



Annual Report **2013**
Statkraft Energi AS



Annual Report

Statkraft Energi's activities

Statkraft Energi AS is a company in the Statkraft Group. Statkraft is Europe's largest producer of renewable energy. The Group produces and develops hydropower, wind power, gas power and district heating, and is a significant player on the European energy exchanges, with specialist expertise within physical and financial energy trading. The Statkraft Group also invests significantly in innovation, and has assumed a leading position as provider of market access for producers of renewable energy in Germany and the UK.

Statkraft Energi is engaged in power production and trading with power and related products. Statkraft Energi also delivers market access, operation and maintenance services to other units in the Statkraft Group in Europe.

Statkraft Energi has its activities within the Statkraft Group's segments Nordic hydropower and Continental energy and trading. The majority of the company's operating revenues are generated in Norway. Statkraft Energi's head office is located in Oslo.

Statkraft Energi owns 100% of the shares in Baltic Cable AB. Baltic Cable AB is located in Malmö, Sweden and operates a subsea cable between Sweden and Germany. Statkraft Energi owns 60.17% of AS Tyssefaldene, as well as 100% of Trondheim Energi Varme AS, the district heating activities in the Group. Statkraft Energi also has other shareholdings in Norwegian power production.

Strategy and ambitions

The ambition of the Statkraft Group is to strengthen its position as a leading international supplier of pure energy. The Group is well positioned to participate in Europe's conversion to cleaner power production and to contribute with new, clean production in emerging markets. The following five strategic areas will be prioritised:

- European flexible power production
- Energy trading and services
- Hydropower in emerging markets
- Wind power in Norway, Sweden and the UK
- District heating in Norway and Sweden

Over time, Statkraft Energi has developed a strong position within the two strategic areas European flexible power production and energy trading and services.

The Statkraft Group's strategy and ambitions are described in the annual report on Statkraft's website.

Important events in 2013

The 1960s was the decade with the most hydropower developments in Norway, and many of Statkraft Energi's hydropower plants are getting on a bit. Statkraft Energi is therefore entering a period with many major rehabilitations and considerable upgrades of hydropower plants. 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 and 10 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.

In the court case filed by eight municipalities against Statkraft Energi, concerning concessionary power, the Borgarting Court of Appeal found in favour of Statkraft Energi on 6 February 2014. The decision has not been appealed and is therefore legally binding. The case was raised as a result of the claim for a financial settlement made by Statkraft Energi against the municipalities in connection with Saurdal power plant, with retroactive effect from and including 1996. Further information about the case is given in Note 29 Events after the balance sheet date.

The leased power plants Sauda HV, Svelgen I and II and Tysso II were transferred from Statkraft SF to Statkraft Energi, effective 1 April 2013. The power plants have a total installed capacity of 620 MW. The transfer had no consequences for the lease agreements, the lessees or the municipalities in which the power plants are located. The transaction was implemented with accounting and tax-related continuity.

In 2011, the Tax Appeal Board ruled that Statkraft SF is not the owner of Sønnå Høy for tax purposes. Resource rent tax paid for the period 2008-2010 has therefore been repaid to Statkraft SF. In 2012, AS Saudefaldene sued the tax assessment authorities over the decision. AS Saudefaldene has also appealed the decision that the company is the owner of Sønnå Høy for tax purposes. The tax authorities aim to complete the appeal processing for AS Saudefaldene in spring 2014.

In September, Statkraft Energi signed an agreement to sell the power plants Svelgen I and II to Svelgen Kraft in return for Sogn og Fjordane Energiverk's 35% shareholding in Leirdøla power plant. The implementation of the agreement was contingent upon a binding advance ruling from the tax authorities. A negative response from the tax authorities in December resulted in the cancellation of the transaction in 2013. Work is underway to find an alternative way of executing the transaction.

The power plant activities in Trondheim Energi Kraft AS were merged with Statkraft Energi, effective 1 January 2013. The purpose of the transaction is to rationalise the Statkraft Group's operation of Norwegian power plants. The merger was carried out with accounting and tax-related continuity.

Effective 1 January 2013, Statkraft Energi took over 100% of the shares in Statkraft Varme AS through a contribution in kind and received group contribution. The company has a licence for development and operation of a number of district heating plants in Norway, as well as five plants in Sweden.

Going concern

In accordance with the provisions of the Norwegian Accounting Act, the board of directors confirms that the annual financial statements have been prepared on the assumption that the company is a going concern.

Market and production

The power market

Power prices in the Nordic region in 2013 were characterised by lower reservoir water levels than normal at the beginning of the year. Towards the close of the year, the water levels normalised, and were at 97% of normal at the end of 2013. The average system price on Nord Pool was 38.1 EUR/MWh, 22% higher than in 2012 and 10% lower than the average for the years 2008-2012.

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. The demand for power in 2013 was on a par with 2012 both in Norway and the Nordic region.

Production

Statkraft Energi's production takes place in Norway. The Company's power production totalled 38.9 TWh, a reduction of 4% compared with 2012.

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 Energi has a large percentage of flexible production capacity, and combined with high analysis and production expertise, this contributes to the company generally managing its water resources in a sound manner. The company's power optimisation is carefully planned and it has available power plants in periods with high demand. Statkraft Energi's large reservoir capacity with a combination of seasonal and multiple-year reservoirs enables the company 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.

Financial performance

Statkraft Energi's 2013 result was characterised by solid operations and higher Nordic power prices than in 2012.

The operating revenues increased by 8% from 2012, to NOK 15 354 million, while the operating profit increased by 23% to NOK 8899 million. As a result, the company's recorded profit before tax amounted to NOK 8837 million, up 29% from 2012, and the net profit amounted to NOK 3979 million, up 34% from 2012.

Operating revenues

Statkraft Energi's revenues come from spot sales, contract sales to the industry and financial trading. In addition, Statkraft Energi delivers concessionary power. The fundamental basis for Statkraft Energi's revenues is power prices, water management and production. The production revenues are optimised through financial power trading, and the company also engages in trading activities.

Spot sales are trading of electric energy with physical delivery the following day at market price. The price is typically stipulated for a briefer time interval, for example for every hour of the day in the Nordic region. In 2013, Statkraft Energi sold 18.7 TWh (21 TWh) in the spot market.

Statkraft Energi is a major supplier to the power-intensive industry. In 2013, the volume delivered under long-term contracts to the industry in the Nordic region amounted to 17.5 TWh. The high contract coverage has a stabilising effect on Statkraft Energi's revenues. Most of the contract volume to Nordic industry runs until 2020. Statkraft Energi has established a special portfolio with the objective of reducing market risk for physical sales contracts. The portfolio consists of financial energy contracts with a maturity of less than five years.

Statkraft Energi is required to cede a share of the power production to municipalities and county authorities 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. In 2013, the revenues from concessionary sales amounted to NOK 293 million (NOK 265 million).

In order to mitigate risk in association with 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. Statkraft Energi'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. A dynamic management portfolio is important to optimise future revenues, and Statkraft measures the performance through the target figure «Added value from the management portfolio». The portfolio generated a higher added value than the Group's target in 2013 and the profit from the management portfolio was NOK 92 million (NOK 526 million).

Statkraft Energi is also engaged in relatively short-term positioning with financial standard contracts (trading) and trading with structured products and customised agreements for businesses (origination). Revenues can vary substantially between periods and years. In 2013, revenues from trading and origination amounted to NOK 430 million (NOK 257 million). The Statkraft Group monitors the performance in trading and origination through the target figure «Value creation from trading and origination», which measures the net profit in relation to the risk capital. Value creation was significantly higher than the Group's target in 2013.

Other operating revenues amounted to NOK 693 million (NOK 549 million), an increase of 26%. The increase relates mainly to rental income from leased power plants transferred from Statkraft SF.

Energy purchases amounted to NOK 2172 million (NOK 2294 million), and are related to purchase of gas for gas power production, as well as purchase of power in connection with market activities.

Transmission costs associated with the transport of power totalled NOK 697 million, an increase of 3%.

Operating expenses

Operating expenses for 2013 amounted to NOK 3586 million, a decline of 10% from 2012.

Total wage costs fell by 3% as a result of a lower required rate of return for the pension obligations.

Depreciation increased by 11% from 2012. The increase is primarily due to new fixed assets.

Property tax and licence fees increased by 13% from 2012. The increase relates mainly to changes in framework conditions as well as transfer of leased hydropower plants from Statkraft SF.

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. Other operating expenses were reduced by 40%. The decline is due mainly to reversal of previous writedowns of the tolling agreement with Naturkraft AS.

Expenses in connection with R&D activities are recognised as they are incurred. The expensed amount in 2013 is NOK 19 million. The company's research activities are related to development of new methods within hydrology, power optimisation and maintenance activities.

Financial items

Net financial items amounted to NOK -62 million (NOK 399 million).

Financial income amounted to NOK 355 million (NOK 184 million). The increase is mainly due to currency gains. Financial expenses amounted to NOK 417 million, which entails a reduction of 28% from 2012. This is mainly due to lower interest costs.

Taxes

Net financial items amounted to NOK -62 million (NOK -399 million). Financial income amounted to NOK 355 million (NOK 184 million). The increase is mainly due to currency gains. Financial expenses amounted to NOK 417 million, which entails a reduction of 28% from 2012. This is mainly due to lower interest costs.

Cash flow and capital structure

The operating activities generated a cash flow of NOK 7130 million in 2013 (NOK 6080 million). Long and short-term items experienced a negative change of NOK 1131 million (positive change of NOK 902 million). Dividend received from associated companies amounted to NOK 50 million (NOK 72 million). Net liquidity change from operations amounted to NOK 5999 million (NOK 6982 million).

For the year as a whole, a gross total of NOK 2058 million was invested (NOK 1778 million). The largest investment items in 2013 were in connection with hydropower plant upgrades.

The net liquidity change from financing amounted to NOK -4226 million in 2013 (NOK -5185 million). No new long-term debt was raised in 2013 (NOK 582 million) and no debt was repaid in 2013. Disbursement of dividend and group contribution amounted to NOK 4226 million (NOK 5767 million).

The net liquidity change in 2013 was NOK -153 million (NOK 37 million). The company's cash and cash equivalents totalled NOK 105 million, compared with NOK 258 million at the beginning of the year.

At the end of 2013, interest-bearing short-term and long-term debt amounted to NOK 9014 million, compared with NOK 8691 million at the beginning of the year. The interest-bearing debt-equity ratio was 22%, 1.1% lower than in the previous year.

At the end of 2013, current assets, except cash and cash equivalents, totalled NOK 3334 million and current interest-free debt amounted to NOK 5613 million.

At the end of 2013, Statkraft Energi's equity totalled NOK 16 313 million, compared with NOK 12 884 million at the start of the year. This corresponds to 39.3% of total assets.

Risk management

Statkraft Energi is exposed to risk throughout the value chain. The most important risks are related to power prices, market operations, financial management, project execution, operating activities and framework conditions. Growth and increased internationalisation set stricter requirements for risk management in the investment portfolio. The Statkraft Group has a central investment committee to improve risk handling in relation to individual investments and across the project portfolio.

Market risk

Statkraft Energi is exposed to significant market risk in relation to the generation and trading of power. Revenues from power generation are exposed to volume and power price risk.

Statkraft Energi manages market risk in the energy markets by trading physical and financial instruments in multiple markets. Increased integration of the energy markets is having a significant impact on business models and risk management. Consequently, Statkraft Energi places significant emphasis on the interrelationship between the various markets. The Group's

hedging strategies are regulated by limits on the positions' volume and value, and by criteria for evaluating new contracts against expected revenues and downside risk. The portfolio is constantly adjusted in relation to the current perceptions of future prices and the company's own production capacity.

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

Financial risk

The central treasury department coordinates and manages the financial risk associated with foreign currencies, interest rates and liquidity, including refinancing and new borrowing. Statkraft Energi is exposed to interest risk through external financing. Statkraft Energi is exposed to currency risk through the company's power trading denominated in EUR.

Statkraft Energi is exposed to credit and 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.

Market risk in the energy markets and other financial risk, as well as exposure in connection with the issued mandates, are followed up by independent middle office functions and regularly reported to the management.

Operational risk

All processes in the value chain are exposed to operational risk. Project execution and operating activities have the greatest exposure to operational risk. This could result in injury to the company's employees, harm to the environment and damage to and loss of production facilities and other assets belonging to the Group itself or third parties.

First priority for the Statkraft Group and Statkraft Energi is to execute development activities and operations in a responsible manner.

The Statkraft Group has insurance cover for all significant types of damage or injury, in part through the Group's own insurance company.

Statkraft Energi manages operational risk through detailed procedures for activities in all operational units and various types of contingency plans. Furthermore, the Statkraft Group has a comprehensive system for registering and reporting hazardous conditions, undesirable incidents and damage and injuries. Such cases are analysed continuously to prevent and limit any consequences, and to ensure that we can follow up causes and implement the necessary measures. All projects in Statkraft that exceed a certain size carry out systematic risk assessments.

Additional risk

Statkraft Energi's activities are influenced by framework conditions such as taxes, fees, regulations, grid regulations, changes in mandatory minimum water level and other requirements stipulated by the Norwegian Water Resources and Energy Directorate, as well as general terms and conditions stipulated for the energy industry. These framework conditions

can influence Statkraft Energi's power optimisation, costs and revenues. The framework conditions in the individual countries in Europe are a result of international processes that will be important for Norwegian power plants. Possible changes in the political landscape are considered continuously, and maintaining an open dialogue and establishing good relationships with decision-makers in all relevant arenas are emphasised. The risks related to subsidy schemes are whether/how the schemes will be maintained in the long run.

Risk management in Statkraft is described in detail in the Group's annual report on Statkraft's website.

Internal control

Internal control is a key element in sound risk management, and the Statkraft Group and Statkraft Energi focus on developing internal control further. The overall management system, "The Statkraft Way", defines the Group's guidelines and contributes to a sound control environment for fulfilling the management's goals. Internal control requirements have been incorporated into HSE, ethics, ICT, corporate responsibility and financial reporting.

The system for internal control over financial reporting contributes to trustworthy and timely financial information in Statkraft's reports, and is based on the COSO frameworks for internal control.

Statkraft Energi adheres to the internal control system as described in "The Statkraft Way" and in the Group's financial manual.

Internal control in Statkraft is described in more detail in the Group's annual report on Statkraft's website.

Environmental impact

The Statkraft Group's and Statkraft Energi's environment ambition is to support a global transition to a low-carbon economy through offering renewable and sustainable energy solutions. Continued growth in combination with international good practice for environmental management are key elements to achieve this ambition.

There were no serious environmental incidents in 2013. Some less serious environmental incidents were recorded in connection with short-term breaches of the river management regulations and minor oil spills. These incidents had little or no impact on the environment.

Employees and organisation

Statkraft Energi had 895 full-time equivalents in 2013 (883).

The Statkraft Group strives to attain an even gender distribution in the Group, and more women in managerial positions. In 2013, 18.5% (19.7%) of Statkraft Energi's employees were women and the percentage of women in managerial positions was 19.7% (20.7%). 29% of the board members were women. The Statkraft Group and also Statkraft Energi strive to achieve a diverse working environment and emphasise equal treatment in its recruitment and HR policy.

Health and safety

Statkraft Energi shall provide a safe and healthy working environment. The objective is that the company's activities shall result

in zero injuries. Good activity planning, including setting requirements and close follow-up in all project phases and operating activities, is decisive for achieving this objective. Correct and adequate health and safety expertise among employees, contractors and sub-contractors is the basis of the Group's health and safety work. The Statkraft Group's management and follow-up of health and safety is based on the requirements in the OHSAS 18001 standard and international good practice.

Several of injury indicators have improved in recent years. Seen in a long-term perspective, the work to prevent work-related injuries is progressing. The indicator for lost-time injuries, H1, was 2.4 (4.7) among the company's employees in 2013, while the indicator for all types of injuries, H2, was 8.0 (11.1). In total, 3 (6) lost-time injuries and 14 (13) injuries in total (with and without absence) were registered among own employees. A total of 10 (5) lost-time injuries and 8 (12) injuries without absence were registered among contractor employees.

Absence due to illness in Statkraft Energi was 3.1% in 2013 (3.3%), which is within the goal of an absence due to illness 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.

Profit allocation

The net profit for the year is NOK 3979 million. The board of directors proposes the following allocation of the annual profit for Statkraft Energi:


Profit allocation


NOK million	
Group contribution payable	2 926
Dividends payable	-
Transferred to other equity	1 053
Total allocated	3 979

Outlook

The Nordic power prices are expected to be somewhat lower than in 2013. Statkraft Energi's large reservoir capacity with both seasonal and multiple-year reservoirs provides the company with ample flexibility to manage water resources efficiently. Long-term power contracts also help stabilise the company's earnings.

The Board of Directors of Statkraft Energi AS
Oslo, 24 March 2014


Christian Rynning-Tønnesen
chair of the board


Steinar Bysveen
director



Kristin Steinfeldt-Foss
director


Arne Einungbrekke
director


Olav Rabbe
director


Øyvind Riber
director


Torgunn Oldeide
director


Asbjørn Grundt
general manager

Statkraft Energi Financial Statements

Income statement

Statkraft Energi


NOK million	Note	2013	2012
Sales revenues	1	14 661	13 644
Other operating revenues	3	693	549
Gross operating revenues		15 354	14 193
Energy purchases	4	-2 172	-2 294
Transmission costs		-697	-680
Net operating revenues		12 485	11 219
Salaries and payroll costs	5, 6	-791	-812
Depreciation and impairments	13	-879	-789
Property tax and licence fees	7	-1 053	-933
Other operating expenses	8	-863	-1 449
Operating expenses		-3 586	-3 983
Operating profit		8 899	7 236
Financial income	10	355	184
Financial expenses	10	-417	-583
Net financial items		-62	-399
Profit before tax		8 837	6 837
Tax expense	11	-4 858	-3 857
Net profit		3 979	2 980
Allocation of net profit for the year			
Group contribution payable		2 926	2 257
Dividends payable		-	1 092
Transferred from/to other equity		1 053	-369
Total allocated		3 979	2 980

Balance sheet

Statkraft Energi

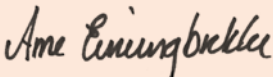
NOK million	Note	31.12.13	31.12.12
ASSETS			
Intangible assets	11,12	657	664
Property, plant and equipment	13	33 849	30 817
Investments in subsidiaries and associates	14	2 484	1 873
Other non-current financial assets	15	995	1 166
Non-current assets		37 985	34 520
Inventories	16	832	828
Receivables	17	2 502	2 393
Cash and cash equivalents	18	105	258
Current assets		3 439	3 479
Assets		41 424	37 999
EQUITY AND LIABILITIES			
Paid-in capital	19	13 875	12 197
Retained earnings	19	2 438	687
Equity		16 313	12 884
Provisions	20	6 620	7 624
Deferred tax	11	1 073	435
Long-term interest-bearing liabilities	21	7 820	7 520
Long-term liabilities		15 513	15 579
Short-term interest-bearing liabilities	22	1 194	1 171
Taxes payable	11	2 791	2 525
Dividends payable		-	1 092
Other interest-free liabilities	23	5 613	4 747
Current liabilities		9 598	9 536
Equity and liabilities		41 424	37 999

The Board of Directors of Statkraft Energi AS
Oslo, 24. March 2014


Christian Rynning-Tønnesen
chair of the board


Steinar Bysveen
director


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director


Arne Einungbrekke
director


Olav Rabbe
director


Øyvind Riber
director


Torgunn Oldeide
director


Asbjørn Grundt
general manager

Cash flow statement

Statkraft Energi

NOK million	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	8 837	6 837
Profit/loss on sale of non-current assets		
Depreciation, amortisation and impairments	879	789
Taxes paid	-2 586	-1 546
Cash flow from operating activities	7 130	6 080
Change in long-term items	178	125
Changes in short-term items	-1 309	777
Net cash flow from operating activities	A 5 999	6 982
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment	-2 058	-1 778
Proceeds from sale of non-current assets	64	18
Business combinations, net liquidity	68	-
Net cash flow from investing activities	B -1 926	-1 760
CASH FLOW FROM FINANCING ACTIVITIES		
New interest-bearing debt	-	582
Repayment of long-term debt and subordinate loans	-	-
Dividend and Group contribution paid	-4 226	-5 767
Net cash flow from financing activities	C -4 226	-5 185
Net change in cash and cash equivalents during the year	A+B+C -153	37
Cash and cash equivalents 01.01	258	221
Cash and cash equivalents 31.12	105	258

The company's liquidity is organised in a group account scheme. The company's liquidity is formally a receivable against the parent company Statkraft AS.

General information and summary of significant accounting principles

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The annual financial statements for Statkraft Energi AS have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway (Norwegian GAAP). Statkraft Energi does not prepare consolidated accounts as the sub-group is consolidated in Statkraft AS' consolidated accounts. The Statkraft Group prepares its accounts in accordance with the International Financial Reporting Standards (IFRS).

VALUATION AND CLASSIFICATION PRINCIPLES

Uncertainty in estimates The financial statements are based on assumptions and estimates that affect the book value of assets, liabilities, revenues and expenses. The best estimates available at the time the financial statements were prepared have been used, but actual figures may differ from the original estimates.

Principles for recognition of revenues and expenses Recognition of revenues from sale of goods and services takes place when the revenues are earned, while costs are recognised in accordance with the matching principle. Revenues from energy trading are recognised net. Dividends from subsidiaries is recognised as income in the year earned, while dividends from other companies is recognised in accordance with the cash principle. Profit/loss from the sale of ordinary non-current assets is treated as operating revenues or expenses.

RECOGNITION OF SALES REVENUES

Power production Power production is sold through power exchanges and by bilateral contracts. Power production is recognised as sales revenues as produced volume multiplied by sales price.

Concessionary power Each year concessionary sales are made to local authorities at regulated prices stipulated by the Norwegian Storting (parliament). 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. Delivery and financial settlement of concessionary power are classified as sales revenues at delivery.

Portfolio management Statkraft Energi AS is entering into physical and financial contracts to optimise future power sales revenues and to reduce risk. The portfolio management is recognised in accordance with the lower value principle at a portfolio level. Forward currency exchange contracts in the portfolio are valued at fair value. The portfolio is further described in Note 26. Net realised income and losses on financial energy trading are included in revenues.

Trading and origination The company has separate portfolios for trading and origination that are managed independently of the company's expected power production. The portfolios are recognised at fair value under which the criteria in Section 5-8 of the Accounting Act is fulfilled. One of the trading portfolios trades in contracts which are not traded in a marketplace, and is therefore recognised in accordance with the lower value principle. The origination portfolio does not meet the terms for accounting at fair value in accordance with Norwegian GAAP and the portfolio is therefore recognised in accordance with the lower value principle at a portfolio level. The portfolios are further described in Note 26.

PENSIONS

Defined benefit schemes A defined benefit scheme is a retirement scheme that defines the retirement benefits that an employee will receive on retirement. The liability recognised in the balance sheet which relates to defined benefit schemes is the present value of the future pension benefits that have accrued at the balance sheet date, reduced by the fair value of the pension assets and non-recognised expenses connected with previous periods' accrued retirement benefits.

The present value of future benefits accrued at the balance sheet date is calculated by discounting estimated future payments at an interest rate based on high quality corporate bonds (OMF). The retirement benefit liability is calculated annually by an independent actuary using the linear accruals method.

Actuarial gains and losses (estimated deviations) attributable to changes in actuarial assumptions or base data are recognised in equity on an ongoing basis after provisions for deferred tax.

Changes in defined benefit pension liabilities attributable to changes in pension plans that have retroactive effect, i.e. where the earning of rights is not contingent on future service, are recognised in the income statement. Changes that are not issued with retroactive effect are recognised in the income statement over the remaining service time.

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

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 on pension fund assets.

RESEARCH AND DEVELOPMENT EXPENSES

Research expenses are expensed as incurred. Development costs are capitalised to the extent that a future financial benefit can be identified from the development of an identifiable intangible asset.

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.

COMPENSATION PAYMENTS

The company 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 liabilities related to annual compensation payments and free power is classified as provisions for liabilities and set off against assets. Annual payments are recognised as other operating expenses, while non-recurring items are offset against the provision.

LICENCE FEES

Licence fees are paid annually to central and local government authorities for the increase in generating capacity that is obtained from regulated watercourses and catchment transfers. These licence fees are recognised as expenses as incurred. The present value of future licence fees is not recognised in the balance sheet, but is calculated and presented in Note 7.

TAXES

General Group companies that are engaged in power generation in Norway are subject to the special rules for taxation of energy companies. The Group must therefore pay natural resource tax, property tax, income tax and resource rent tax.

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.

Property tax Property tax for power plants is calculated on the basis of actual production, with deductions for actual operating expenses

and resource rent tax paid for the individual power plant. 0.2 to 0.7% property tax is calculated to the individual municipality from the property tax basis. Property tax is presented as an operating expense.

Income tax Income tax 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.

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. Actual operating expenses, depreciation and a tax-free allowance are deducted from the calculated revenue in order to arrive at the net resource rent revenue tax base. Negative and positive resource rent tax from different power plants are presented net as far as the tax rules allow pooling of the positions for tax purposes. Deferred tax assets linked to loss carryforwards and deferred tax linked to other temporary differences are calculated per power plant on the basis of whether it is probable that the deferred tax asset will be realised within a time horizon of ten years. Provisions for deferred resource rent tax are made at a nominal tax rate of 31%. The tax-free allowance is treated as a permanent difference in the year it is calculated, and therefore does not affect the calculation of deferred tax in connection with resource rent.

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

CLASSIFICATION AND EVALUATION OF ASSETS AND LIABILITIES

Assets intended for lasting ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables falling due for payment within one year are classified as current assets. Similar criteria are applied to the classification of current and long-term liabilities.

Non-current assets are recognised at cost and are written down to fair value for any impairment in value not considered to be temporary in its nature. Non-current assets with a limited useful economic lifetime are depreciated or amortised according to plan. Long-term liabilities are recognised in the balance sheet at their nominal value, adjusted for any unamortised premium or discount. Current assets are valued at the lower of cost or fair value. Current liabilities are recognised in the balance sheet at the nominal amount received at the time the liability was incurred.

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 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 expenses in connection with acquiring or bringing assets into a condition in which they can be used. Borrowing costs in connection with major investments are calculated and recognised in the balance sheet. Expenses incurred after the operating asset has been put to use, such as ongoing maintenance expenses, are recognised in the income statement, while other expenses that are expected to generate future economic benefits are recognised in the balance sheet. In the case of time-limited licenses, provisions are made for decommissioning costs, with a balancing entry increasing the recognised value of the relevant asset. The increased book value is depreciated over the license period.

Depreciation is calculated on a straight-line basis over asset's useful economic lifetime. Residual values are taken into account in the calculation of annual depreciation. Land is not depreciated. Waterfall rights are classified as land and are not depreciated, since there is no right of reversion to state ownership and the assets are deemed to have perpetual life. Compensation payments to landowners are recognised

in the balance sheet as land, see description under compensation payments. Investments in plants not operated by Statkraft are depreciated similarly, using an average depreciation rate. Periodic maintenance is recognised in the balance sheet over the period until the time when the next maintenance round is expected to be performed. Estimated useful lives, depreciation methods and residual values are assessed annually.

When assets are sold or disposed of, the book value is deducted and any profits or losses are recognised in the income statement. Repairs and ongoing maintenance costs are recognised in the income statement when they are incurred. If new parts are recognised in the balance sheet, the parts that have been replaced are removed and any residual book value is recognised as a loss on disposal.

Impairments Property, plant and equipment that are depreciated are assessed for impairment when there is any indication that future earnings do not justify the book value. Impairments are recognised as the difference between 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). The possibility of reversing earlier impairments is considered at each reporting date.

Subsidiaries/associates Subsidiaries are companies where the Group has controlling influence on financial and operational principles. Controlling influence is normally achieved when the company owns more than 50% of the voting shares. Investments are recognised at the cost of the shares and are adjusted for any impairment where necessary. Dividend and Group contribution are recognised as income in the same year that the subsidiary makes the provision. If the dividend exceeds the share of the retained earnings after the purchase, the excess share is deemed to represent a repayment of the invested capital and the distributions are deducted from the value of the investment in the balance sheet. Associates are companies where Statkraft Energi AS has significant influence. Significant influence is normally considered to exist where the company owns or controls 20 to 50% of the voting shares.

Investments in associated companies are valued at acquisition cost.

From 1 January 2013, investments in joint ventures are valued at acquisition cost. Previously, such investments were recognised using the gross method, see Note 14 for information concerning the consequences of the change in principles.

Partly-owned power plants Co-owned power plants, i.e. those power plants in which Statkraft owns shares, regardless of whether they are operated by Statkraft or one of the other owners, are accounted for in accordance with the gross method in line with Statkraft's shareholding. Produced power, with the exception of concessionary power, is at the disposal of co-owners directly. Power taken out from partially-owned companies organised as limited companies is included in gross power sales. Statkraft's share of other operating revenues and operating expenses is included in accordance with the shareholders' agreement.

Long-term shareholdings All long-term investments are accounted for using the cost method in the company's financial statements. Dividends received are treated as financial income.

Inventories CO₂ quotas and electricity certificates held for trading purposes are considered to be inventories. Purchased standard goods and spare parts in connection with the operation are classified as current assets. Inventories are evaluated in accordance with FIFO using the lower value principle on the portfolio level.

Water in reservoirs Water in reservoirs is not recognised in the balance sheet. Information relating to the amount of water in the reservoirs is provided in Note 2.

Receivables Accounts receivable and other receivables are recognised at nominal value less provisions for expected losses. Provisions for losses are recognised on the basis of an individual assessment of the receivables concerned.

Short-term financial investments Shares, bonds, certificates, etc. that have been classified as current assets are recognised at market value.

Cash and cash equivalents The item Bank deposits, cash and cash equivalents also includes certificates and bonds with short residual terms.

Received advance payments are classified as long-term liabilities. The advance payment is recognised as income in line with the provision of the delivery the advance is meant to cover. An annual interest cost is calculated and recognised as a financial cost.

Contingent liabilities Contingent liabilities are recognised in the income statement if it is probable that they will have to be settled. A best estimate is used to calculate the value of the settlement sum.

Long-term liabilities With respect to fixed-rate loans, borrowing costs and premiums or discounts are recorded in accordance with the effective interest-rate method (amortised cost).

Currency effects are recognised as financial expenses or income. Forward currency exchange contracts are valued at fair value at the balance sheet date.

CASH FLOW STATEMENT PRINCIPLES

The cash flow statement has been prepared using the indirect method. This means that the statement is based on the enterprise's result for the year in order to show cash flow generated by ordinary operating activities, investing activities and financing activities, respectively.

CURRENCY AND FORWARD CURRENCY EXCHANGE CONTRACTS

Cash items in foreign currencies are valued at the exchange rate in effect at the balance sheet date. Transactions denominated in foreign currency are converted using the transaction date exchange rate.

Note 1 Sales revenues

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

the form of purchase and sales positions. Short positions are taken to hedge the price of a specific share of the planned future output. Long positions are taken to adjust the hedging level if assumptions change and Statkraft Energi is considering its hedged position as too high. 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	2013	2012
Net physical spot sales	7 289	7 003
Concessionary sales at statutory prices	293	265
Long-term sales contracts	6 414	5 373
Dynamic hedging	92	526
Trading and origination	430	257
Provision / Reversal loss power purchase agreements	143	220
Total	14 661	13 644

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

Price and volume for industrial and concessionary power at statutory prices

	2013	2012
Concessionary power – Volume (TWh)	2.7	2.5
Concessionary power – Price (NOK/MWh)	10.7	10.8

Note 2 Reservoir levels and production (unaudited)

TWh	Reservoir levels as of 31 Dec		Reservoir capacity	Production ¹⁾		
	2013	2012		2013	2012	Middel
Statkraft Energi	24.4	26.1	33.8	38.9	40.6	33.2

¹⁾ After loss. Production included Trondheim Energi Kraft as of 2013.

In Norway, inflow was as normal in 2013. The Norwegian reservoirs of Statkraft Energi ended the year at 106% of normal level.

Note 3 Other operating revenues

NOK million	2013	2012
Other leasing and service revenues	540	326
Other operating revenues	153	223
Total	693	549

The increase in Other leasing and service revenues is mainly due to the takeover of the Sauda HV, Svelgen I and II and Tysso II power plants from Statkraft SF effective 1 April 2013.

Note 4 Energy purchases

NOK million	2013	2012
Gas purchases	952	1 340
Purchases of CO ₂ own consumption	9	-
Energy purchases from external producers	1 211	954
Total	2 172	2 294

Note 5 Salaries and payroll costs

NOK million	2013	2012
Salaries	542	516
Employer's national insurance contributions	95	86
Pension costs	147	178
Other benefits	7	32
Total	791	812

Pension costs are presented in further detail in Note 6.

The company's chief executive is a member of Statkraft's Group management and is employed by Statkraft AS. His services are purchased from Statkraft AS.

Members of the board elected by employees received NOK 60 000 in fees (per board member). No other fees were paid to members of the board in 2013. Nor were any loans or pledges granted with respect to board members.

On average, the company had the equivalent of 895 full-time employees in 2013. The corresponding figure for 2012 was 883.

Note 6 Pensions

FUNDED DEFINED BENEFIT SCHEMES

The company is obliged to have an occupational pension scheme under the Mandatory Occupational Pension Act. Statkraft Energi operates an operational pension scheme for its employees in the Norwegian Public Service Pension Fund scheme. The pension scheme fulfils the statutory requirements. The benefits include retirement, disability, surviving spouse and child's pensions. For individuals qualifying for the full entitlement, the scheme provides pension benefits amounting to 66 per cent of pensionable salary, up to a maximum of 12G (12 times the National Insurance Scheme's basic amount). The company also offers early retirement at the age of 62 under the AFP pension scheme. Pension benefits from the Norwegian Public Service Pension Fund are guaranteed by the Norwegian state (Section 1 of the Pension Act). 916 employees and 442 pensioners were covered by benefit schemes as of 31 December 2013.

Statkraft Energi pays an annual premium to the Norwegian Public Service Pension Fund and is responsible for the financing of the scheme. The Norwegian Public Service Pension Fund scheme is, however, not asset-based. Management of the pension fund assets (fictive assets) is 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.

The pension scheme in the Norwegian Public Service Pension Fund (SPK) has been closed to new employees as of 1 January 2014, and employees can freely choose their new service pension scheme from 31 December 2013. Statkraft's new service pension scheme for employees in wholly-owned companies in Norway is a defined-contribution scheme with a contribution rate of 6% for pensionable incomes up to 7.1 times the National Insurance Scheme's basic amount (G) and 18% for pensionable wages of between 7.1G and 12G.

UNFUNDED DEFINED BENEFIT SCHEMES

In addition to the above, Statkraft Energi has 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 year's pension entitlements.

Breakdown of pension costs for the period

NOK million	2013	2012
Present value of accrued pension entitlements for the year	107	131
Interest expenses	77	65
Projected yield on pension assets	-44	-29
Employee contributions	-11	-11
Employer's national insurance contributions	18	22
Pension cost defined benefit schemes	147	178

Reconciliation of pension liabilities and pension fund assets

NOK million	2013	2012
Gross pension liabilities	2 187	1 979
Pension assets in the Norwegian Public Service Pension Fund	-1 320	-1 175
Net pension liabilities in defined benefit schemes, asset-based	867	804
Pension liabilities in defined benefit schemes, not asset-based	60	63
Employer's national insurance contributions	130	122
Net pension liabilities	1 057	989

Breakdown of increased pension liability recognised in the balance sheet due to the recognition of estimate deviations in equity

NOK million	2013	2012
Cumulative amount recognised directly in equity before tax as of 1 Jan.	695	1 205
Recognised during the period	70	-510
Cumulative amount recognised directly in equity before tax as of 31 Dec	765	695
Recognised in equity after tax	551	501
Recognised in deferred tax	214	194

The following assumptions are used

	31.12.13	01.01.13	31.12.12
Annual discount rate	4.10%	3.80%	3.80%
Salary adjustment	3.75%	3.75%	3.75%
Adjustment of current pensions	2.75%	2.75%	2.75%
Adjustment of the National Insurance Scheme's basic amount (G)	3.50%	3.50%	3.50%
Forecast voluntary 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%	1.75%	1.75%
Tendency to take early retirement (AFP)	10.00%	10.00%	10.00%

The actuarial calculations are based on demographic assumptions ordinarily used for calculating life insurance and pensions. Closing pension liabilities and actuarial gains and losses as of 31 December 2013 are calculated on the basis of updated mortality (K2013) and disability tariffs (IR73).

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.

The discount rate is set at 4.10% and is based on high-quality corporate bonds (OMF). Statkraft is of the opinion that the OMF market represents a deep and liquid market with relevant durations that qualify as a reference interest rate in accordance with IAS 19.

Note 7 Property tax and licence fees

NOK million	2013	2012
Property tax	780	655
Licence fees	273	278
Total	1 053	933

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 increase in property tax is mainly due to changed framework conditions.

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 5250 million, discounted at an interest rate of 5.2% in accordance with the regulations relating to the adjustment of licence fees, annual compensation and funds, etc. With basis in a riskfree interest rate, we have added a premium for risk, reflecting an "eternal" obligation. In 2012, the amount was NOK 5055 million (interest rate 5.5%).

Note 8 Other operating expenses

NOK million	2013	2012
Materials	89	95
Purchase of third-party services	452	481
Costs of power plants operated by third parties	349	434
Compensation payments	51	54
Other operating expenses	-78	385
Total	863	1 449

R&D activities are expensed on an ongoing basis. An amount of NOK 19 million was recognised in 2013 (NOK 13 million in 2012). The company's research activities are intended to provide further knowledge and develop new methods within hydrology, energy optimisation and maintenance activities.

Annual compensation obligations are estimated at NOK 488 million, see Note 20. Cost of power plants operated by third parties include the tolling agreement with Naturkraft AS. Other operating expenses include a reversal of previous writedowns of the tolling agreement of NOK 264 million in 2013. The tolling agreement was written down by NOK 198 million in 2012.

Note 9 Fees paid to external auditor

Deloitte AS is the elected auditor of Statkraft Energi.

Deloitte also audits the subsidiaries Baltic Cable AB, Statkraft Varme AS and AS Tyssefaldene.

The total fees paid to the auditor for auditing and other services were as follows:

NOK thousands ¹⁾	2013	2012
Statutory auditing	1 602	1 476
Other certification services	392	100
Tax consultancy services	63	145
Total	2 057	1 722

¹⁾ The amounts are exclusive of VAT

Note 10 Financial items

Financial income

NOK million	2013	2012
Interest income from Group companies	63	75
Interest income other	9	9
Dividends	50	100
Net currency profit	233	-
Total	355	184

Financial expenses

NOK million	2013	2012
Interest expenses paid to Group companies	-269	-340
Net currency losses	-	-96
Imputed interests long-term energy contracts	-157	-170
Other financial expenses	-31	-2
Capitalised borrowing costs	40	25
Total	-417	-583

Note 11 Taxes

The tax expense comprises the following

NOK million	2013	2012
Income tax	2 065	1 784
Resource rent tax	1 711	1 438
Correction relating to previous years	131	43
Change in deferred tax, resource rent	585	518
Change in deferred tax	366	75
Tax expense in the income statement	4 858	3 857

Income tax payable

NOK million	2012	2011
Income taxes payable on the profit for the year	2 065	1 784
Effect of Group contributions on tax liability	-985	-878
Income tax payable	1 080	906

Payable tax in the balance sheet

NOK million	2012	2011
Natural resource tax	523	498
Resource rent tax	1 711	1 438
Income tax exceeding natural resource tax	1 542	1 287
Effect of Group contributions on tax liability	-985	-878
Tax due from previous financial years	-	180
Tax payable in the balance sheet	2 791	2 525

Reconciliation of nominal tax rate and effective tax rate

NOK million	2013	2012
Profit before tax	8 837	6 837
Expected tax expense at a nominal rate of 28%	2 474	1 914
Effect on taxes of		
Resource rent tax including change in deferred tax	2 296	1956
Tax-free income	-14	-46
Change in tax rate	-50	-
Changes relating to previous years	131	33
Other permanent differences, net	21	1
Tax expense	4 858	3 857
Effective tax rate	55%	56%

Breakdown of temporary differences and tax loss carryforwards

The following table specifies the tax effect of temporary differences and tax loss carryforwards. Deferred tax assets are recognised in the balance sheet to the extent that it is probable that these will be utilised. Deferred tax assets and liabilities connected with various tax regimes are presented separately in the balance sheet.

NOK million	2013	2012
Current assets/current liabilities	127	48
Long-term items	544	875
Property, plant and equipment	-2 029	-1 635
Pension liabilities	285	277
Total deferred tax liability	-1 073	-435
NOK million	2013	2012
Temporary differences, resource rent tax ¹⁾	-2 041	-1 696
Resource rent carryforwards ²⁾	2 337	2 360
Total deferred tax asset	296	664
Total deferred tax (-)/ Deferred tax asset (+) 01.01	229	964
Recognised during the period	-951	-593
Deferred tax for previous years	-96	-
Incorporated deferred tax asset from Trondheim Energi Kraft	89	-
Deferred tax in connection with takeover of leased power plants from Statkraft SF	-67	-
Recognised directly in equity	19	-142
Total deferred tax (-)/ Deferred tax asset (+) 31.12	-777	229

¹⁾ Timing differences resource rent taxation 2013 include NOK 295 million in connection with deferred tax assets in relation to pension. The estimate change is a combination of changed assumptions during the course of the year, and improved methods for estimating deferred tax assets.

²⁾ Tax assets related to negative resource rent tax carryforward in power plants where the future taxable profit for the next ten years can be estimated, are recognised in the balance sheet. Normal production and price path 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 1249 million in 2013, compared with NOK 1180 million in 2012.

Note 12 Intangible assets

NOK million	2013	2012
Deferred tax asset	296	664
Intangible asset	361	-
Sum	657	664

Deferred tax assets are presented in more detail in Note 11.

Intangible asset relates to the lessee developments in Sauda I-IV, Svelgen I and II and Tysso II in connection with the transfer of the SF plants.

Note 13 Property, plant and equipment

NOK million	Regulation facilities	Turbines, generators etc.	Shares in power plants operated by other	Land, underground facilities, buildings, road, bridge and quay facilities	Facilities under construction	Other ²⁾	Total
Cost 1 Jan. 2013	20 012	9 922	2 638	10 677	2 798	1 258	47 305
Additions 2013 ¹⁾	526	248	35	802	1 591	771	3 973
Transferred from facilities under construction	227	4 735	567	-4 039	-764	-726	-
Disposals 2013	-	-	-43	-15	-	-4	-62
Accumulated depreciation/impairments	-6 798	-7 448	-1 175	-967	-	-979	-17 367
Book value 31 Dec. 2013	13 967	7 457	2 022	6 458	3 625	320	33 849
Ordinary depreciation for the year	-326	-366	-52	-58	-	-77	-879

NOK million	Regulation facilities	Turbines, generators etc.	Shares in power plants operated by other	Land, underground facilities, buildings, road, bridge and quay facilities	Facilities under construction	Other ²⁾	Total
Cost 1 Jan. 2012	19 692	9 326	2 610	10 471	2 166	1 634	45 899
Additions 2012 ¹⁾	42	339	31	87	910	41	1 450
Transferred from facilities under construction	278	285	-2	123	-278	-406	-
Disposals 2012	-	-28	-1	-4	-	-11	-44
Accumulated depreciation/impairments	-6 505	-5 641	-1 121	-2 236	-	-985	-16 488
Book value 31 Dec. 2012	13 507	4 281	1 517	8 441	2 798	273	30 817
Ordinary depreciation for the year	-301	-258	-51	-113	-	-66	-789

Depreciation period 30–75 years 15–40 years 5–50 years 0–75 years 3–40 years

¹⁾ Capitalised borrowing costs make a total of NOK 40 million (NOK 25 million in 2012).

²⁾ The item Other mainly includes buildings, office and computer equipment, electro-technical installations and vehicles.

A more detailed specification of the useful economic lifetime of the various assets is provided below:

	Depreciation period (years)		Depreciation period (years)
Dams		Buildings (admin etc.)	75
– riprap dams, concrete dams	75	Other fixed installations	
– other dams	30	– permanent	20
Tunnel systems	75	– less permanent	10
Mechanical installations		Miscellaneous fixtures	5
– pipe trenches	40	Land	perpetual
– units (turbine, valve)	40	Office and computer equipment	3
– other mechanical installations	15	Furnishings and equipment	5
Underground facilities	75	Vehicles	8
Roads, bridges and quays	75	Construction equipment	12
Electrotechnical installations		Small watercraft	10
– transformer/generator	40		
– switchgear (high voltage)	35		
– control equipment	15		
– operating centre	15		
– communication equipment	10		

Note 13 cont.

The following waterfall rights held by Statkraft Energi, are leased by others.

Waterways	Municipality	Lessee	Agreement entered into	Duration	Comments
Guolasjåkka	Kåfjord	Troms Kraft	1972/2012	As long as the concession runs.	In 2021, Statkraft is committed to either transfer the ownership to Troms Kraft or to receive a lump sum payment of future rent.
Bjoreio	Eidfjord	Hardanger Energi AS	1989	Could be terminated with two years notice. Termination by Statkraft can at the earliest be effective from 2019.	All technical equipment at Statkraft's sites shall be removed at expiry of the rental period.
Smørkleppåi	Vinje	Kjetil Negarden	1981/ 1984/ 2012	2031. Statkraft may terminate the agreement in 2021.	Statkraft has a right to redeem the lessee's assets at technical value or have it removed at expiry of the rental period.

The figures stated for power plants under co-ownership, or where other parties have the right to appropriate a proportion of output in return for a share of the costs, represent the company's relative share.

County authorities and publicly owned energy companies have the following appropriation rights with respect to the output of power plants operated by Statkraft Energi:

Power plants	Third-party shares
Eidfjord	35.00%
Folgefonn ¹⁾	14.94%
Grytten	12.00%
Kobbelv	17.50%
Leirdøla	35.00%
Svartisen	30.00%
Svorka	50.00%
Ulla-Førre	28.00%
Vikfalli	12.00%

¹⁾ The appropriation right in Folgefonn applies to a fixed volume of 170 GWh.

Statkraft Energi has a right to purchase the other parties' shares of Folgefonn in 2030 and of Grytten in 2035.

Statkraft Energi has the following shares of power plants operated by others:

NOK million	Share	Share of property, plant and equipment
Aurlandsverkene	7.00%	298
Mørkfoss-Solbergfoss	33.33%	7
Røldal-Suldal Kraft AS ¹⁾	8.74%	-
I/S Sira-Kvina kraftselskap	32.10%	1 192
Total		1 497

¹⁾ Statkraft Energi AS owns 8.74% of the shares in Røldal-Suldal Kraft AS, which in turn owns 54.79% of the IS Røldal-Suldal Kraft power plant. Statkraft's indirect shareholding in the company is therefore 4.79%.

ECo has a right to acquire Statkraft Energi's shareholding in Aurlandsverkene in 2029.

Note 14 Shares in subsidiaries and associates

Investments in subsidiaries and associates are valued in accordance with the cost method.

Shares in subsidiaries

NOK million	Registered office	Shareholding and voting rights	Share capital	Book value	Equity	Profit for 2013
Baltic Cable AB	Malmö	100%	3	1 350	20	39
Statkraft Varne AS	Trondheim	100%	220	1 082	1 219	-17
AS Tyssefaldene	Tysedal	60%	5	52	35	-
Total				2 484		

Baltic Cable AB owns and operates a subsea power transmission cable between Sweden and Germany. The company European Market Coupling Company (EMCC) has been responsible for the market coupling of the cable.

Statkraft Varne AS is the Statkraft Group's expertise centre for energy recovery and district heating in Norway and Sweden. The company has a licence for development and operation of a number of district heating plants in Norway, as well as five plants in Sweden.

AS Tyssefaldene - changes to the principles

AS Tyssefaldene produces and distributes hydropower. AS Tyssefaldene's production is based on the leased Tysso II power plant, as well as Håvardsvann. Statkraft Energi and Eramet have rights to tap into the production and also have an agreement which allocates costs and financing. AS Tyssefaldene's offices are located in Tysedal in Odda Municipality. As of 1 January 2009, AS Tyssefaldene has been classified as a joint venture and consolidated in accordance with the gross method in Statkraft Energi AS. As of 1 January 2013, AS Tyssefaldene has been valued at acquisition cost and consolidated gross in Statkraft AS' consolidated accounts.

The effect of the changes to the principles in Statkraft Energi AS has been recognised directly in equity on the basis of consolidated assets as of 31 December 2012, see Note 19 equity.

As of 31 December 2012 AS Tyssefaldene was consolidated with the following share:

Specification of profit items	AS Tyssefaldene	Share	Statkraft Energi
Operating revenues	31	60.17%	18.5
Operating expenses	-24	60.17%	-14.4
Finance	-1	60.17%	-0.7
Tax	-2	60.17%	-0.9
Profit	4		2.5

Balance sheet items as of 31 December 2012:

	AS Tyssefaldene	Share	Statkraft Energi
Non-current assets	82	60.17%	49
Current assets	46	60.17%	28
Long-term liabilities	52	60.17%	31
Current liabilities	13	60.17%	8
Equity	63	60.17%	38
Cost price for shares			52
Dividend received from AS Tyssefaldene			
Valuation difference fund (cf. Note 19)			10

Shares in associated companies

NOK thousand	Shareholding and voting share	Book value
Aursjøveien AS	33.00%	17

Note 15 Other non-current financial assets

NOK million	2013	2012
Long-term receivables	257	282
Long-term power agreement	732	878
Other shares and ownership interests	6	6
Total	995	1 166

Note 16 Inventories

NOK million	2013	2012
Spare parts	38	37
CO ₂ quotes held for trading purposes	107	87
Green certificates held for trading purposes	687	653
Gas inventories	-	52
Total	832	828

Note 17 Receivables

NOK million	2013	2012
Accounts receivable – external	1 447	1 440
Accrued revenues etc.	517	773
Other receivables	61	25
Current receivables from Group companies	477	155
Total	2 502	2 393

Note 18 Cash and cash equivalents

The company's liquidity is organised in a group account scheme. This means that the subsidiaries' cash holdings formally are considered to be receivables due from the parent company.

Withholding taxes for employees are secured by guarantee, see Note 24.

Note 19 Equity

NOK million	Paid-in capital			Retained earnings		
	Share capital	Share premium reserve	Other paid-in capital	Reserve for valuation variances	Other retained earnings	Total equity
Equity as of 31 Dec. 2011	5 500	6 224	473	10	698	12 905
Profit for the year	-	-	-	-	2 980	2 980
Estimate deviation pensions	-	-	-	-	-20	-20
Recognised directly in equity AS Tyssefaldene	-	-	-	-	368	368
Group contribution paid	-	-	-	-	-2 257	-2 257
Allocation of profit for the year	-	-	-	-	-1 092	-1 092
Equity as of 31 Dec. 2012	5 500	6 224	473	0	677	12 884
Profit for the year	-	-	-	-	3 979	3 979
Capital contribution	605	117	-	-	-	722
Estimate deviation pensions	-	-	956	-	-	956
Group contribution received	-	-	-	-	736	736
Merger of Trondheim Energi Kraft AS	-	-	-	-10	24	14
Recognised directly in equity AS Tyssefaldene	-	-	-	-	-52	-52
Group contribution paid	-	-	-	-	-2 926	-2 926
Equity as of 31 Dec. 2013	6 105	6 341	1 429	-	2 438	16 313

The company has a share capital of NOK 6.1 billion, divided on 61.05 million shares, each with a par value of NOK 100. All shares have the same voting rights and all are owned by Statkraft AS. The company's registered office is in Oslo, Norway (P.O. Box 200 Lilleaker).

Capital contribution and group contribution received

Effective 1 April 2013, Statkraft Energi AS has taken over the leased power plants Sauda I-IV, Svelgen I and II and Tysso II from Statkraft SF. The transaction was completed with accounting and tax-related continuity and a contributed equity of NOK 624 million.

Effective 1 January 2013, Statkraft Energi AS has taken over 100% of the shares in Statkraft Varme AS. The transaction was completed with a transferred contributed capital of NOK 98 million and a group contribution received of NOK 956 million.

Merger of the power plant activities in Trondheim Energi Kraft AS

Trondheim Energi Kraft AS has been incorporated into Statkraft Energi AS effective 1 January 2013.

Trondheim Energi Kraft AS produces, distributes and sells electrical power and district heating. It is desirable to merge the power plant activities in Trondheim Energi Kraft AS with Statkraft Energi's power plant activities to rationalise the Statkraft Group's operation of Norwegian power plants.

Statkraft Energi AS has owned 100% of the shares in Trondheim Energi Kraft AS and the merger has been implemented in accordance with the continuity method for accounting assets in accordance with the rules in NRS 9 Mergers, Item 6.

Direct equity accounting - AS Tyssefaldene

As of 1 January 2013, AS Tyssefaldene has been evaluated in accordance with the cost method. As of 31 December 2012, AS Tyssefaldene has been consolidated gross with 60.17%. For more information on the changes in principles, see Note 14.

Note 20 Provisions

NOK million	2013	2012
Pension liabilities	1 057	989
Provisions for annual compensation payments	488	488
Provision for loss contracts	1 959	3 020
Other provisions	3 116	3 127
Total	6 620	7 624

Pension liabilities are described in further details in Note 6.

The item Other provisions includes prepayments of NOK 2265 million received in connection with future power sales agreements (NOK 2517 million). The largest of these are the agreement with Elsam and the contract related to the Rana plant.

Other provisions also include future commitments to take over lessee developments in the leased power plants taken over from Statkraft SF at written down values for tax purposes after expiry of the lease period on 31 December 2030.

Note 21 Long-term interest-bearing liabilities

NOK million	2013	2012
Loans from Group companies	7 820	7 520
Total	7 820	7 520

Nominal average interest rate NOK	2.67%	4.14%
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The loans are denominated in NOK.

	2014	2015	2016	2017	after 2017
Maturity schedule, long-term liabilities		2 849			4 971

Note 22 Short-term interest-bearing liabilities

NOK million	2013	2012
Loans from Group companies	1 194	771
Group account scheme	-	400
Total	1 194	1 171

Note 23 Other interest-free liabilities

NOK million	2013	2012
Accounts payable – external	400	532
Accounts payable – Group	43	181
Indirect taxes payable	485	356
Other interest-free liabilities	496	478
Current liabilities to Group companies	4 189	3 200
Total	5 613	4 747

Of short-term liabilities to Group companies for 2013, NOK 3200 million relate to accrued group contributions for 2013. In 2012, accrued group contributions amounted to NOK 3134 million.

Note 24 Pledges, contractual obligations and guarantees

PLEDGES

Under certain circumstances, county authorities and publicly owned energy utilities are entitled to a share of the output from power plants belonging to Statkraft Energi in return of paying a share of the construction costs, cf. Note 13. To finance the acquisition of such rights, the county authorities/companies have been granted permission to pledge the power plant as security. The mortgage debt raised by the local authorities under this scheme totals NOK 1065 million. As of 31 December 2013, the book value of the pledged assets in Statkraft Energi AS totalled NOK 5355 million.

CONTRACTUAL OBLIGATIONS

Statkraft Energi has a commitment concerning a financial power exchange agreement of NOK 734 million. Statkraft Energi has a gas purchase agreement of 11.9 TWh in the period up to 2017.

GUARANTEES

Statkraft Energi has total off-balance-sheet guarantees amounting to NOK 322 million. Of this, NOK 251 million relates to Nasdaq and NOK 82 million to other guarantees.

Note 25 Derivatives

Statkraft Energi trades in financial instruments for various purposes. The treatment of these instruments in the financial statements will depend on their purpose as described in the note on accounting policies.

Currency derivatives

	31.12.13		31.12.12	
NOK million	Book value	Fair value	Book value	Fair value
Sum	81	81	28	28

The fair value of forward currency contracts is determined by discounting expected future cash flows to current value. The valuation of forward currency contracts is based on observable currency exchange rates from European Central Bank (ECB), from which the forward exchange rate is extrapolated. Estimated present values is subjected to a test of reasonableness against calculations made by the counterparties to the contracts.

Energy trading

Commodity derivatives valued at fair value

	Fair value	Recognised changes in	Fair value
NOK million	2013	2013	2012
Trading portfolio (external)	-4	13	-17

With respect to power trading, the trading portfolios are valued at fair value in accordance with Section 5-8 of the Norwegian Accounting Act. The portfolios comprise short-term financial forward and option contracts for power and carbon contracts traded via energy exchanges. The portfolios also comprise bilateral financial contracts normally with identical terms to standardised contracts traded via energy exchanges. The energy exchanges's closing prices are used to calculate fair value. The swap interest rate is used as a discounting factor.

Contracts in the trading portfolios are traded with a short time horizon. As of 31 December 2013, fair value is distributed as follows per future time period:

NOK million	
2014	-4
2015	-5
2016	1
2017	6
2018	-1
Total fair value 31 Dec. 2013	-4

Commodity derivatives not measured at fair value:

Nordic hydropower
Continental Assets
Origination
Statkraft Financial Energy

Statkraft Energi has five portfolios that are measured in accordance with the lower value principle at a portfolio level. Forward currency exchange contracts in the portfolios are measured at fair value. See note regarding accounting policies for further description of the policies. Provision for loss contracts is specified in detail in Note 20.

Note 26 Market risk

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY

Statkraft Energi's financial instruments are exposed to market risk. 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. Market risk primarily relates to risk in connection with electricity prices, CO₂ prices, gas prices, interest rates and currency exchange rates.

Risk management in Statkraft Energi focuses on the entire contract portfolio. Internal guidelines for the degree of market exposure have been established for all portfolios. The responsibility for ongoing follow-up of issued authorisations and frameworks lies with independent units. The frameworks for trading in both financial and physical contracts are continually monitored and regularly reported.

DESCRIPTION OF THE VARIOUS PORTFOLIOS AND THE RISK MANAGEMENT OF THE PORTFOLIOS

Long-term contracts As a power producer, Statkraft Energi has entered into physical power sales agreements with industrial customers in the Nordic region. The long-term contracts have varying terms, the longest runs until 2030. Market risk for the long-term sales contracts is in relation to future energy market prices. The price of some of these physical sales obligations is indexed to other market risks such as in connection with currency and raw materials such as metals. Statkraft Energi has established a special portfolio with the objective of reducing market risk for physical sales contracts. The portfolio consists of financial power contracts with a maturity of less than five years.

Statkraft Energi also has commitments in relation to financial power contracts, physical power purchase contracts and physical gas purchase contracts. The market risk in the portfolio is derived from the future market prices for electricity, gas, coal and oil products.

Nordic portfolio management Portfolio management is a market activity where Statkraft uses market analyses and financial trading to generate value in the futures and forward market, in addition to physical production and trading. The objective of the portfolio management

is to optimise portfolio revenues and in addition reduce the portfolio risk. Mandates are based on volume thresholds and available production. The risk is quantified using simulations of various scenarios for relevant risk factors. The management portfolios mainly consist of financial energy contracts. The contracts are traded via energy exchanges and bilateral contracts. These generally have terms of less than five years.

Trading and origination Statkraft Energi has various portfolios for trading and origination that are managed independently of the company's expected power production. Trading teams have been established in Oslo, Trondheim and Stockholm. The portfolios act in the market with the aim of realising gains on changes in the market value of energy and energy-related products, as well as gains on non-standardised contracts.

Statkraft Energi has allocated risk capital for the trading and origination business. Clear restrictions have been established for permitted trading products. The mandates for trading and origination activities are adhered to through specified limits for Value-at-Risk and Profit-at-Risk.

FOREIGN EXCHANGE AND INTEREST RATE RISK

Currency risk Statkraft Energi incurs currency risk in the form of transaction risk, mainly in connection with power sales revenues and investments. The operational currency for trading on the energy exchange in Norway is EUR, which means that all contracts that are entered into via energy exchange are denoted in EUR and are thus exposed to EUR. Corresponding currency exposure arises from energy trading on other exchanges. Currency exposure related to cash flows is hedged in accordance with the Group's financial strategy.

Interest risk The main part of Statkraft Energi's interest rate exposure is related to a long-term floating-rate loan from Group companies. For further information on market risk, also see corresponding descriptions in the group accounts of Statkraft AS. Descriptions there are relevant also for the understanding of risk exposures and risk management in Statkraft Energi.

NOTE 27 Credit risk, liquidity risk and insurance risk

CREDIT RISK

Credit risk is the risk of a party in a financial instrument inflicting a financial loss on the other party by not fulfilling its obligations. Statkraft Energi 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 cleared through an energy exchange. For all other energy contracts entered into, the limits are stipulated for the individual counterparty using an internal credit rating. In order to reduce credit risk, bank guarantees are used in some cases when entering into agreements. Parent company guarantees are also used. Statkraft Energi has netting agreements with several of its energy trading counterparties. Statkraft Energi has good follow-up routines for ensuring that outstanding receivables are paid as agreed.

Placement of surplus liquidity is handled by Statkraft AS and the liquidity is mainly divided among institutions with a credit rating of A or better. For financial instruments, loss exposure is calculated in the event of breach of contract by the counterparty.

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 defaulting for the individual counterparty. The overall counterparty risk is calculated and reported for all relevant units.

LIQUIDITY RISK

Statkraft Energi assumes liquidity risk in that the term to maturity of financial liabilities does not correspond with the cash flow which the assets generate, and by variations in security requirements related to financial contracts in the forward market (energy exchanges). The Statkraft Group has good borrowing opportunities from the Norwegian and European money markets and banking market. Drawdown facilities are used to secure access to short-term financing. Liquidity risk exposure is continually followed up by the section for risk management in Statkraft AS' financial department.

For further information about credit and liquidity risk, see corresponding descriptions in Statkraft AS' consolidated accounts. Descriptions there will be relevant also for risk exposure and management in Statkraft Energi.

INSURANCE

Statkraft Energi has substantial risk exposure in the operations through potential damage to own assets and lost production as well as potential liability as a result of injury or damage to a third party's person or property. Insurance coverages have been established which limit the negative effect of these significant risk exposures. All assets in Statkraft Energi are insured according to the reacquisition value. Statkraft Energi also has water loss insurance, where maximum compensation is NOK 500 million per incident within a period of 24 months.

For further information on credit risk and liquidity risk, also see corresponding descriptions in the group accounts of Statkraft AS. Descriptions there are relevant also for the understanding of risk exposures and risk management in Statkraft Energi.

Note 28 Related parties

Statkraft Energi AS has entered into a number of agreements with related parties relating to purchase and sale of power and services. The most important agreements cover the following:

Production management, power optimisation and management of green certificates from the Group's power producers, including Smøla Vind AS, Kjøllefjord AS, Hitra Vind AS, Statkraft Suomi Oy and Statkraft Sverige AB.

Statkraft Energi performs services in relation to operation and maintenance of the Group's power stations and plants.

The management of the Statkraft Financial Energy portfolio is handled by Statkraft Financial Energy AB on behalf of Statkraft Energi AS.

Statkraft Energi handles the portfolio management for Fjordkraft AS. Correspondingly, Statkraft Energi has specific agreements concerning sale of energy and associated services with Skagerak Energi.

Buying and selling natural gas on the European market takes place in cooperation with the German sister company Statkraft Markets GmbH, regulated in a separate cooperation agreement.

Statkraft Energi buys administration, accounting services, office services and IT services from Statkraft AS.

The administration of Statkraft Carbon Invest AS is handled by Statkraft Energi AS and Statkraft AS. Statkraft Energi manages market access for CO₂ quotas on behalf of Statkraft Carbon Invest AS.

Statkraft Energi represents the Group's expertise within analysis and forecasting in the energy sector. General and specific analyses are made available to Statkraft AS and other companies in the Group through commercial agreements.

Statkraft Energi has a tolling agreement with Naturkraft AS. Statkraft AS owns 50 per cent of Naturkraft AS.

The agreements have been entered into at market terms.

The company's transactions with related parties:

NOK million	2013	2012
Sales of goods and services		
Sales revenues with related parties	2 567	1987
Sale of services:		
To related parties	149	146
To parent company (Statkraft AS)	82	220
Total sales of goods and services	2 798	2353
Purchase of goods and services		
Purchase of goods:		
From related parties	178	22
From associates	167	603
Purchase of services:		
From related parties	147	69
From parent company (Statkraft AS)	288	313
Total purchase of goods and services	780	1007

Major individual transactions

The leased power plants Sauda I-IV, Svelgen I and II and Tysso II were transferred from Statkraft SF to Statkraft AS and then on to Statkraft Energi AS on 1 April 2013.

The transaction was implemented with accounting and tax-related continuity and the added assets amount to NOK 1141 million, of which NOK 624 million has been reported as capital contribution.

Effective 1 January 2013, Statkraft Energi AS took over all shares in Statkraft Varme AS and a contributed equity of NOK 98 million. The transaction has been implemented with accounting continuity.

Note 29 Events after the balance sheet date

In the court case filed by eight municipalities against Statkraft Energi, concerning concessionary power in connection with Saurdal power plant, the court found in favour of Statkraft Energi on 6 February 2014. The decision has not been appealed upon expiry of the appeal deadline and is therefore legally binding.

The case was raised as a result of the claim for a financial settlement made by Statkraft Energi against the municipalities with retroactive effect

from and including 1996. The municipalities will have to repay too much received concessionary power and licence fees, with reasonable interest.

Statkraft Energi has so far not recorded any effects from the case in the 2013 accounts.

The financial settlement of the Court of Appeal's decision in favour of Statkraft Energi, will be incorporated in the 2014 accounts in accordance with the following estimate:

Profit

NOK million	
Sales revenues	41
Licence fees	15
Operating expenses	-1
Interest	6
Profit before tax	61

The board and management of Statkraft Energi AS do not know of any other events after the balance sheet date which can impact the result, balance sheet, cash flow statement or statement of changes in equity.



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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Statkraft Energi AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Statkraft Energi AS, which comprise the balance sheet as at 31 December, 2013, and the income statement, showing a profit of NOK 3,979 million and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director Responsibility for the Financial Statements

The Board of Directors and the Managing Director 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, and for such internal control as the Board of Directors and the Managing Director 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.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Statkraft Energi AS as at 31 December, 2013, 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.

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Registrert i Foretaksregisteret
 Medlemmer av Den norske Revisorforening
 Organisasjonsnummer: 980 211 282

**Report on Other Legal and Regulatory Requirements***Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 24 March, 2014
Deloitte AS

Ingebret G. Hisdal (signed)
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]



Annual Report 2013 Statkraft Energi AS

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