraft's total shareholding is 46.70%, of which Skagerak Energi AS' shareholding is 14.60%.

²⁾ Statkraft owns 8.74% of the shares in Røldal-Suldal Kraft AS, which in turn owns 54.79% of the Røldal-Suldal plants. Statkraft's indirect shareholding in the power plant is thus 4.79%.

³⁾ Statkraft owns 33.30% of Solbergfoss, but controls 35.60% of the production.

⁴⁾ Statkraft owns 60.17% of the shares in AS Tyssefaldene, which wholly owns Håvardsvatn power station. Furthermore, Statkraft controls 71.40% of the production from the Tysso II power plant.

⁵⁾ 65.00% of the production in Rana is leased out for 15 years from 1 January 2005.

⁶⁾ Statkraft's total shareholding is 100.00% of which Skagerak Energi AS' shareholding is 14.94%.

⁷⁾ Statkraft's total shareholding is 73.48% of which Skagerak Energi AS' shareholding is 1.49%.

Note 26 Other non-current financial assets

NOK million	2012	2011
Valued at amortised cost:		
Loans to associates	1 066	497
Bonds and other long-term receivables	775	620
Total valued at amortised cost	1 841	1 117
Available for sale:		
Other shares and securities	8 873	11 046
Total	10 714	12 163

Other shares and shareholdings in the balance sheet includes the E.ON SE shareholding with NOK 8637 million. The original cost price of the shares amounts to NOK 23 125 million. The change in value in 2012 was NOK -2146 million, of which NOK -2128 million is recognised as impairment of financial assets, and of which NOK -18 million is recognised in other comprehensive income.

The change in value in 2011 was NOK -4085 million, of which NOK -4103 million is recognised as impairment of financial assets, and of which NOK 18 million is recognised in other comprehensive income.

Note 27 Inventories

NOK million	2012		2011	
	Recognised value	Cost price	Recognised value	Cost price
Green certificates valued at net realisable value:				
Green certificates	826	653	390	447
CO ₂ quotas	430	620	285	485
Total	1 256	1 273	675	932

Valued at the lower of cost and net realisable value:

Spare parts	94	98
Other	231	200
Total inventories are values at the lower of cost and net realisable value	325	298
Total	1 581	973

Note 28 Receivables

NOK million	2012		2011	
	Recognised value	Cost price	Recognised value	Cost price
Accounts receivable	6 642		4 823	
Accrued revenues etc.	1 881		1 937	
Short-term loans to associates and joint ventures	3 876		3 069	
Debt connected to cash collateral	291		396	
Other receivables	560		1 785	
Total	13 251		12 010	
Of which interest-bearing	4 167		3 465	

See note 31 for more information.

Maturity analysis of receivables

2012	Receivables overdue by				
	Not yet due	Less than 90 days	More than 90 days	Receivables overdue and impaired	Total
Account receivable	6 057	501	109	-25	6 642
Other receivables	6 609	-	-	-	6 609
Total	12 666	501	109	-25	13 251

Recognised as loss for the year 3

2011	Receivables overdue by				
	Not yet due	Less than 90 days	More than 90 days	Receivables overdue and impaired	Total
Account receivable	4 516	232	100	-26	4 823
Other receivables	7 187	-	-	-	7 187
Total	11 704	232	100	-26	12 010

Recognised as loss for the year 12

Note 29 Short-term financial investments

NOK million	2012		2011	
	Recognised value	Cost price	Recognised value	Cost price
Bonds	236		224	
Money market fund	123		115	
Shares and other investments	98		116	
Total	457		455	

Note 30 Derivatives

The table below shows derivatives with respective positive and negative market values allocated by portfolio. The figures for energy derivatives included in the table below are the recognised values of contracts which in accordance with IAS 39 fall under the definition of financial instruments. There can be significant deviations between the accounting values and the underlying real economic values due to the fact that the portfolios contain contracts that are both covered and not covered by IAS 39.

Derivatives – current assets

NOK million	2012	2011
Energy derivatives		
Long term contracts	337	379
Nordic and Continental Dynamic Asset Management Portfolio ¹⁾	102	147
Trading and Origination (w/o EEG 2012 and UK PPA)	3 840	4 455
End user	107	195
Energy purchase contracts	90	-
Other contracts and eliminations	-83	-209
Total	4 393	4 967

¹⁾ The Nordic hydropower portfolio contains Nord Pool contracts with negative value that are settled against Nord Pool contracts included in Trading and Origination. These contract types are included in a common evaluation unit.

Currency and interest rate derivatives

Interest rate swaps	2	2
Forward exchange rate contracts	488	250
Combined interest rate and currency swaps	35	4
Total	525	256
Total derivatives current assets	4 918	5 223

Derivatives – non-current assets

NOK million	2012	2011
Energy derivatives		
Long term contracts	1 194	2 901
Nordic and Continental Dynamic Asset Management Portfolio	11	3
Energy purchase contracts	385	-
Total	1 590	2 904

Currency and interest rate derivatives

Interest rate swaps	1 260	956
Forward exchange rate contracts	1 932	455
Combined interest rate and currency swaps	-	-
Total	3 192	1 411
Total derivatives – non-current assets	4 782	4 315

Derivatives – current liabilities

NOK million	2012	2011
Energy derivatives		
Long term contracts	487	325
Trading and Origination (w/o EEG 2012 and UK PPA)	3 486	4 201
End user	103	193
Energy purchase contracts	276	692
Other contracts and eliminations	-204	-233
Total	4 148	5 178

Currency and interest rate derivatives

Interest rate swaps	31	22
Forward exchange rate contracts	48	304
Combined interest rate and currency swaps	38	5
Total	117	331
Total derivatives – current liabilities	4 265	5 509

Derivatives – Long-term liabilities

NOK million	2012	2011
Energy derivatives		
Long term contracts	2 873	2 012
Energy purchase contracts	1 019	1 349
Other contracts and eliminations	-116	2
Total	3 776	3 363

Currency and interest rate derivatives

Interest rate swaps	1 473	890
Forward exchange rate contracts	656	254
Total	2 129	1 144
Total derivatives – long-term liabilities	5 905	4 507

Note 31 Cash and cash equivalents

NOK million	2012	2011
Cash and bank deposits	4 295	6 083
Money market funds, certificates, promissory notes, bonds	750	2 199
Total	5 045	8 282

Book value of cash and cash equivalents pledged as security to/from counterparties

The following amounts in cash and cash equivalents are pledged as security to/from counterparties:

NOK million	2012	2011
Deposit account in connection with power sales on energy exchanges	67	39
Other restricted bank deposits ¹⁾	232	786
Total	299	825

¹⁾ Other restricted bank deposits is related to a "back to back" loan in subsidiaries, where bank deposits is given as collateral, see note 36.

Cash Collateral

Cash collateral comprises payments made to/received from counterparties as security for net unrealised gains and losses that Statkraft has on interest rate swaps and combined interest rate and currency swaps, as well as forward exchange contracts. The table below shows net funds received from counterparties regarding cash collateral. These funds will be reversed in line with the unrealised effects. See notes 28 and 33.

NOK million	2012	2011
Cash collateral for financial derivatives	2 666	934

Note 32 Provisions

NOK million	2012	2011
Deferred tax	9 502	8 993
Pension liabilities	2 096	3 453
Other provisions	8 421	8 957
Total provisions	20 019	21 403

Pension liabilities are discussed in more detail in Note 17, while deferred tax is covered in Note 22. In other provisions an equity instrument liability is included.

Note 33 Interest-bearing debts

NOK million	2012	2011
Current interest-bearing liabilities		
Certificate loans	700	-
First year's instalment on long-term liabilities	3 313	3 268
Debt connected to cash collateral	2 957	1 330
Overdraft facilities	96	-
Loans from Statkraft SF	-	405
Other short-term loans	20	441
Total current interest-bearing liabilities	7 086	5 444

Interest-bearing long-term liabilities

Loans from Statkraft SF	400	400
Bond loans in the Norwegian market	12 919	12 907
Other loans raised in non-Norwegian markets	17 267	15 123
External loans in subsidiaries and other loans	2 591	3 013
Total long-term interest-bearing liabilities	33 177	31 443

Total interest-bearing liabilities	40 263	36 887
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The Group's net proceeds of debt in 2012 amounted to NOK 3362 million. Other changes are mainly explained by acquisition of power plant of NOK 424 million, payment of group contribution to Statkraft SF, changes in cash collateral of NOK 1628 million and otherwise changes in currency exchange rates for loans denominated in foreign currency. See Notes 6–12 for more details.

Note 34 Other interest-free current liabilities

NOK million	2012	2011
Accounts payable	1 359	923
Indirect taxes payable	1 810	2 009
Debt to Statkraf SF	1 320	-
Other interest-free liabilities	4 377	3 593
Total	8 866	6 525

Note 35 Contingencies, disputes etc

EXCESS/SHORTFALL OF REVENUE

In the monopoly-regulated distribution grid business, diifferences can arise between the revenue ceiling determined by the Norwegian Water Resources and Energy Directorate (NVE) and the amount actually invoiced as grid rental charges. If the invoiced amount is lower than the revenue ceiling, this results in surplus income, while if the invoiced amount is higher this generates a revenue shortfall. Revenue surpluses/shortfalls will even out over time as actual invoicing is adjusted.

Revenues are recognised in the accounts based on actual invoicing. Accumulated excess/shortfall of revenue as shown in the table below will be recognised in future periods.

Excess/shortfall of revenue distribution grid operations, closing balance

NOK million	2012	2011
Cumulative excess revenue transferred to subsequent years	405	301
Cumulative revenue shortfall transferred to subsequent years	-22	-57
Net excess/shortfall of revenue	383	244

DISPUTES

Statkraft has extensive business activities and is consequently likely to be involved in disputes of varying magnitude at any time. Statkraft is claiming withholding tax relating to received dividend of 69 million euro reimbursed. The contingent asset is not recognized in the balance sheet. See note 22. At the time of approval of the financial statements, there were no other disputes that could have a material effect on Statkrafts result or liquidity.

Note 36 Pledges, guarantees and obligations

PLEDGES

Under certain circumstances local authorities and publicly owned energy companies are entitled to a share of the output from power plants belonging to Statkraft in return for paying a share of the construction costs. To finance the acquisition of such rights, the local authorities/companies have been granted permission to pledge the power plant as security. The mortgage debt raised by the local authori-

ties under this scheme totals NOK 1289 million. In addition, other subsidiaries have a total of NOK 1438 million in pledged assets. As of 31 December 2012, the book value of the pledged assets in Statkraft Energi AS totalled NOK 5477 million. In SN Power, book value of pledged assets amounts to NOK 4414 million, including restricted funds. The book value of pledged assets in other subsidiar- ies amounts to NOK 1083 million.

GUARANTEES

The Statkraft Group has the following off-balance-sheet guarantees:

NOK million	2012	2011
Parent company guarantees ¹⁾	14 292	11 633
Other	1 194	590
Total guarantees in Statkraft AS	15 486	12 223

¹⁾ Whereas the most material guarantees are regarding energy purchase (NOK 7819 million) and liabilities to suppliers (NOK 5213 million).

Parent company guarantees	1 710	1 761
Guarantees in NASDAQ OMX Stockholm AB and other energy exchanges	1 647	3 103
Other	879	1 462
Total guarantees in subsidiaries	4 236	6 325

Total guarantees	19 722	18 548
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CONTRACT OBLIGATIONS

The Statkraft Group has the following off-balance-sheet obligations:

- Long-term agreement to purchase CO₂ quotas.
- Agreements relating to purchase of gas equalling 47,8 TWh in the period to 2017.
- Obligation relating to a financial power exchange agreement on the order of NOK 601 million.
- A license agreement relating to the development, construction and operation of three hydropower plants which involves a joint respon- sibility estimated at EUR 707 million.
- In September 2010, SN Power decided to build the hydropower plant Cheves in Peru. The plant will have an installed capacity of 171 MW and an expected annual production of 866 GWh. The investment has a budget of USD 450 million, of which USD 203 million is outstanding as of December 2012.
- In October 2011, SN Power approved construction of the hydro power plant Bajo Frio in Panama. The power plant will have an installed capacity of 58 MW and an expected average annual pro- duction of 260 GWh. The investment frame is MUSD 224 (100%) with remaining MUSD 135 as of December 2012. In addition there have been granted parent companguarantees of which SN Power covers MUSD 7.
- Need for financing of two associated companies owned by SN Power, because of involuntary temporary shutdown is estimated to amount to USD 72 million for SN Power's share.
- It is been made investment decision on building several small scale hydro power plant. The investment has a frame of NOK 136 million.

CONCESSIONARY POWER CONTRACTS

The Group recognises concessionary power as normal buying and selling in accordance with stipulated concessionary power prices upon delivery, regardless of whether the settlement takes place upon physical delivery or financial settlement.

At the end of 2012 concessionary power contracts with financial sett- lement had a total volume of around 583 GWh and an average price of NOK 0,11/kWh. Although agreements for financial settlement apply for a limited period, the calculation of fair value is based on the per- petual horizon of the underlying concessionary power contracts. With these assumptions, the estimated fair value as of 31 December 2012 would have been negative with about NOK 5076 million and changes in fair value in 2012 would have been about NOK 1420 million.

Note 37 Leases

The total of future minimum lease payments in relation to non-cancellable leases for each of the following periods is:

NOK million	Within 1 year of the end of the period	Between 1 and 5 years after the end of the period	More than 5 years after the end of the period	Total
Property rental agreements	116	564	1 263	1 943
Other leases	7	32	44	84
Total	123	596	1 307	2 027

The lease amount connected to leases recognised in the period and specified in the following manner is:

NOK million	Minimum lease	Variable lease	Sublease payments
Property rental agreements	48	-	-
Other leases	16	-	-
Total	64	-	-

Statkraft has in 2012 established a new business activity offering market access for small renewable energy producers. Some of the arrangements that are entered into are defined as lease agreements with variable lease payments, and are presented as energy purchase, see note 13 and 15. The lease agreements are entered into for a period of 1 to 17 years and the lease payment for 2012 is NOK 590 million.

Note 38 Fees paid to external auditors

Deloitte AS is the Statkraft Group's auditor and audits all of the Group's subsidiaries.

The total fees paid to the Group auditors for auditing and other services were as follows (exluding VAT):

NOK thousand	2012	2011
Statutory auditing	15 243	11 820
Other certification services	711	498
Tax consultancy services	1 660	2 748
Other services	1 855	4 372
Total	19 469	19 438

Note 39 Benefits paid to executive management and the board

Statkraft is organised into business units and support functions. The managers of these units report to the corporate management, which comprises the executive vice presidents (EVPs) and the President and CEO.

Salaries and other benefits – executive management

NOK	Salary	Bonus ¹⁾	Benefits in kind	Salary and other benefits
Christian Rynning-Tønnesen, President and CEO	4 295 030	-	164 717	4 459 747
Jens B. Staff, Executive Vice President	2 124 192	75 000	186 443	2 385 635
Jon Brandsar, Executive Vice President	2 200 855	300 000	162 953	2 663 808
Steinar Bysveen, Executive Vice President	2 346 118	200 000	189 280	2 735 398
Hilde Bakken, Executive Vice President	1 971 297	350 000	184 586	2 505 883
Asbjørn Grundt, Executive Vice President	2 523 261	250 000	150 301	2 923 562
Øistein Andresen, Executive Vice President	2 242 660	200 000	163 483	2 606 143

¹⁾ Bonus earned in 2011, but paid in 2012.

The corporate management has not received any remuneration or financial benefits from other companies in the Group other than those shown above. No additional remuneration for special services over and above their normal managerial functions has been provided. The total salaries and other benefits paid to executive management in 2012 amounted to NOK 20 280 176.

Remuneration to the Board, Audit Committee and Compensation Committee as well as participation in Board meetings

NOK	Board remuneration	Audit committee	Compensation committee	Participation in Board meetings
Olav Fjell, Chair ¹⁾	218 500	-	22 500	6
Svein Aaser, Chair ¹⁾	210 000	-	21 750	6
Ellen Stensrud, Deputy chair	301 000	-	-	10
Halvor Stenstadvold, Board member	248 000	82 500	-	11
Berit J. Rødseth, Board member	248 000	60 000	-	11
Inge Ryan, Board member	248 000	60 000	-	12
Silvija Seres, Board member	248 000	-	27 500	12
Odd Varvik, employee-elected Board member	248 000	-	27 500	11
Thorbjørn Holøs, employee-elected Board member	248 000	60 000	-	12
Lena Halvari, employee-elected Board member	248 000	-	-	12

¹⁾ Olav Fjell was elected as chair June 26, 2012, and took over after Svein Aaser.

The Board has no remuneration agreements other than the directors' fee and remuneration for participation in committee work, nor have any loans or pledges been granted to Directors of the Board. Total remuneration paid to the Board, Audit Committee and Compensation Committee in 2012 was NOK 2 465 500, NOK 262 500 and NOK 99 250 respectively.

Pension provisions – executive management

NOK	Pensions ¹⁾
Christian Rynning-Tønnesen, President and CEO	2 479 098
Jens B. Staff, Executive Vice President	1 261 845
Jon Brandsar, Executive Vice President	1 176 432
Steinar Bysveen, Executive Vice President	1 186 806
Hilde Bakken, Executive Vice President	1 123 728
Asbjørn Grundt, Executive Vice President	1 265 237
Øistein Andresen, Executive Vice President	1 151 836

¹⁾ The year's accounting cost for the pension scheme that reflects the period during which the individual has functioned as an executive manager.

The total pension provision for executive employees in 2012 was NOK 9 644 982.

Note 39 continued

THE STATEMENT REGARDING SALARIES AND OTHER REMUNERATIONS TO SENIOR EXECUTIVES – 2012

The Board of Statkraft will contribute to a moderate, but competitive development of executive remuneration in Statkraft. Principles and guidelines for salary and other remuneration to executive management are designed accordingly.

Statkraft has a policy of having competitive conditions, but not be leading.

Upon deciding salaries and other remunerations in Statkraft, an external position assessment system that ranks positions according to a recognized and widely used methodology is utilised. An annual survey is then conducted, evaluating how similar ranked positions in the Norwegian labor market are compensated. This information, together with internal reward practices in Statkraft forms the basis for determining compensation.

Organisation

The Board of Statkraft has established a separate Compensation Committee.

The mandate of the committee is as follows:

- Once a year prepare the Board's treatment regarding salaries and other remunerations for the CEO
- Prepare the Board of the Board's statement on executive pay and other remuneration to senior executives.
- Prepare the Board's treatment of all the fundamental issues related to salary, bonus systems, pension, and employment agreements and similar for the executive management in Statkraft.
- Deal with specific issues relating to compensation for employees in the Statkraft Group to the extent that the Committee finds that these concern matters of particular importance for the Group's reputation, and competitiveness and its attractiveness as an employer.
- The CEO should consult the Compensation Committee regarding his recommendations of the salaries for the corporate executives and Group's auditor before they are decided upon.

Report on executive remuneration policy

The CEO is only compensated with a fixed salary, and vice presidents shall receive both a fixed salary and a variable payment.

Fixed salary The fixed salary is determined based on a job- and a market assessment – and also assessed against Statkraft's policy to offer competitive terms, but not be leading. When deciding the annual wage regulation, the average wage increases of other employees are also considered.

Variable salary In addition to the fixed salary, the Group has a bonus scheme for the corporate executives. The annual bonus has a maximum payout of NOK 500 000 per person. The agreed targets are financial, operational and individual.

Other variable elements Further variable elements include arrangements with a company car, newspapers, phone and coverage of broadband communication in accordance with established standards.

Pension plans Statkraft has for wholly owned Norwegian subsidiaries established pension schemes in the Government Pension Fund (SPK).

The CEO, Christian Rynning-Tønnesen, has a retirement age of 67 years, and will receive a pension of 66% of the yearly salary, provided that he has been part of SPK during the entire 30 year vesting period. The other corporate executives have a retirement age of 65 years at the earliest, with the right to 66% of the yearly salary, provided that they have been part of SPK during the entire 30 year vesting period.

Statkraft established a plan of pension scheme for income above 12G in 2003. The scheme included all employees with a yearly salary over 12G, including the CEO and corporate executives. This scheme was closed in 2012 for new employees. There is no established new retirement pension scheme for yearly salary over 12G, but there is established a system of additional salary that can be used for supplementary private pension savings. Additional salary is set at 18% of ordinary salary over 12G. There is also established a group disability coverage relating to salaries over 12G.

Position Change Agreements The CEO and certain executive directors have agreements regarding change of position after the age of 62. These are agreements where, at any time after the employee has reached 62 years of age, there is a mutual right and duty, if the executive ask for, or is requested to resign from his executive position without further justification. If any of the parties execute this right, the executive should be offered another position with a salary of 75% of the executive's pay – and a working time of 50% until agreed upon retirement age.

The policy regarding executive remuneration has been changed today and the arrangement is closed for new employees.

Severance arrangements Mutual period of notice for the CEO is agreed to 6 months. For corporate executives, there is a mutual notice period of 3 months. If more than 2 years of employment, the employer's period of notice is 6 months.

For the CEO and certain executive directors, agreements have been made where a special severance pay from the employer should be paid, if notice has been given from the employer with a shorter deadline than mentioned above. The agreement waives the employee's rights in the Work Environment Act (Arbeidsmiljøloven) for protection against dismissal. If the employer uses this right of termination, the employee is entitled to a severance payment of up to 12 months' salary in excess of agreed notice period. The amount shall be paid monthly. Severance pay shall be reduced according to established rules if the employee receives other income within the payment period. These agreements are entered into in accordance with the Guidelines for the employment conditions of managers in state owned enterprises and companies of 28 June 2004.

The policy regarding executive remuneration has also been changed, and the arrangement is closed for new employees .

Terms CEO Fixed salary to the Chief Executive for 2013 is NOK 4 450 000, with other terms as set out in this Statement.

Note 40 Related parties

All subsidiaries, associates and joint ventures stated in Note 42 and Note 25 are related parties of Statkraft. Intercompany balances and transactions between consolidated companies are eliminated on consolidation and are not shown in this Note.

The individuals stated in Note 39 are members of the corporate management or the Board and are also related parties of Statkraft.

All transactions with related parties are conducted at market terms and conditions. Apart from the transactions that are stated in this note and Note 39, there are no transactions or outstanding balances of significance with related parties.

The table below shows the transactions with related parties that are associates or joint ventures that are not eliminated in the consolidated financial statements.

NOK million	2012	2011
Revenues	391	362
Expenses	851	436
Receivables at the end of the period	5 507	4 222
Liabilities at the end of the period	597	347

Significant transactions with the owner and companies controlled by the owner

The shares in Statkraft AS are all owned by Statkraft SF, which is a company wholly owned by the Norwegian State.

NOK million	2012	2011
Gross operating revenues include:		
Industrial sales at statutory prices	-	130
Concessionary sales at statutory prices	307	401

Net operating revenues includes:

Energy purchases from Statoil	857	907
Grid tariff to Statnett	996	825

Operating expenses include:

Property tax and licence fees to Norwegian authorities	1 090	998
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Tax expenses include:

Taxes payable to Norwegian authorities	2 968	2 656
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Dividend and Group contribution from Statkraft AS to Statkraft SF	4 000	4 900
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In addition, Statkraft has transactions with other entities controlled by the Norwegian State. The size of these transactions is not, neither on stand-alone basis or collectively, of material effect for the financial statements of Statkraft AS.

In addition, the Group pays direct taxes and various indirect taxes to Norwegian authorities in the form of value added tax, etc.

Note 41 Shares and shareholder information

The parent company has a share capital of NOK 30 billion, divided into 200 million shares with a par value of NOK 150 each. All shares have the same voting rights and are owned by Statkraft SF, which is a

Norwegian state-owned company, established and domiciled in Norway. Statkraft SF is wholly owned by the Norwegian state, through the Ministry of Trade and Industry.

Note 42 Consolidated companies

Shares in subsidiaries

Name	Registered office	Country	Parent company	Shareholding and voting share
Shares in subsidiaries				
Bio Varne AS	Oslo	Norway	Statkraft AS	98.45%
Renewable Energies and Photovoltaics Spania S.L.	Malaga	Spain	Statkraft AS	70.00%
Statkraft Albania Shpk.	Tirana	Albania	Statkraft AS	100.00%
Statkraft Carbon Invest AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Development AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Elektrik Ltd.	Istanbul	Turkey	Statkraft AS	100.00%
Statkraft Energi AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Enerji A.S.	Istanbul	Turkey	Statkraft AS	100.00%
Statkraft Financial Energy AB	Stockholm	Sweden	Statkraft AS	100.00%
Statkraft Forsikring AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft France SAS	Lyon	France	Statkraft AS	100.00%
Statkraft Germany GmbH	Düsseldorf	Germany	Statkraft AS	100.00%
Statkraft Industrial Holding AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Leasing AB	Stockholm	Sweden	Statkraft AS	100.00%
Statkraft Norfund Power Invest AS	Oslo	Norway	Statkraft AS	60.00%
Statkraft SCA Vind AB	Stockholm	Sweden	Statkraft AS	60.00%
Statkraft Suomi Oy	Kotka	Finland	Statkraft AS	100.00%
Statkraft Sverige AB	Stockholm	Sweden	Statkraft AS	100.00%
Statkraft Södra Vindkraft AB	Stockholm	Sweden	Statkraft AS	90.10%
Statkraft Treasury Centre GBP SA	Brussels	Belgium	Statkraft AS	100.00%
Statkraft Treasury Centre NOK SA	Brussels	Belgium	Statkraft AS	100.00%
Statkraft Treasury Centre SA	Brussels	Belgium	Statkraft AS	100.00%
Statkraft Treasury Centre SEK SA	Brussels	Belgium	Statkraft AS	100.00%
Statkraft UK Ltd.	London	United Kingdom	Statkraft AS	100.00%
Statkraft Värme AB	Kungsbacka	Sweden	Statkraft AS	100.00%
Statkraft Vind AB	Stockholm	Sweden	Statkraft AS	100.00%
Statkraft Western Balkans d.o.o.	Beograd	Serbia	Statkraft AS	100.00%
Södra Statkraft Vindkraft Utveckling AB	Stockholm	Sweden	Statkraft AS	90.10%
Fjordkraft AS ¹⁾	Bergen	Norway		
Småkraft AS ²⁾	Bergen	Norway		

Shares in subsidiaries owned by subsidiaries

Baillie Windfarm Holdings Ltd.

Baillie Windfarm Ltd.	Thurso	United Kingdom	Baillie Windfarm Holdings Ltd.	100.00%
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Bio Varne AS

Stjørdal Fjernvarme AS	Stjørdal	Norway	Bio Varne AS	85.00%
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Knapsack Power GmbH & Co KG

Knapsack Power Verwaltungs GmbH	Düsseldorf	Germany	Knapsack Power GmbH & Co KG	100.00%
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Skagerak Energi AS

Skagerak Kraft AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Nett AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Naturgass AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Elektro AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Varne AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%

Skagerak Kraft AS

Grunnåi Kraftverk AS	Porsgrunn	Norway	Skagerak Kraft AS	55.00%
Sauland Kraftverk AS	Hjartdal	Norway	Skagerak Kraft AS	81.00%

Skagerak Varne AS

Skien Fjernvarme AS	Skien	Norway	Skagerak Varne AS	51.00%
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Statkraft Development AS

Hitra Vind AS	Oslo	Norway	Statkraft Development AS	100.00%
Kjøllefjord Vind AS	Oslo	Norway	Statkraft Development AS	100.00%
Smøla Vind 2 AS	Oslo	Norway	Statkraft Development AS	100.00%

Note 42 continued

Name	Registered office	Country	Parent company	Shareholding and voting share
Statkraft Energi AS				
Baltic Cable AB	Malmö	Sweden	Statkraft Energi AS	100.00%
Trondheim Energi Kraft AS	Trondheim	Norway	Statkraft Energi AS	100.00%
Statkraft Energy Ltd.				
Rheidol 2008 Trustees Ltd.	London	United Kingdom	Statkraft Energy Ltd.	100.00%
Statkraft Enerji A.S.				
Çakır Enerji A.S.	Istanbul	Turkey	Statkraft Enerji A.S.	100.00%
Anadolu Elektrik A.S.	Istanbul	Turkey	Statkraft Enerji A.S.	100.00%
Çetin Enerji A.S.	Istanbul	Turkey	Statkraft Enerji A.S.	100.00%
Kargı Kızılırmak Enerji A.S.	Istanbul	Turkey	Statkraft Enerji A.S.	100.00%
Statkraft France SAS				
Plaine de l'Ain Power SAS	Lyon	France	Statkraft France SAS	100.00%
Statkraft Germany GmbH				
Statkraft Markets GmbH	Düsseldorf	Germany	Statkraft Germany GmbH	100.00%
Statkraft Holding Knapsack GmbH				
Knapsack Power GmbH & Co KG	Düsseldorf	Germany	Statkraft Holding Knapsack GmbH	100.00%
Statkraft Industrial Holding AS				
Skagerak Energi AS	Porsgrunn	Norway	Statkraft Industrial Holding AS	66.62%
Trondheim Energi AS	Trondheim	Norway	Statkraft Industrial Holding AS	100.00%
Statkraft Markets GmbH				
Statkraft South East Europe EOOD	Sofia	Bulgaria	Statkraft Markets GmbH	100.00%
Statkraft Romania SRL	Bucharest	Romania	Statkraft Markets GmbH	100.00%
Statkraft Markets BV	Amsterdam	The Netherlands	Statkraft Markets GmbH	100.00%
Statkraft Markets Financial Services GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Holding Knapsack GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Holding Herdecke GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Trading GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft SCA Vind AB				
Statkraft SCA Vind Elnät AB	Stockholm	Sweden	Statkraft SCA Vind AB	100.00%
Statkraft Södra Vindkraft AB				
Statkraft Södra Vindarrende AB	Stockholm	Sweden	Statkraft Södra Vindkraft AB	100.00%
Statkraft Suomi Oy				
Ahvionkoski Oy	Kotka	Finland	Statkraft Suomi Oy	100.00%
Statkraft Sverige AB				
Graninge AB	Stockholm	Sweden	Statkraft Sverige AB	100.00%
Gidekraft AB	Stockholm	Sweden	Statkraft Sverige AB	90.10%
Statkraft Sverige Vattendel 3 AB	Stockholm	Sweden	Statkraft Sverige AB	100.00%
Statkraft Södra Vindkraft AB				
Statkraft Wind UK Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Statkraft Energy Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Baillie Windfarm Holdings Ltd.	London	United Kingdom	Statkraft UK Ltd.	80.00%
Doggerbank Project 1A Statkraft Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Doggerbank Project 1B Statkraft Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Doggerbank Project 2A Statkraft Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Doggerbank Project 2B Statkraft Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Doggerbank Project 3A Statkraft Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Doggerbank Project 3B Statkraft Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Trondheim Energi AS				
Statkraft Varme AS	Trondheim	Norway	Trondheim Energi AS	100.00%
Trondheim Energi Eiendom AS	Trondheim	Norway	Trondheim Energi AS	100.00%
Enita AS	Trondheim	Norway	Trondheim Energi AS	100.00%

Note 42 continued

Name	Registered office	Country	Parent company	Shareholding and voting share
Shares in subsidiaries owned by SN Power				
Statkraft Norfund Power Invest AS				
SN Power Holding AS	Oslo	Norway	Statkraft Norfund Power Invest AS	100.00%
Agua Imara AS	Oslo	Norway	Statkraft Norfund Power Invest AS	45.00%/51.00%
SN Power Brasil AS	Oslo	Norway	Statkraft Norfund Power Invest AS	100.00%
Agua Imara AS				
Agua Imara ACA Pte. Ltd.	Singapore	Singapore	Agua Imara AS	100.00%
Agua Imara ACA Pte. Ltd.				
Fountain Intertrade Corporation	Panama City	Panama	Agua Imara ACA Pte. Ltd.	50.10%
Lunsemfwa Hydro Power Company Ltd.				
Muchinga Power Company Ltd.	Kabwe	Zambia	Lunsemfwa Hydro Power Company Ltd.	100.00%
SN Power ACA Pte. Ltd.				
Lunsemfwa Hydro Power Company Ltd.	Kabwe	Zambia	SN Power ACA Pte. Ltd.	51.00%
SN Power Brasil AS				
SN Power Investimentos Ltda.	Florianopolis	Brazil	SN Power Brasil AS	100.00%
SN Power Chile Inversiones Electricas Ltda.				
SN Power Chile Tinguericira y Cia.	Santiago	Chile	SN Power Chile Inversiones Electricas Ltda.	99.90%
SN Power Chile Valdivia y Cia.	Santiago	Chile	SN Power Chile Inversiones Electricas Ltda.	99.90%
SN Power Chile Valdivia y Cia.				
Norvind S.A	Santiago	Chile	SN Power Chile Valdivia y Cia.	100.00%
SN Power Investimentos Ltda.				
SN Power Energia do Brasil Ltda.	Florianopolis	Brazil	SN Power Investimentos Ltda.	100.00%
SN Power Holding AS				
SN Power Holding Singapore Pte. Ltd.	Singapore	Singapore	SN Power Holding AS	100.00%
SN Power Holding Chile Pte. Ltd.				
SN Power Chile Inversiones Eléctricas Ltda.	Santiago	Chile	SN Power Holding Chile Pte. Ltd.	100.00%
SN Power Holding Singapore Pte. Ltd.				
SN Power Global Services Pte. Ltd.	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd.	100.00%
SN Power Holding Peru Pte. Ltd.	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd.	100.00%
SN Power Holding Chile Pte. Ltd.	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd.	100.00%
SN Power International Pte. Ltd.	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd.	100.00%
SN Power India Pvt. Ltd.	New Dehli	India	SN Power Holding Singapore Pte. Ltd.	100.00%
SN Power Markets Pvt. Ltd.	New Dehli	India	SN Power Holding Singapore Pte. Ltd.	100.00%
Himal Power Ltd.	Kathmandu	Nepal	SN Power Holding Singapore Pte. Ltd.	52.20%/57.10%
SN Power Vietnam Pte. Ltd.	Hanoi	Vietnam	SN Power Holding Singapore Pte. Ltd.	80.00%
SN Power Participações Ltda.				
SN Power Comercializadora Ltda.	Rio de Janeiro	Brazil	SN Power Participações Ltda.	100.00%
SN Power Holding Peru Pte. Ltd.				
SN Power Peru Holding S.R.L	Lima	Peru	SN Power Holding Peru Pte. Ltd.	100.00%
SN Power Peru Holding S.R.L				
Empresa de Generacion Electrica Cheves S.A	Lima	Peru	SN Power Peru Holding S.R.L	68.69%
SN Power Peru S.A	Lima	Peru	SN Power Peru Holding S.R.L	100.00%
SN Power Peru S.A				
Empresa de Generacion Electrica Cheves S.A	Lima	Peru	SN Power Peru S.A	31.31%

¹ Fjordkraft AS is owned by Statkraft Industrial Holding AS (3.15%), Skagerak Energi AS (48.00%) and Bergenshalvøens Kommunale Kraftselskap AS (48.85%). Fjordkraft AS has been consolidated since 1st of January 2007.

² Småkraft AS is owned 20.00% by Skagerak Kraft AS, Agder Energi AS and Bergenhalvøens Kommunale Kraftselskap AS. Statkraft AS owns 40.00% directly.

Statkraft AS Financial Statements



Income statement
Statkraft AS parent company

NOK million	Note	2012	2011
Operating revenues	4	478	511
Salaries and payroll costs	5, 6	-430	-400
Other operating expenses	7, 21	-785	-524
Depreciation	10	-35	-35
Operating expenses		-1 250	-959
Operating profit		-772	-448
Financial income	8	263	536
Financial expenses	8	-1 578	-1 764
Net realised and unrealised securities	8	5 597	4 003
Net realised and unrealised currency and derivatives	8	2 300	-96
Net financial items		6 583	2 679
Profit before tax		5 811	2 231
Tax expense	9	-723	-394
Net profit		5 088	1 838
Allocation of net profit for the year			
Dividends payable	15	4 000	4 900
Transfer to (+)/from (-) other equity	15	1 088	-3 062

Balance Sheet
Statkraft AS parent company

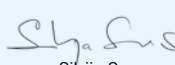
NOK million	Note	31.12.2012	31.12.2011
ASSETS			
Deferred tax assets	9	-	44
Property, plant and equipment	10	151	118
Investments in subsidiaries, associates and joint ventures	11	104 047	98 539
Derivatives	20	2 075	524
Other non-current financial assets	12	88	105
Non-current assets		106 361	99 330
Receivables	13	9 085	6 604
Derivatives	20	602	299
Cash and cash equivalents	14	3 002	6 061
Current assets		12 688	12 964
Assets		119 049	112 294
EQUITY AND LIABILITIES			
Paid-in capital	15	45 569	45 569
Retained earnings	15	13 007	11 748
Equity		58 576	57 318
Deferred tax	9	757	-
Provisions	16	585	765
Interest-bearing long-term liabilities	3, 17	30 649	28 430
Derivatives	20	1 787	911
Long-term liabilities		33 778	30 106
Short-term interest-bearing liabilities	3, 18	20 639	18 572
Taxes payable	9	-	480
Derivatives	20	106	295
Other interest-free liabilities	19	5 950	5 523
Short-term liabilities		26 694	24 871
Equity and liabilities		119 049	112 294

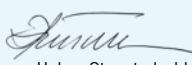
The Board of Directors of Statkraft AS
Oslo, 13 March 2013


Olav Fjell
Chair


Ellen Stensrud
Deputy chair


Berit Rødseth
Board member


Silvija Seres
Board member


Halvor Stenstadvold
Board member


Inge Ryan
Board member


Odd Vanvik
Board member


Lena Halvari
Board member


Thorbjørn Holøs
Board member


Christian Rynning-Tønnesen
President and CEO

Statement of Cash Flow
Statkraft AS parent company

NOK million	Note	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		5 811	2 231
Depreciation	10	35	35
Profit from sale of shares		-	53
Write-down of shares	8	1 474	1 399
Cash flow from operating activities		7 320	3 718
Changes in long-term items		-938	-1 095
Changes in other short-term items		-2 519	2 728
Net cash flow from operating activities	A	3 863	5 351
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	10	-69	-32
Investments in and proceeds from sale of other companies		-6 982	-3 887
Net cash flow from investing activities	B	-7 051	-3 918
CASH FLOW FROM FINANCING ACTIVITIES			
New debt		8 424	250
Repayment of debt		-4 310	-4 099
Dividend and Group contribution paid		-3 985	-9 120
Net cash flow from financing activities	C	129	-12 969
Net change in cash and cash equivalents	A+B+C	-3 059	-11 536
Cash and cash equivalents 01.01	14	6 061	17 597
Cash and cash equivalents 31.12	14	3 002	6 061

Notes
Statkraft AS parent company

Index of notes to the Company Financial Statements

Note 1	Significant accounting policies	Note 13	Receivables
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Note 4	Operating revenues	Note 16	Provisions
Note 5	Payroll costs and number of full-time equivalents	Note 17	Interest-bearing long-term liabilities
Note 6	Pensions	Note 18	Current interest-bearing liabilities
Note 7	Other operating expenses	Note 19	Other interest-free liabilities
Note 8	Financial income and expenses	Note 20	Derivatives
Note 9	Taxes	Note 21	Fees paid to external auditors
Note 10	Property, plant and equipment	Note 22	Obligations and guarantees
Note 11	Shares in subsidiaries and associates	Note 23	Related parties
Note 12	Other non-current financial assets		

Note 1 Significant accounting policies

The annual accounts for Statkraft AS have been prepared in accordance with the Accounting Act and generally accepted accounting principles in Norway (GRS).

VALUATION AND CLASSIFICATION PRINCIPLES

Uncertainties in estimates The accounts are based on assumptions and estimates that affect the book value of assets, liabilities, incomes and costs. The best estimate at the time when the accounts are rendered form the basis, but the actual figures may deviate from the original estimates.

Principles for recognition of income and costs Recognition of revenues from sale of goods and services takes place when earned, while recognition of costs takes place in accordance with the accrual principle. Dividend and group contribution from subsidiaries are recorded as income in the earning year, while dividend from other companies is recognised as income in accordance with the cash basis of accounting. Gains/losses from sale of ordinary fixed assets are treated as operating revenues or expenses.

Pension costs The pension schemes for Statkraft AS are defined benefit schemes. The net pension cost for the period is included under salaries and other payroll costs, and comprises the total of the pension benefits accrued during the period, the interest on the estimated liability and the projected yield from the pension fund assets. The effect of changes to the schemes that have retroactive effect, i.e. where the earning of the entitlement is not dependent on further service, is recognised directly in the income statement. Changes to the schemes that are not issued with retroactive effect are accrued over the remaining service time. Estimate deviations are recognised directly against equity.

Net pension fund assets for overfunded schemes are classified as non-current assets and recognised in the balance sheet at fair value. Net pension liabilities for underfunded schemes are classified as provision for liabilities under long-term debt.

Taxes Statkraft AS is subject to tax on profits that is calculated in accordance with ordinary tax rules. The tax charge in the income statement comprises taxes payable and changes in deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward. Deferred tax assets are only recognised in the balance sheet to the extent that it is probable that the assets will be realised in the future. Tax related to equity transactions is recognised in equity.

Classification and valuation of assets and debt Assets intended for lasting ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables that will be repaid within 12 months are classified as current assets. Corresponding criteria are used in the classification of short-term and long-term liabilities.

Fixed assets are evaluated at acquisition cost, but are impaired to fair value when the reduction in value is not expected to be transitory. Impairments are reversed when the basis for the impairment no longer exists. Fixed assets with limited useful economic life are depreciated according to schedule. Long-term loans are recognised in the balance sheet at nominal value, corrected for any unamortised early redemption penalty or discount. Current assets are evaluated at the lowest of acquisition cost and fair value. Short-term loans are recognised in the balance sheet at nominal received amount at the time of establishment.

Intangible assets Costs relating to intangible assets are recognised in the balance sheet at historic cost provided that the requirements for doing so have been met. Intangible assets with a limited useful economic life are depreciated according to schedule.

Property, plant and equipment Property, plant and equipment are recognised in the balance sheet and depreciated in a straight line from the time the property, plant or equipment starts regular operations. The acquisition cost consists solely of directly attributable costs. Indirect administration costs are excluded when recognising own hours in the balance sheet.

Investment in subsidiaries and associated companies Subsidiaries are companies where the Group has controlling influence over financial and operational principles. Controlling influence is normally achieved when the company owns more than 50 per cent of the voting shares. The investment is evaluated at acquisition cost for the shares unless impairment has been necessary. Impairment to fair value is made when the reduction in value is due to reasons that cannot be considered transitory. Impairments are reversed when the basis for the impairment no longer exists. Dividend and other disbursements received are recognised as income in the same year that the subsidiary allocated it. If the dividend exceeds the share of retained profits after the purchase, the excess part represents repayment of invested capital and the disbursements received are deducted from the value of the investment in the balance sheet. Associated companies are companies where Statkraft AS has significant influence. Significant influence is normally deemed to exist where the company owns or controls 20 to 50 per cent of the voting shares. Joint ventures are where Statkraft shares control of a company together with another party.

Long-term share investments and shareholdings All long-term investments are treated in accordance with the cost method in company accounts. Dividend received is treated as financial income.

Receivables Accounts receivables and other receivables are recognised at nominal value after the deduction of expected loss. Loss allocations are made on the basis of individual evaluations of each receivable.

Short-term financial investments Shares, bonds, certificates, etc. are classified as current assets and evaluated at market value.

Cash and cash equivalents The item cash and cash equivalents also includes certificates and bonds with short residual terms. Market settlements for derivatives connected with financial activities (cash collateral) are recognised in the balance sheet.

Doubtful commitments Doubtful commitments are recognised if settlement is more likely than not. Best estimates are used when calculating settlement value.

Long-term debt Borrowing costs and early redemption penalty or discount are recognised in accordance with the effective interest rate method (amortised cost) for fixed interest debt.

FINANCIAL DERIVATIVES AND HEDGING

The accounting treatment of financial instruments follows the intention behind entering into of agreements. Upon entering into the agreement, it is either defined as a hedging transaction or a trading transaction. Classification of derivatives is performed in accordance with the general guidelines for such classification, with the exception of some derivatives that are hedging instruments in hedge accounting, where the derivatives are presented together with the hedging item.

Interest rate derivatives Statkraft uses interest rate derivatives to hedge against large fluctuations in interest rates. Recognition of gains and losses depends on whether the interest rate derivative has been classified as a hedging instrument and, if applicable, the type of hedging. Interest rate derivatives that are not hedging instruments are recorded at the lowest market value. Unrealised losses or gains are included in the financial result. Interest rate derivatives that are defined as hedging instruments are accrued in the same way as interest on hedged debts or receivables. Interest rate derivatives are classified as long-term fixed assets or long-term financial liabilities if the remaining term is longer than one year.

Note 1 continued

Gains and losses are recognised in the income statement when settling loans before maturity. Interest rate derivatives in connection with loans that have been repaid are normally cancelled. Gains and losses from cancelled interest rate swaps are accrued together with underlying loans.

Currency derivatives In order to hedge against fluctuations in the foreign currency rates, Statkraft uses currency derivatives in line with approved financial policy. Recognition of gains and losses depends on whether the currency derivative has been classified as a hedging instrument and, if applicable, the type of hedging. Currency derivatives which are not hedging instruments are valued at fair value. Changes in value are recorded in the income statement as financial income or financial costs.

Hedging The accounting treatment of financial derivatives designated as hedging instruments is recorded in line with the principles for the hedging types asset hedging and cash flow hedging. In the event of hedging of assets or liabilities in the balance sheet, the derivative

is recognised at fair value. The book value of the hedged asset or liability is adjusted for the value of the financial derivative's change in value which is related to hedged risk. When hedging future cash flows, the unrealised gains and losses of the hedging instruments are not recorded in the balance sheet.

Currency Money items denominated in foreign currency are evaluated at the exchange rate on the balance sheet date. Realised and unrealised currency effects are presented net in the financial statements as financial income or financial expense. Transactions denominated in foreign currency are converted using the transaction date exchange rate.

Cash flow statement principles The cash flow statement has been prepared using the indirect method. The statement starts with the company's result for the year in order to show cash flow generated by regular operating activities, investments and financing activities respectively.

Note 2 Market risk

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY

Risk management is about assuming the right risk based on the Group's ability and willingness to take risks, expertise, solidity and development plans. The purpose of the risk management is to identify threats and opportunities for the Group, and to manage the risk towards an acceptable level to provide reasonable surety for achieving the Group's objectives. The central treasury function in Statkraft AS coordinates and manages the financial risks relating to currency, interest rate and liquidity of the Group. In the following there will be explained in more detail how these are managed.

FOREIGN EXCHANGE AND INTEREST RATE RISK

Statkraft uses interest rate and foreign currency instruments in its management of the company's interest rate and foreign exchange exposure. Interest rate and currency swaps and forward exchange rate contracts are used to achieve the desired currency and interest rate structure for the company's loan portfolio. Forward exchange rate contracts are also used to hedge cash flows denominated in foreign currency.

Foreign exchange risk Statkraft incurs currency risk in the form of transaction risk mainly in connection with energy sales revenues, investments and dividend from subsidiaries and associates in foreign currency. Balance sheet risk is related to shareholdings in foreign subsidiaries.

Statkraft hedges its currency exposure related to cash flows from energy sales of physical contracts and financial trading on energy exchanges, investments, dividends and other currency exposures in accordance with the company's financial strategy. Exposure hedging is achieved by using financial derivatives and loans in foreign currencies as hedging instruments. Few of the hedging relationships fulfil the requirements of hedge accounting.

Interest rate risk Most of Statkraft's interest rate risk exposure relates to the loan portfolio. An interest rate management framework has been established based on a mix between fixed and floating interest rates. The objective is to ensure that most of the loan portfolio is exposed to floating interest rates, but that up to 50% of the loan portfolio can be exposed to fixed interest rates. As a rule fixed interest

rates shall apply for a period of more than five years. The strategy for managing interest rate risk has been established based on an objective of achieving the most cost-efficient financing, coupled with the aim of a certain stability and predictability in finance costs. A management framework has also been established to limit the interest rate exposure in currencies other than NOK. The currency positions that are to be entered into are assessed on an ongoing basis, given the market conditions observed for the currency and the overall exposure that exists for that currency.

LIQUIDITY RISK

Statkraft assumes a liquidity risk because the term of its financial obligations is not matched to the cash flows generated by its assets. Statkraft has good borrowing opportunities from the Norwegian and international money markets and in the banking market. Drawdown facilities have been established to secure access to short-term financing.

The finance department prepares the liquidity forecasts, which are important for daily liquidity management and for planning future financing requirements. The liquidity reserve is a tool for the finance department's risk management and functions as a buffer in relation to the liquidity forecast.

CREDIT RISK

Credit risk is the risk of a party to a financial instrument inflicting a financial loss on the other party by not fulfilling its obligations. Statkraft assumes counterparty risk in connection with energy trading and physical sales, when placing surplus liquidity and when trading in financial instruments.

Placement of surplus liquidity is mainly divided among institutions rated A- or better. There are established exposure limits with individual counterparties which is used for short-term placement.

In the case of financial derivatives, the credit risk for most counterparties and derivatives is reduced by the provision of security in the form of cash collateral. Cash collateral is settled on a weekly basis and will therefore not always be settled on 31 December. There could therefore be an outstanding credit risk at the year-end.

Note 3 Market and liquidity risk analysis

Specification of loans by currency

NOK million	2012	2011
Loans in NOK	15 533	14 042
Loans in SEK	2 569	2 610
Loans in EUR	15 353	14 678
Interest rate swaps	1 043	740
Total	34 498	32 070

The specification includes long-term interest-bearing liabilities, as well as the first-year instalment on liabilities and certificate loans included within current interest-bearing liabilities.

Nominal average interest rate, NOK	4.50%	4.60%
Nominal average interest rate, SEK	2.50%	2.90%
Nominal average interest rate, EUR	3.60%	3.90%

Fixed interest rate loan portfolio

NOK million	Future interest rate adjustments				Total
	2013	1–3 years	3–5 years	5 years and later	
Loans in NOK	8 606	133	2 584	4 210	15 533
Loans in SEK	2 569	-	-	-	2 569
Loans in EUR	10 287	-5	354	4 717	15 353
Interest rate swaps	1 043	-	-	-	1 043
Total	22 505	128	2 938	8 927	34 498

The specification includes long-term interest-bearing liabilities, as well as the first-year instalment on liabilities and certificate loans included within current interest-bearing liabilities.

Repayment schedule

NOK million	2013	2014	2015	2016	2017	After 2017	Total
Loan from Statkraft SF (back-to-back agreement)	-	-	-	-	-	400	400
Bond loans in the Norwegian market	-	3 989	2 147	4 283	-	2 500	12 919
Other loans raised in non-Norwegian markets	2 204	-	3 668	-	4 841	8 758	19 471
Certificate loans in the Norwegian market	700	-	-	-	-	-	700
Interest rate swaps and combined interest rate and currency swaps	-31	9	60	96	131	743	1 008
Total	2 873	3 998	5 875	4 379	4 972	12 401	34 498

The specification includes long-term interest-bearing liabilities, as well as the first-year instalment on liabilities and certificate loans included within current interest-bearing liabilities.

Note 4 Operating revenues

Operating revenues mainly consist of intra-group service revenues, including property rental revenues.

Note 5 Payroll costs and number of full-time equivalents

NOK million	2012	2011
Salaries	261	251
Employers' national insurance contribution	45	42
Pension costs	105	82
Other benefits	19	25
Total	430	400

The parent company employed an average of 298 full-time equivalents in 2012. The corresponding figure for 2011 was 296. Pension costs are described in further details in Note 6. For information about salaries and payroll costs for the corporate management and the board of directors, see Note 39 in the Group accounts.

Note 6 Pensions

Group pension schemes

The company is obliged to operate an occupational pension scheme under the Norwegian Act on Mandatory Occupational Pension Schemes. Statkraft AS operates an occupational scheme for its employees through the Norwegian Public Service Pension Fund (SPK) which meets these requirements. The benefits are retirement, disability, surviving spouse and child's pensions. For individuals qualifying for the full entitlement, the scheme provides retirement and disability pension benefits amounting to 66% of pensionable income, up to a maximum of 12 times the National Insurance Scheme's basic amount (G). The company's employees are also entitled to retire early under the early retirement (AFP) scheme from the age of 62. Pension benefits from the SPK are guaranteed by the Norwegian state (Section 1 of the Pension Act).

Statkraft pays an annual premium to the SPK and is responsible for the financing of the scheme. The SPK scheme is, however, not asset-based. Management of the pension fund assets (fictitious assets) is therefore simulated as though the assets were invested in long-term government bonds. In this simulation it is assumed that the bonds are held to maturity.

Unfunded pension liabilities

Statkraft has in addition to the above schemes entered into agreements that provide employees whose pensionable income exceeds 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G. These pensions are funded out of the company's operations. Due to new guidelines for companies owned by the Norwegian state, as stated by the Government 31 March 2011, the agreement is currently being revised.

Note 6 continued

Breakdown of pension costs for the period

NOK million	2012	2011
Present value of accrued pension entitlements for the year	80	63
Amortisation scheme change	-	-
Interest costs on pension liabilities	23	21
Projected yield on pension assets	-6	-8
Contribution from employees	-4	-4
Employer tax	13	10
Net pension costs	105	82

Reconciliation of pension liabilities and pension fund assets

NOK million	2012	2011
Present value of accrued pension entitlements for funded defined benefit schemes	464	536
Fair value of pension assets	273	240
Actual net pension liability for funded defined benefit schemes	191	296
Present value of accrued pension entitlements for unfunded defined benefit schemes	243	285
Employers' national insurance contribution	61	82
Net pension liabilities	495	663

Movement in estimate deviations recognised directly in equity

NOK million	2012	2011
Cumulative amount recognised directly in equity before tax 01.01	331	125
Estimate deviations recognised in equity during the year	-237	206
Cumulative amount recognised directly in equity before tax 31.12	94	331
Of which recognised against equity	68	238
Of which recognised in deferred tax	26	93

Economic assumptions	31.12.2012	01.01.2012	31.12.2011
Discount rate	3.80%	2.80%	2.80%
Salary adjustment	3.75%	4.00%	4.00%
Adjustment of current pensions	2.75%	3.00%	3.00%
Adjustment of National Insurance Scheme's basic amount (G)	3.50%	3.75%	3.75%
Projected yield on fund assets	3.80%	2.80%	2.80%
Forecast annual exit			
– Up to age 45	3.50%	3.50%	3.50%
– Between ages 45 and 60	0.50%	0.50%	0.50%
– Over age 60	0.00%	0.00%	0.00%
Rate of inflation	1.75%	2.00%	2.00%
Tendency to take early retirement (AFP)	10.00%	10.00%	10.00%

The actuarial calculations are based on demographic assumptions ordinarily used in calculating life insurance and pensions. Closing pension liabilities and estimate deviations as of 31 December 2012 are calculated on the basis of updated mortality (K2005) and disability tariffs (IR73).

The discount rate is set at 3.80% for Norwegian pension schemes and is based on high quality corporate bonds (OMF). This is a change from previous years where government bonds have been the base for setting the discount rate.

Assumptions as of 31 December are used to calculate the net pension liability at the end of the year, while assumptions as of 1 January are used to calculate the pension costs for the year.

Note 7 Other operating expenses

NOK million	2012	2011
Materials	13	15
Purchase of third-party services	442	389
Other operating expenses	330	120
Total	785	524

Note 8 Financial income and expense

Financial income

NOK million	2012	2011
Interest income	191	495
Other financial income	73	40
Total	263	536

Financial expense

NOK million	2012	2011
Interest expenses	-1 563	-1 748
Other financial expenses	-15	-17
Total	-1 578	-1 764

Net realised and unrealised securities

NOK million	2012	2011
Dividend	7 092	5 337
Impairment	-1 474	-1 377
Gains and losses on securities, realised and unrealised	-22	43
Total	5 597	4 003

Net realised and unrealised currency and derivatives

NOK million	2012	2011
Currency gains and losses, realised	284	361
Currency gains and losses, unrealised	2 343	-77
Gains and losses derivatives, realised	-11	-107
Gains and losses derivatives, unrealised ¹⁾	-315	-273
Total	2 300	-96

¹⁾ Includes NOK 6 million in gains of ineffective hedging (see Note 20).

Net financial items	6 583	2 679
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Note 9 Taxes

The tax expense comprises the following

NOK million	2012	2011
Income tax	-	480
Correction previous years	-11	-
Change in deferred tax	734	-86
Total tax expense in the income statement	723	394

Income tax payable

NOK million	2012	2011
Income taxes payable on the profit for the year	-	480
Effect of Group contributions on tax liability	-	-
Income tax payable	-	480

Reconciliation of nominal tax rate and effective tax rate

NOK million	2012	2011
Profit before tax	5 811	2 231
Expected tax expense at a nominal rate of 28%	1 627	625

Effect on taxes of:

Tax-free income	-1 337	-678
Changes concerning previous years	6	-
Write-down of shares	412	386
Other permanent differences, net	15	61
Tax expense	723	394
Effective tax rate	12%	18%

Breakdown deferred tax

The following table provides a breakdown of the net deferred tax liability. Deferred tax assets are recognised in the balance sheet to the extent that it is probable that these will be utilised.

NOK million	2012	2011
Current assets/current liabilities	-657	339
Derivatives	1 671	-415
Other long-term items	2 228	629
Property, plant and equipment	-41	-47
Pension commitments	-496	-663
Total temporary differences and tax loss carry forwards	2 705	-157
Total deferred tax (+)/deferred tax asset (-)	757	-44
Applied tax rate	28%	28%

Deferred tax (+)/deferred tax asset (-) as of 01.01	-44	101
Recognised in tax expense	734	-86
Recognised directly in equity	66	-59
Deferred tax (+)/deferred tax asset (-) as of 31.12	757	-44

Note 10 Property, plant and equipment

NOK million	Operating equipment and fixtures and fittings	Facilities under construction	Total
Cost 01.01	445	1	447
Additions	26	43	69
Reduction	-181	-	-181
Transferred from facilities under construction	-	-	-
Cost 31.12	291	44	335
Accumulated depreciation and impairments 31.12	-183	-	-183
Book value 31.12	107	44	151
Depreciation for the year	-35	-	-35
Depreciation time	3–8 years		

Note 11 Shares in subsidiaries and associates

NOK million	Registered office	Shareholding and voting share	Book value
Shares in subsidiaries			
Bio Varne AS	Oslo	100.00%	98
Renewable Energies and Photovoltaics Spain S.L.	Malaga	70.00%	4
Småkraft AS ¹⁾	Bergen	40.00%	312
Statkraft Vind AB	Stockholm	100.00%	151
Statkraft Albania Shpk.	Tirana	100.00%	12
Statkraft Carbon Invest AS	Oslo	100.00%	4
Statkraft Development AS	Oslo	100.00%	366
Statkraft Elektrik Ltd.	Istanbul	100.00%	11
Statkraft Energi AS	Oslo	100.00%	13 573
Statkraft Enerji A.S.	Istanbul	100.00%	2 339
Statkraft Financial Energy AB	Stockholm	100.00%	1
Statkraft Forsikring AS	Oslo	100.00%	80
Statkraft France SAS	Lyon	100.00%	126
Statkraft Germany GmbH	Düsseldorf	100.00%	3 724
Statkraft Industrial Holding AS	Oslo	100.00%	10 440
Statkraft Leasing AB	Stockholm	100.00%	182
Statkraft Norfund Power Invest AS	Oslo	60.00%	6 300
Statkraft SCA Vind AB	Stockholm	60.00%	11
Statkraft Suomi Oy	Kotka	100.00%	911
Statkraft Sverige AB	Stockholm	100.00%	6 053
Statkraft Södra Vindkraft AB	Stockholm	90.10%	238
Statkraft Treasury Centre GBP SA	Brussels	100.00%	-
Statkraft Treasury Centre NOK SA	Brussels	100.00%	-
Statkraft Treasury Centre SA	Brussels	100.00%	55 525
Statkraft Treasury Centre SEK SA	Brussels	100.00%	1
Statkraft UK Ltd.	London	100.00%	2 400
Statkraft Värme AB	Kungsbacka	100.00%	642
Statkraft Western Balkans d.o.o.	Beograd	100.00%	28
Södra Statkraft Vindkraft Utveckling AB	Stockholm	90.10%	1
Total subsidiaries			103 533
Associates and joint ventures			
Devoll Hydropower SHA	Tirana	50.00%	197
HPC Ammerån AB	Stockholm	50.00%	-
HPC Byske AB	Stockholm	50.00%	-
HPC Edsox AB	Stockholm	50.00%	-
HPC Røan AB	Stockholm	50.00%	-
Naturkraft AS	Tysvær	50.00%	76
Statkraft Agder Energi Vind DA ²⁾	Kristiansand	62.00%	241
Total associates and joint ventures			514
Total			104 047

¹⁾ Småkraft AS is owned 20.00% by Statkraft Kraft AS, Agder Energi As og Bergenhalvøens Kommunale Kraftselskap AS. Statkraft AS owns 40.00% directly.

²⁾ A shareholder's agreement indicates joint control in Statkraft Agder Energi Vind DA.

Note 12 Other non-current financial assets

NOK million	2012	2011
Loans to Group companies	12	10
Other shares and loans	76	95
Total	88	105

Note 13 Receivables

NOK million	2012	2011
Customer receivables	-	9
Interest-bearing restricted funds related to cash collateral (see Note 14)	291	396
Other receivables	84	92
Group cash pooling receivable	1 364	559
Short-term receivables from group companies	7 345	5 548
Total	9 085	6 604

As of 31 December 2012, no need to recognise a provision for bad debts had been identified.
Short-term receivables from Group companies comprise dividends and group contribution from subsidiaries, as well as intra-group receivables.

Note 14 Cash and cash equivalents

NOK million	2012	2011
Cash and cash deposits	2 263	3 862
Certificates and promissory notes	739	2 199
Total	3 002	6 061

Cash collateral

Cash collateral is payments to/from counterparties as security for the net unrealized gains and losses that Statkraft has on interest rate swaps, combined interest rate and currency swaps and forward exchange contracts. The table below shows net payments at year end from counterparties, who will eventually be paid back. See notes 13 and 18.

NOK million	2012	2011
Cash collateral for financial derivatives	2 666	934

Statkraft has long-term committed drawing facilities of up to NOK 12 000 million and a bank overdraft of up to NOK 1000 million. Neither had been used as of 31 December 2012.

Note 15 Equity, shares and shareholder information

NOK million	Paid-in capital			Retained earnings	Total equity
	Share capital	Share premium account	Other paid-in capital		
Equity as of 31.12.10	30 000	15 553	16	14 958	60 527
Profit for 2011	-	-	-	1 838	1 838
Estimate deviation pensions	-	-	-	-148	-148
Group contribution	-	-	-	-4 900	-4 900
Equity as of 31.12.11	30 000	15 553	16	11 748	57 318
Profit for 2012	-	-	-	5 088	5 088
Estimate deviation pensions	-	-	-	171	171
Dividends	-	-	-	-4 000	-4 000
Equity as of 31.12.12	30 000	15 553	16	13 007	58 576

The company has a share capital of NOK 30 billion, divided into 200 million shares with a par value of NOK 150.
All shares are owned by Statkraft SF.

Note 16 Provisions

NOK million	2012	2011
Pension liabilities	495	663
Other provisions	90	102
Total	585	765

Pension liabilities are described in further detail in Note 6.

Note 17 Interest-bearing long-term liabilities

NOK million	2012	2011
Loan from Statkraft SF (back-to-back agreement)	400	400
Bond loans in the Norwegian market	12 919	12 907
Other loans raised in non-Norwegian markets	17 267	14 383
Other loans	63	740
Total	30 649	28 430

Note 18 Current interest-bearing liabilities

NOK million	2012	2011
First year's instalment of liabilities	2 204	2 900
Group cash pooling liability	14 778	13 937
Certificate loans	700	-
Cash collateral (see Note 14)	2 957	1 330
Current liabilities to Group companies	-	405
Total	20 639	18 572

Note 19 Other interest-free liabilities

NOK million	2012	2011
Other interest-free liabilities	348	455
Tax withholding and employers' national insurance contribution owed	26	25
Current liabilities to Group companies	5 575	5 043
Total	5 950	5 523

Current liabilities to Group companies primarily comprise the Group contribution to the parent company Statkraft SF amounting to NOK 4000 million. In 2011 the amount was NOK 4900 million.

Note 20 Derivatives

Statkraft trades in financial derivatives for different purposes. Accounts will depend on the purpose as described in the accounting policies note.

Currency and interest rate agreements

Accounting values and real economic values of currency and interest rate derivatives:

	31.12.2012		31.12.2011	
	Carrying	Fair	Carrying	Fair
NOK million	value	value ¹⁾	value	value ¹⁾
Derivatives – non-current assets				
Currency and interest rate agreements				
Interest rate swaps	-	1 935	-	1 563
Forward exchange rate contracts	2 075	2 075	524	524
Combined interest rate and currency swaps	-	-	-	-
Total	2 075	4 010	524	2 087

Derivatives – current assets

NOK million				
Currency and interest rate derivatives				
Interest rate swaps	-	2	-	2
Forward exchange rate contracts	563	563	299	299
Combined interest rate and currency swaps	39	39	-	-
Total	602	604	299	301

Derivatives – Long-term liabilities

NOK million				
Currency and interest rate derivatives				
Interest rate swaps	973	973	740	740
Forward exchange rate contracts	814	814	171	171
Combined interest rate and currency swaps	-	-	-	-
Total	1 787	1 787	911	911

Derivatives – current liabilities

NOK million				
Currency and interest rate derivatives				
Interest rate swaps	6	6	-	-
Forward exchange rate contracts	95	95	295	295
Combined interest rate and currency swaps	5	5	-	-
Total	106	106	295	295

¹⁾ Real economic values don't include accrued interest

Fair value of interest rate swaps, aswell interest rate and currency swaps are determined by discounting the expected future cash flows to present value using available market interest and exchange rates quoted by the ECB. Valuation of forward exchange contracts are based on quoted exchange rates, which forward exchange rates are derived. Estimated present reasonably considered to calculations made by the counter-parties to the contracts.

The interest rate swaps, including interest portion of interest rate and currency swaps, works as part of managing risk and are accounted for as hedging or to the lowest value principle, depending on whether the requirements for hedge accounting is achieved. The fair value of interest rate swaps designated as hedging (fair value) is of NOK -9 million at 31.12.2012, while the interest rate swaps at the lower value principle is at NOK -981 million. Ineffectiveness on fair value hedges are recorded of NOK 6 million in net profit in 2012. The hedges expire in 2013-2022. The fair value of derivatives in cash flow hedges is not recognized, and is NOK -22 million (-NOK 22 million).

Note 21 Fees paid to external auditors

Deloitte AS is the Statkraft Group's auditor. The total fees paid for auditing and other services for Statkraft AS (excluding VAT) for 2012 were as follows:

NOK thousand	2012	2011
Statutory auditing	2 938	2 010
Other certification services	181	109
Tax consultancy services	164	111
Other services	1 043	1 215
Total	4 326	3 445

Changes in fees for audit related primarily to accounting technical assistance related to the new principles and assessments by Statkraft. Fees for other services mainly relates to the attestation of the Corporate Responsible Statement.

Note 22 Obligations and guarantees

Statkraft AS has off-balance-sheet obligations and guarantees totalling NOK 15 486 million. Of this, an amount of NOK 14 292 million relates to parent company guarantees.

Statkraft leases an office building at Lilleakerveien 6 in Oslo. The lessor is Mustad Eiendom AS. Due to rental of new building (at Lilleakerveien 4), the agreement has been renewed with 5 years to a total of 15 years from 1 January 2013, with an option to renew for a further ten years. The annual rent totals NOK 86 million.

Note 23 Related parties

The Company's related parties are considered to be:

- Subsidiaries owned directly, see specification in Note 11
- Other group companies, see specification in Note 42 to the Consolidated Financial Statements
- The parent company of the Group, Statkraft SF
- Associated companies, see specification in Note 11
- Executive Management and the Board of Directors, see specification in Note 39 to the Consolidated Financial Statements

Transactions with subsidiaries and associated companies relate mainly to the following:

- Statkraft AS Group delivers services group-internally from centralised service centers
- Through Statkraft AS' own interests accrued dividends and group contributions
- Statkraft AS is also the borrower for the majority of the Group's external borrowings and is the owner of the cashpooling facilities. The central treasury Statkraft AS coordinates and manages the financial risks relating to currency, interest rate and liquidity of the Group

All intra-group transactions are conducted at market terms.

Transactions with group companies are shown in the table below:

NOK thousand	2012	2011
Operating revenues	472	508
Other operating expenses	182	-12
Interest income from group companies	67	101
Interest expense to group companies	393	365
Dividend and group contribution from group companies	7 092	5 337

Intercompany balances stated specifications in Note 12, 13, 17, 18 and 19. Guarantees related to subsidiaries are listed in Note 22. NOK 240 million of the current and non-current asset derivatives are derivatives intered into on behalf of group companies. Similarly constitute NOK 205 million of the short-term and long-term liability derivatives, derivatives entered into on behalf of other group companies.



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To the Annual Shareholders' Meeting of Statkraft AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Statkraft AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2012, the income statement and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet as at 31 December 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the President and CEO's Responsibility for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as The Board of Directors and the President and CEO determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report to the Annual
Shareholders' Meeting of Statkraft AS

Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Statkraft AS as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Statkraft AS as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the allocation of the profit

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and that the proposal for the allocation of the profit complies with the law and regulations and that the information is consistent with the financial statements.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 13 March 2013
Deloitte AS

Ingebret G. Hisdal
State Authorised Public Accountant (Norway)

Corporate Responsibility Statement



Power generation and district heating production

Installed capacity per technology and geography (MW)				
	Unit of measurement	2012	2011	2010
Installed capacity	MW	16 967	16 430	16 010
Of which hydropower	MW	13 522	13 249	12 969
Of which small-scale hydropower ^b	MW	117	94	79
Of which wind power ^c	MW	528	321	304
Of which gas power ^c	MW	2 178	2 178	2 178
Of which bio power	MW	29	16	16
Of which district heating	MW	710	666	544
Installed capacity per geography				
Norway	MW	11 811	11 556	11 334
Other Nordic countries	MW	1 573	1 575	1 547
Other European countries	MW	2 446	2 288	2 308
Rest of the world	MW	1 138	1 010	822

Installed capacity ^a per technology and geography (%)				
	Unit of measurement	2012	2011	2010
Installed capacity per technology				
Hydropower	%	79.7	80.6	81.0
Wind power ^c	%	3.1	2.0	1.9
Gas power ^c	%	12.8	13.3	13.6
Bio power	%	0.2	0.1	0.1
District heating	%	4.2	4.1	3.4
Installed capacity per geography				
Norway	%	69.6	70.3	70.8
Other Nordic countries	%	9.3	9.6	9.7
Other European countries	%	14.4	13.9	14.4
Rest of the world	%	6.7	6.1	5.1

Capacity under development ^{a, d} per technology and geography (MW)				
	Unit of measurement	2012	2011	2010
Capacity under development	MW	1 792	1 923	-
Of which hydropower	MW	910	1 037	-
Of which small-scale hydropower ^b	MW	-	28	-
Of which wind power	MW	361	344	-
Of which gas power ^c	MW	430	430	-
Of which district heating	MW	91	112	-
Capacity under development per geography				
Norway	MW	236	176	-
Other Nordic countries	MW	296	209	-
Other European countries	MW	1 158	1 357	-
Rest of the world	MW	101	181	-

Capacity under development ^{a, d} per technology and geography (%)				
	Unit of measurement	2012	2011	2010
Capacity under development per technology				
Hydropower	%	50.8	53.9	-
Wind power	%	20.1	17.9	-
Gas power ^c	%	24.0	22.4	-
District heating	%	5.1	5.8	-
Capacity under development per geography				
Norway	%	13.2	9.1	-
Other Nordic countries	%	16.5	10.9	-
Other European countries	%	64.6	70.6	-
Rest of the world	%	5.6	9.4	-

Power generation and district heating production ^a per technology and geography (TWh)				
	Unit of measurement	2012	2011	2010
Power generation	TWh	60.0	51.5	57.4
Of which hydropower	TWh	57.6	46.0	50.1
Of which small-scale hydropower ^b	TWh	0.3	0.3	0.1
Of which wind power	TWh	0.8	0.8	0.6
Of which gas power ^c	TWh	1.5	4.6	6.6
Of which bio power	TWh	0.1	0.1	0.1
District heating	TWh	1.1	0.9	1.1
Renewable production ^a	%	97.2	90.8	88.1
Power generation and district heating production per geography				
Norway	TWh	49.0	39.4	44.7
Other Nordic countries	TWh	7.5	6.4	6.2
Other European countries	TWh	2.1	4.3	5.7
Rest of the world	TWh	2.5	2.3	1.9

Power generation and district heating production ^a per technology and geography (%)				
	Unit of measurement	2012	2011	2010
Power generation and district heating production per technology				
Hydropower	%	94.3	87.8	85.6
Wind power	%	1.3	1.5	1.1
Gas power ^c	%	2.5	8.8	11.3
Bio power	%	0.2	0.2	0.2
District heating	%	1.8	1.7	1.9
Power generation and district heating production per geography				
Norway	%	80.2	75.2	76.4
Other Nordic countries	%	12.3	12.2	10.6
Other European countries	%	3.4	8.2	9.7
Rest of the world	%	4.1	4.4	3.2

Efficiency of thermal plants ^f				
	Unit of measurement	2012	2011	2010
Gas power plants	%	39 - 57	39 - 57	-
District heating plants	%	85 - 90	80 - 100	-
Bio power plants	%	30 - 31	30 - 31	-

^a Includes Statkraft's shareholdings in subsidiaries where Statkraft has a major interest.

^b Installed capacity <10 MW.

^c Includes the jointly controlled Herdecke (Germany), Kårstø (Norway) power plants and Scira (United Kingdom) power plants.

^d Includes projects whith an investment decission.

^e Non-renewable production covers gas power and share of district heating based on fossil fuel.

^f Ratio of net energy output (electricity and heat) against gross energy input. Efficiency is reported per plant.

Climate

Greenhouse gas emissions				
	Unit of measurement	2012	2011	2010
Emissions of CO ₂ equivalents, consolidated activities	Tonnes	483 900	1 161 900	1 693 400
Of which from gas power plants	Tonnes	394 800	1 068 900	1 568 000
Of which from district heating plants ^a	Tonnes	75 600	81 000	115 200
Of which from SF ₆ emissions	Tonnes	600	600	2 200
Of which from halon emissions	Tonnes	0	0	0
Of which from fuel consumption ^b	Tonnes	10 100	8 400	4 300
Of which from business travel ^c	Tonnes	2 800	3 000	3 700
Emissions of CO ₂ equivalents ^d , associated gas power plants	Tonnes	170 700	626 100	-
SF ₆ emissions	kg	26	25	94
Halon emissions	kg	0	0	0

^a Fossil share of emissions.

^b CO₂ from fuel consumption from the Group's equipment and machinery.

^c Comprises air travel and mileage reimbursements for private vehicle use in the Norwegian operations. From 2010 is also car rental included.

^d Statkraft's share.

The GHG-protocol (from the World Business Council for Sustainable Development and World Resources Institute) divides greenhouse gas emissions into three types. Type 1 emissions are direct emissions from own activitites. Type 2 emissions are indirect emissions from purchased electricity and district heating, while Type 3 emissions are other indirect emissions. All the emissions in the table above are Type 1, except for business travel, which falls under Type 3. The electricity consumption in Statkraft is guaranteed renewable, resulting in zero Type 2 emissions. For 2012, the Group's Type 1 emissions totalled 481 100 tonnes, while the Type 3 emissions totalled 2 800 tonnes.

Relative greenhouse gas emissions ^a				
	Unit of measurement	2012	2011	2010
CO ₂ -equivalent emissions per MWh generated, total	kg/MWh	11	34	44
CO ₂ -equivalent emissions per MWh generated, gas power	kg/MWh	377	368	374
CO ₂ -equivalent emissions per MWh generated, district heating	kg/MWh	69	101	105

^a Includes Statkraft's share of production and direct fossil CO2 emissions from the production process. Includes also Statkraft's share of production and emissions of CO2 in the jointly controlled Herdecke (Germany) and Kårstø (Norway) power plants.

Allocated CO ₂ -quotas				
	Unit of measurement	2012	2011	2010
Allocated CO ₂ -quotas, consolidated activities	Tonnes	2 001 000	2 001 000	2 001 000
Of which Norway	Tonnes	19 300	19 300	19 300
Of which other Nordic countries	Tonnes	0	0	0
Of which other European countries	Tonnes	1 981 700	1 981 700	1 981 700
Of which rest of the world	Tonnes	0	0	0
Allocated CO ₂ -quotas, associated activities (Statkraft's share)	Tonnes	643 200	643 200	643 200
Of which Norway	Tonnes	161 700	161 700	161 700
Of which other Nordic countries	Tonnes	0	0	0
Of which other European countries	Tonnes	481 500	481 500	481 500
Of which rest of the world	Tonnes	0	0	0

Interventions on nature and biodiversity

Impacts^a on watercourses

	Unit of measurement	2012 ^c	2011 ^c	2010 ^b
Affected river courses with:				
Anadromous fish	Number	45	45	38
Catadromous fish	Number	1	1	-
Affected national salmon rivers	Number	12	12	12
Affected protected rivers		12	12	12

^a Impact entails change of waterflow, water levels or other living conditions for fish.

^b Include only Norwegian watercourses.

^c SN Power is not included.

Fish cultivation (Norway and Sweden)^a

	Unit of measurement	2012	2011	2010
Restocking of fish and smolt ^b	Number	773 600 ^c	935 000 ^b	872 000 ^b
Planting av rogn	Number	143 00	1 301 000	1 731 000

^a Includes water courses in Norway, Sweden and Wales.

^b Includes salmon, sea trout, inland trout and char.

^c Includes salmon, inland trout, grayling and eel

Red list species^a

	Unit of measurement	2012 ^c	2011 ^b	2010
Red list species in areas where Statkraft has activities	Number	41	40	-

^a Red list species as defined by IUCN (International Union for Conservation of Nature) or national nature protection authorities.

^b Registered red list species includes Skagerak Energi and SN Power.

^c Registered red list species includes the segment Wind Power and the companies Skagerak Energi and SN Power.

Distribution grid and cables

	Unit of measurement	2012	2011 ^a	2010
Overhead lines				
High voltage (≥ 1 kV)	km	3 600	3 400	4 300
Low voltage (< 1 kV)	km	4 200	4 100	4 200
Underground and undersea cables	km	10 700	10 500	10 300
District heating main		373	341	294

^a SN Power is not included.

Energy and resource consumption

Consumption

	Unit of measurement	2012	2011 ^a	2010
Electricity	GWh	2 054	1 150	737
Of which pumped-storage power	GWh	955	885	554
Of which electric boilers for district heating	GWh	948	37	41
Of which other operations	GWh	152	227	142
Of which certified renewable (RECS)	%	100	100	100
Energy loss, transformer stations and power lines	GWh	681	411 ^b	867

Fossil fuel

Natural gas, gas-fired power plants	Million Nm ³	200	519	896
Fuel gas, district heating plants	Tonnes	5 727	6 408	12 161
Fuel oil	Tonnes	3 369	5 430	14 282
Engine fuel ^c	Tonnes	3 542	2 651	1 377

Other fuel

Waste for district heating plants	Tonnes	199 400	199 100	165 500
Waste for bio power plants	Tonnes	283 700	245 900	301 400
Bio fuel	Tonnes	87 800	124 400	154 700

Water ^d	m ³	1 220 400	2 907 600	-
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^a SN Power is not included.

^b Does not include Statkraft's business unit Power Generation.

^c Includes consumption of fuel for own equipment and machinery.

^d Includes process water (cooling water) in gas fired power plants, bio power plants and district heating plants.

Inventories

	Unit of measurement	2012	2011 ^a	2010
PCB in transformer oils and condensers	kg	0	0	28
SF ₆	kg	24 471	29 915	29 636
Halon	kg	2 126	2 126	2 126

^a SN Power is not included.

Statkraft has been temporarily exempted from the requirements to phase out halon as an explosion suppression medium in transformer rooms.

Air pollution

Emissions to air

	Unit of measurement	2012	2011	2010
SO ₂ from district heating plants	Tonnes	25	37	48
NO _x	Tonnes	862	1020	1 803
Of which from gas power plants	Tonnes	228	615	1 473
Of which from district heating plants	Tonnes	344	288	330
Of which from bio power plants	Tonnes	290	117	-

Waste

Waste

	Unit of measurement	2012	2011	2010
Hazardous waste	Tonnes	78 844	96 743	84 257
Of which from waste incineration plants ^a	Tonnes	47 166	64 773	38 014
Of which from bio power plants	Tonnes	31 233	31 681	45 800
Of which other hazardous waste	Tonnes	445	289	443
Other waste	Tonnes	8 243	7 727	9 006
Of which separated waste	Tonnes	5 583	3 895	-
Of which residual non-hazardoues waste	Tonnes	2 660	3 833	-

^a Consists of slag, filter dust and filter cake.

Environmental non-compliance

Environmental incidents and issues

	Unit of measurement	2012	2011	2010
Serious environmental incidents	Number	0	0	0
Less serious environmental incidents	Number	128	185	92
Undesirable environmental conditions	Number	145	166	50

Definitions:

Serious environmental incidents: An incident (something that has occurred) that causes significant negative environmental impact.

Less serious environmental incident: An incident (something that has occured) that does not cause significant environmental impact.

Undesired envionmental situation: A situation discovered (something that has not yet occurred) that poses a high or low risk to the environment and/or the Group's reputation.

Most of the less serious environmental incidents concern short-term breaches of the river management regulations, minor oil spills and non-compliance related to waste management. These incidents had little or no environmental impact.

Penal sanctions, environment

	Unit of measurement	2012	2011	2010
Penal sanctions for non-compliance with environmental legislation	Number	1 ^a	0	0
Fines for non-compliance with environmental legislation	NOK million	0.4	0	0

^a I 2011, Small Scale Hydro (at Skarelva, Narvik) performed soil work outside permitted area. In 2012, Norwegian Water Resources and Energy Directorate issued a fine of 0,4 million NOK.

Contribution to society

Value creation

	Unit of measurement	2012	2011	2010
Gross operating revenues	NOK million	32 331	22 371	29 252
Unrealised changes in the value of energy contracts ^a	NOK million	-	-1 098	193
Paid to suppliers for goods and services ^b	NOK million	18 059	7 493	9 868
Gross value added	NOK million	14 272	13 780	19 577
Depreciation and amortisation	NOK million	4 543	3 564	3 205
Net value added	NOK million	9 729	10 216	16 372
Financial income	NOK million	5 518	2 015	2 060
Unrealised changes in value currency and interest rates ^a	NOK million	-	-4 024	-1 369
Share of profit from associates	NOK million	1 024	898	766
Minority interests	NOK million	230	264	357
Values for distibution	NOK million	16 041	8 841	17 472

^a Unrealised changes are from 2012 included in Gross operating revenues.

^b Includes energy purchases, transmission costs and operating expenses.

Contribution to society continued

Distribution of value created

	Unit of measurement	2012	2011	2010
Employees				
Gross salaries and benefits	NOK million	2 698	2 453	2 092
Lenders/owners				
Interest	NOK million	3 101	1 630	1 607
Dividend ^a	NOK million	2 900	4 288	7 985
Taxes ^b	NOK million	5 801	4 987	6 679
The company				
Change in equity	NOK million	1 541	-4 517	-891
Total wealth distributed		16 041	8 841	17 472

^a Includes dividend and Group contribution from Statkraft AS to Statkraft SF, and minority interest.

^b Includes taxes, property tax, licence fees and employers' contribution.

Taxes^a

	Unit of measurement	2012	2011	2010
Total	NOK million	3 239	3 396	3 458
Of which Norway	NOK million	3 116	2 706	3 016
Of which in other Nordic countries	NOK million	3	424	378
Of which in other European countries	NOK million	61	219	62
Of which in the rest of the world	NOK million	60	47	2

^a Taxes payable in the balance sheet.

Tax contribution^a to Norwegian municipalities

	Unit of measurement	2012	2011	2010
Total	NOK million	1 360.1	1 411.4	1 349.3
Total, the ten municipalities which receive the most	NOK million	679.3	673.3	659.5
Vinje kommune	NOK million	100.6	95.9	96.5
Hemnes kommune	NOK million	91.4	89.9	90.3
Suldal kommune	NOK million	88.9	83.0	86.7
Rana kommune	NOK million	77.1	75.8	77.0
Eidfjord kommune	NOK million	60.7	57.6	56.4
Tokke kommune	NOK million	58.9	55.8	56.5
Meløy kommune	NOK million	58.0	57.0	56.3
Nore og Uvdal kommune	NOK million	49.8	47.4	47.7
Luster kommune	NOK million	49.3	46.9	47.5
Narvik kommune	NOK million	44.8	-	44.5
Odda kommune	NOK million	-	63.9	-
Narvik kommune	NOK million	-	-	44.5

^a Includes property tax, natural resource tax and licence fees paid directly to the local authorities.

Industrial and concessionary power contracts

	Unit of measurement	2012	2011	2010
Statutory-priced industrial contracts				
Volume sold	TWh	-	1.0	7.9
Value lost	NOK million	-	-	-2 643
Concessionary fixed-price contracts				
Volume sold	TWh	2.9	2.9	2.2
Value lost	NOK million	-	-	-978

The value lost on statutory-priced and concessionary fixed-price contracts is defined as the estimated loss on politically determined contracts compared with the spot price.

Support schemes

	Unit of measurement	2012	2011	2010
Sponsorship agreements	NOK million	15.73	27.34	24.23
Donations to associations and organisations	NOK million	6.07	1.61	5.02
The Statkraft Fund ^a	NOK million	-	5.0	5.0
Agreements with voluntary humanitarian organisations	NOK million	1.05	-	-
Agreements with humanitarian organisations		2.35	-	-

^a The Statkraft Fund was faced out in 2012.

Customers and access to electricity

Customers

	Unit of measurement	2012	2011	2010
Retail customers	Number	399 600	408 000	400 000
Distribution grid customers	Number	183 200	181 000	181 000
District heating customers	Number	10 800	12 000	11 000

Statkraft has retail customers in Norway through the activities in Fjordkraft AS, distribution grid customers in Norway through the activities in Skagerak Energi AS and district heating customers in Norway and Sweden through the activities in Skagerak Energi AS and the segment District Heating and Skagerak Energi.

Power outage

	Unit of measurement	2012	2011	2010
Power outage frequency (SAIFI) ^a	Index	2.45	1.14	-
Average power outage duration (SAIDI) ^b	Index	75.04	1.55	-

^a System average interruption frequency index (measured based on IEEE standard).

^b System average interruption duration index (measured based on IEEE standard).

Brand

Reputation Statkraft

	Unit of measurement	2012	2011	2010
Statkraft ^a	Scale, 0 -100	62.7	56.9	71.5
Norwegian companies, average ^b	Scale, 0 -100	67.1	67.3	68.3

^a An annual reputation study that measures overall reputation of Statkraft in the Norwegian public. Source: RepTrak TM 2012 Norway

^b An annual reputation study that measures overall reputation of Norway's 50 largest companies in the Norwegian public. Source: RepTrak TM 2012 Norway

Customer satisfaction^a

	Unit of measurement	2012	2011	2010
Trondheim Kraft	Scale 0-100	69	59	-
Fjordkraft	Scale 0-100	71	66	68

^a Satisfaction score in the annual Norwegian Customer Barometer survey. Source: BI Norwegian School of Management.

Ethics

Whistleblower cases

	Unit of measurement	2012	2011	2010
Whistleblower cases registrered by Statkraft Corporate Audit	Number	0	0	2

Penal sanctions, ethics^a

	Unit of measurement	2012	2011	2010
Penal sanctions for non-compliance with legislation related to ethics	Number	0	0	0
Fines for non-compliance with legislation related to ethics	NOK million	0	0	0

^a Penal sanctions imposed for breaches of laws and regulations related to accounting fraud, price cooperation, corruption and discrimination.

Labour practices

Employees

	Unit of measurement	2012	2011	2010
Employees 31.12	Number	3 615	3 414	3 344
Of which in Norway	Number	2 386	2 288	2 405
Of which in other Nordic countries	Number	197	177	122
Of which in other European countries	Number	625	506	439
Of which in the rest of the world	Number	407	443	378
Full-time employees 31.12	%	97	97	97
Staff turnover rate ^a	%	5.7	6.8	3.9
Service time				
Average service time	Years	10.8	10.7	8.5
Average service time for employees resigned or dismissed	Years	6.6	8.3	-
Apprentices employed 31.12	Number	75	79	79
Trainees employed 31.12	Number	15	22	26
Nationalities represented among Statkraft's employees	Number	48	46	47

^a Excluding retirements.

Labour practices continued

Gender equality	Unit of measurement	2012	2011	2010
Percentage of women				
Total	%	24	23	23
In Norway	%	25	25	25
In other Nordic countries	%	16	15	19
In other European countries	%	21	20	20
In the rest of the world	%	22	20	18
In management positions	%	21	20	22
In Norway	%	24	24	-
In other Nordic countries	%	9	3	-
In other European countries	%	15	15	-
In the rest of the world	%	13	14	-
In the Statkraft Board of Directors	%	14	14	14
In Group management	%	44	44	44
New employees	%	29	23	27
New managers	%	9	16	15
Full-time employees	%	23	20	22
Part-time employees	%	58	69	75

Equal salaries ^a	Unit of measurement	2012	2011	2010
Equal salaries, employees	Ratio	0.88	0.85	0.93 ^b
In Norway	Ratio	0.94	0.92	-
In other Nordic countries	Ratio	0.79	0.95	-
In other European countries	Ratio	0.77	0.76	-
In the rest of the world	Ratio	0.54	0.56	-
Equal salaries, managers	Ratio	0.86	0.90	0.89 ^b
In Norway	Ratio	0.94	0.93	-
In other Nordic countries	Ratio	0.73	0.84	-
In other European countries	Ratio	0.69	0.75	-
In the rest of the world	Ratio	0.43	1.14	-

^a Average salary for women in relation to average for men.

^b Includes only employees in Norway.

Statkraft as employer	Unit of measurement	2012	2011	2010
Organisation and leadership evaluation ^a				
Result	Scale 0-100	73	72	-
Response rate	%	84	83	-
Employees fulfilled the performance and career development review	%	89	81	-
Ranking as preferred employer ^b among				
Business students	Ranking	33	30	17
Technology students	Ranking	7	7	5
Business professionals	Ranking	17	12	14
Technology professionals	Ranking	9	6	9

^a Statkraft's internal annual organisation and leadership evaluation survey. Statkraft's score can be compared with the European Employee Index 2012 and the European Employee Index Norway 2012 results, 63 and 69 respectively.

^b Ranking among final-year students and professionals, as defined and measured in the annual Universum Graduate Survey for Norway and the Universum Professional Survey for Norway respectively.

Variable salary scheme	Unit of measurement	2012	2011 ^b	2010
Collective variable salaries ^a	NOK million	25.0	48.0	51.5
Share of employees included in the scheme	%	86	92	-
Individual variable salaries	NOK million	171.0	20.0	20.8 ^c
Share of employees included in the scheme	%	69	55	-

^a Variable schemes in the various companies, from 2012 the parent company has only individual variable salary

^b Germany and the Netherlands not included.

^c Includes only schemes in the parent company and SN Power.

Health and safety

Fatalities	Unit of measurement	2012	2011	2010
Consolidated operations				
Employees	Number	0	0	0
Contractors	Number	2	1	0
Third party	Number	2	0	0
Associates				
Employees	Number	0	1	0
Contractors	Number	0	3	1
Third party	Number	0	0	4

In 2012, there were four fatalities in Statkraft, of which two were work-related. Both of the work-related fatalities occurred in SN Power's development project Cheves in Peru. In addition, there were two fatal accidents that affected third parties. One person drowned in the intake canal to SN Power's plant La Oroya in Peru, and a driver died in a traffic accident close to Statkraft's development project Cetin in Turkey.

Skader	Unit of measurement	2012	2011	2010
Employees				
Lost-time injuries (LTI) ^a	Number	64	62	23
LTI rate	Lost-time injuries per million hours worked	4.1	4.5	3.4
Total recordable injuries (TRI) ^b	Number	112	137	46
TRI rate	Total recordable injuries per million hours worked	7.1	10.0	6.8
Lost days ^c	Number	1 238	907	216
Lost-days rate	Lost days per million hours worked	79	66	32
Contractors				
Lost-time injuries ^a	Number	74	79	29
LTI rate	Lost-time injuries per million hours worked	3.6	3.4	13.6
Injuries ^b	Number	127	143	35
TRI rate	Total recordable injuries per million hours worked	6.3	6.2	16.4
Lost days ^c	Number	80	228	245
Lost-days rate	Lost days per million hours worked	4	10	115
Third parties				
Injuries ^d	Number	0	0	0

^a Work-related injuries which have resulted in absence extending beyond the day of the injury.

^b Work-related injuries, with and without absence. Includes injuries which resulted in absence, medical treatment or need for alternative work assignments.

^c Number of days of recorded absence due to work-related injuries.

^d Recorded injuries requiring treatment by a doctor.

Data for 2011 and 2012 include activities where Statkraft has > 20 % ownership. Thus, results can not be directly compared with data for 2010 including activities where Statkraft has > 50 % ownership. The reason for the decline in injury rates for contractors from 2010 to 2011 is believed to be both a good injury prevention work and a more complete reporting of the numbers of hours worked.

Hazardous conditions ^a and near-misses ^b	Unit of measurement	2012	2011	2010
Hazardous conditions	Number	8 239	6 125	4 853
Near-misses	Number	363	365	114
Unwanted occurrences ^c index	Frequency ^d	0.39	-	-

^a Recorded matters involving personal safety risk.

^b Recorded unforeseen incidents that could have resulted in personal injuries.

^c The sum of hazardous conditions and near-misses.

^d Number of unwanted occurrences per year, and employees and contractors.

Data for 2011 and 2012 include activities where Statkraft has > 20 % ownership. Thus, results can not be directly compared with data for 2010 including activities where Statkraft has > 50 % ownership.

Sickness absence	Unit of measurement	2012	2011	2010
Sickness absence, total	%	3.1	3.4	3.4
Of which short-term absence (16 days or less)	%	1.4	1.5	1.8
Of which long-term absence (more than 16 days)	%	1.7	1.9	1.6

Penal sanctions, health and safety	Unit of measurement	2012	2011	2010
Penal sanctions for non-compliance with health and safety legislation	Number	0	0	0
Fines for non-compliance with health and safety legislation	NOK Million	0	0	0



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To the management of Statkraft AS
Independent Auditor's Report on the Statkraft Corporate Responsibility Report 2012

We have reviewed certain aspects of Statkraft Corporate Responsibility Report 2012 ("the Report") and related management systems and procedures. The Report is part of the Statkraft Annual Report 2012 on the Internet (www.annualreport2012.statkraft.com). The Report includes the Corporate Responsibility Statement published also in the printed Statkraft Annual Report 2012. The Report is the responsibility of and has been approved by the management of Statkraft AS ("the Company"). Our responsibility is to draw a conclusion based on our review.

We have based our work on the international standard ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. The objective and scope of the engagement were agreed with the management of the Company and included those subject matters on which we have concluded below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters. We have performed interviews with management responsible for corporate responsibility aspects at corporate and at selected reporting units represented by the head office of Generation – Region East in Norway, South East Europe – the Kargi development project in Turkey, and Offshore Wind Power – head-office in Oslo and with a specific focus on the Sheringham Shoal development project in the UK

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed.

Conclusions

In conclusion, in all material respects, nothing has come to our attention causing us not to believe that:

- Statkraft has established management processes and systems to manage material aspects related to corporate responsibility, as described in the Report.
- Statkraft has applied procedures to identify, collect, compile and validate data and information for 2012 to be included in the Report, as described in the Report. Data presented for 2012 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- The management systems referred to above have been implemented and locally adopted as necessary at the reporting units that we have visited, as specified above. Data for 2012 from these units has been reported according to the procedures noted above and is consistent with source documentation presented to us.
- Statkraft applies a reporting practice for its corporate responsibility reporting aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines reporting principles and the reporting fulfils Application Level B+ according to the GRI guidelines. The GRI Index presented in the Report appropriately reflects where information on each of the elements and indicators of the GRI's guidelines is to be found within the Statkraft Annual Report 2012 on the Internet.

Oslo, 13 March 2013
Deloitte AS

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State Authorized Public Accountant (Norway)

Frank Dahl
Deloitte Sustainability

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