

2010

**ANNUAL REPORT
SUSTAINABILITY REPORT**

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Financial key figures

STATKRAFT AS GROUP	UNIT OF MEASUREMENT	ADJUSTED** 2010	ADJUSTED** 2010	ADJUSTED** 2009	ADJUSTED** 2009	ADJUSTED** 2008	ADJUSTED** 2008	ADJUSTED** 2007	ADJUSTED** 2007
From the income statement									
Gross operating revenues	NOK mill	28 859	29 252	25 675	25 675	25 061	25 061	17 619	17 619
Net operating revenues	NOK mill	22 590	23 176	19 796	16 983	19 319	23 601	14 000	13 261
- of which unrealised changes in value and significant non-recurring items	NOK mill	-	586	-	-2 813	-	4 282	-	-739
EBITDA	NOK mill	15 030	15 955	12 582	9 769	13 888	18 171	9 620	8 881
- write-down and reversal of write-down	NOK mill	-	-662	-	-108	-	307	-	-
Operating profit	NOK mill	12 487	12 750	9 947	7 027	12 029	16 618	7 981	7 242
Share of profit from associates	NOK mill	921	766	1 033	1 179	2 153	935	2 643	2 613
- of which unrealised changes in value and significant non-recurring items	NOK mill	-	-156	-	146	-	-1 218	-	-30
Net financial items	NOK mill	452	-917	-327	4 281	-2 222	20 267	-1 317	-1 090
- of which unrealised changes in value and significant non-recurring items	NOK mill	-	-1 369	-	4 608	-	22 489	-	227
Profit before tax	NOK mill	13 861	12 599	10 654	12 487	11 961	37 820	9 307	8 765
Net profit	NOK mill	8 602	7 451	7 155	7 716	8 097	33 262	7 031	6 632
From the balance sheet									
Property, plant & equipment and intangible assets	NOK mill	-	80 772	-	80 516	-	77 035	-	57 817
Investments in associates	NOK mill	-	17 090	-	16 509	-	14 387	-	32 131
Other assets	NOK mill	-	58 105	-	46 980	-	52 877	-	20 164
Total assets	NOK mill	-	155 967	-	144 005	-	144 299	-	110 112
Total equity	NOK mill	-	75 302	-	64 901	-	72 324	-	44 418
Interest-bearing debt	NOK mill	-	40 486	-	45 660	-	40 791	-	37 284
Capital employed, basic ¹⁾	NOK mill	-	66 640	-	66 265	-	67 584	-	42 628
Cash flow									
Net change in cash flow from operating activities	NOK mill	-	13 577	-	12 714	-	11 499	-	7 720
Dividend for the year to owner (incl. minority interests)	NOK mill	-	7 964	-	10 260	-	8 396	-	6 462
Depreciation	NOK mill	-	3 205	-	2 743	-	1 553	-	1 639
Maintenance investments ²⁾	NOK mill	-	1 000	-	1 308	-	796	-	571
Expansion investments in new generating capacity ³⁾	NOK mill	-	1 852	-	2 447	-	1 196	-	1 413
Investments in shareholdings ⁴⁾	NOK mill	-	888	-	1 152	-	581	-	1 800
Cash and cash equivalents	NOK mill	-	20 052	-	6 663	-	2 209	-	3 150
Unused drawing rights	NOK mill	-	9 074	-	8 785	-	8 400	-	5 400
Financial variables									
FFO interest coverage ⁵⁾		-	10.5	-	5.9	-	7.5	-	5.3
FFO/debt	%	-	36.3	-	18.7	-	35.8	-	18.9
Interest-bearing debt ratio ⁶⁾	%	-	35.0	-	41.3	-	36.1	-	45.6
Equity ratio ⁷⁾	%	-	48.3	-	45.1	-	50.1	-	40.3
Long-term rating – Standard & Poor's		-	A-	-	A-	-	BBB+	-	BBB+
Long-term rating – Moody's		-	Baa1	-	Baa1	-	Baa1	-	Baa1
Key figures, accounts									
EBITDA-margin ⁸⁾	%	52	55	49	38	55	73	55	50
ROACE before tax ⁹⁾	%	19.5	19.9	15.2	10.7	26.6	37.1	17.7	17.2
Net return on investments in associated companies ¹⁰⁾	%	5.4	4.5	6.3	7.1	15.0	6.5	8.2	8.1
Return on total assets after tax ¹¹⁾	%	7.2	6.0	6.4	7.0	9.9	27.9	8.3	7.4
Return on total assets after tax ¹²⁾	%	13.7	11.8	11.3	11.9	15.6	57.0	14.7	16.7
Tax rate ¹³⁾	%	37.9	40.9	32.8	38.2	32.3	12.1	24.5	24.3
Key figures, upstream business*									
Production cost/MWh ¹⁴⁾	Øre/kWh	-	7.12	-	7.03	-	6.35	-	5.93
Production capacity***	TWh	-	51.7	-	51.2	-	50.0	-	42.4
Production, actual	TWh	-	57.4	-	56.9	-	53.4	-	44.9
Installed capacity	MW	-	16 010	-	15 806	-	15 478	-	12 028
Wholly and partly owned power plants	Antall	-	282	-	277	-	264	-	170
Key figures, downstream business*									
No. of distribution grid customers	1 000	-	181	-	275	-	273	-	271
Energy supplied	TWh	-	7.8	-	10.0	-	9.1	-	9.1
Distribution grid capital (NVE capital) ¹⁵⁾	NOK mill	-	2 782	-	3 627	-	3 614	-	3 657
No. of end user customers	1 000	-	400	-	397	-	401	-	401
Total volume supplied	TWh	-	13.0	-	11.6	-	11.4	-	2.2
Market variables*									
System price, Nord Pool	EUR/MWh	-	53.1	-	35.0	-	44.7	-	27.9
Spotpris, European Energy Exchange	EUR/MWh	-	44.6	-	38.9	-	65.8	-	38.0
Electricity consumption in the Nordic market	TWh	-	393	-	381	-	390	-	395
Electricity generated in the Nordic market, actual	TWh	-	374	-	372	-	391	-	393
Statkraft's share of Nordic electricity production	%	-	15.3	-	15.3	-	13.7	-	11.4

The numbers for 2007-2010 are in accordance with IFRSs.

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

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

*** Exclusive of gas power.

¹⁾ Property, plant & equipment + intangible assets + receivables + inventories - provisions for liabilities - taxes payable - other interest-free liabilities + provisions for dividend payable (NGAAP)

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

³⁾ Book value of investments to expand generating capacity.

⁴⁾ Purchase of shares as well as equity increases in other companies.

⁵⁾ (Operating profit + financial income + depreciation + dividend from associates - taxes payable) / Financial expenses

⁶⁾ Interest-bearing debt x 100 / (Interest-bearing debt + equity)

⁷⁾ Total equity x 100 / Total assets

⁸⁾ Operating profit before depreciation x 100 / Gross operating revenues

⁹⁾ Operating profit x 100 / Average capital employed, basic

¹⁰⁾ Share of profit from associates x 100 / Investments in associates

¹¹⁾ (Net profit + financial expenses x 0.72) x 100 / Average total assets

¹²⁾ Net profit x 100 / Average total equity

¹³⁾ Tax expense x 100 / Profit before tax

¹⁴⁾ Production cost, incl. property tax and depreciation, excl. sales costs, overhead, net financial items and tax Normal output from power plants under own management

¹⁵⁾ Key figure used to calculate the revenue ceiling. Published at www.nve.no.

Non-financial key figures

The table presents Statkraft's most important results as regards environment, health and safety, corporate citizenship and employees for the period 2006-2010. More results can be found in the sustainability statement.

	UNIT OF MEASUREMENT	2010	2009	2008 ^b	2007	2006
Environmentally friendly energy^a						
Installed capacity	MW	16 010	15 806	15 478	12 335	11 213
Of which hydropower	MW	12 969	12 774	12 546	10 573	10 676
Of which wind power	MW	304	305	245	245	245
Of which gas power ^c	MW	2 178	2 160	2 130	1 210	-
Of which solar power	MW	-	3	-	-	-
Of which biofuel	MW	16	16	16	-	-
Of which district heating	MW	544	548	541	327	292
Power production, actual	TWh	57.4	56.9	53.4	44.9	45.7
Of which hydropower	TWh	50.1	50.1	47.4	42.7	45.2
Of which wind power	TWh	0.6	0.6	0.6	0.7	0.5
Of which gas power ^c	TWh	6.6	6.1	5.4	1.5	-
Of which biofuel	TWh	0.1	0.1	-	-	-
District heating	TWh	1.1	0.9	0.5	0.5	0.4
Percentage of renewable power production ^d	%	88.1	89.1	89.7	96.4	99.6

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

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

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

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

	UNIT OF MEASUREMENT	2010	2009	2008	2007	2006
Emissions and environmental incidents						
Emission of CO ₂ equivalents	Tonnes	1 693 400	1 600 100	1 604 700	291 600	63 700
Environmental incidents ^a						
Serious environmental incidents	Number	0	0	1 ^b	-	-
Less serious environmental incidents	Number	92	118	21 ^b	-	-

^a The definitions for environmental incidents were changed in 2008. Environmental incidents for 2006-2007 are recorded in a different format and results from this period are therefore not comparable with 2008-2010.

^b Covers only July-December..

	UNIT OF MEASUREMENT	2010	2009	2008	2007	2006
Health and safety						
Fatalities						
Consolidated operations	Number	0	2	0	0	0
Associates	Number	5	6	9	5	4
LTI						
Employees	Frequency ^a	3.4	3.8	4.6	5.9	6.3
Contractors	Frequency ^a	13.6	-	-	-	-
H2						
Employees	Frequency ^b	6.8	8.4	12.1	16.5	15.9
Contractors	Frequency ^b	16.4	-	-	-	-
Absence due to illness	%	3.4	3.3	3.9	3.9	4.1

^a Lost-time injuries per million hours worked.

^b Total recorded injuries per million hours worked.

	UNIT OF MEASUREMENT	2010	2009	2008	2007	2006
Contribution to society						
Distribution of value created						
Owner ^a	NOK million	5 973	3 740	10 000	6 837	5 598
State and local authorities ^b	NOK million	6 679	6 202	5 524	3 301	4 878
Lenders	NOK million	1 607	3 756	3 066	1 717	2 087
Employees	NOK million	2 092	2 253	1 594	1 419	1 139
The company	NOK million	1 121	3 792	23 382 ^c	-371	342
Regulatory-priced industrial contracts						
Volume sold	TWh	7.9	8.8	8.3	10.3	13.1
Value lost ^d	NOK million	-2 643	-981	-1 438	-587	-3 357
Concessionary fixed-price contracts						
Volume sold	TWh	2.2	2.7	2.6	2.9	2.5
Value lost ^d	NOK million	-978	-581	-706	-395	-785

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

^b Taxes and fees include taxes, property tax, licence fees and employers' contribution.

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

^d The value lost on regulatory-priced and concessionary fixed-price contracts is defined as the estimated loss on politically determined contracts compared with the spot price.

	UNIT OF MEASUREMENT	2010	2009	2008	2007	2006
Employment and recruitment						
Full-time equivalents at 31 Dec.	Number	3 301	3 378	2 633 ^a	2 287	2 087
Percentage of women						
Total	%	23	22	24	24	22
In management positions	%	22	23	21	22	17
Apprentices employed at 31 Dec.	Number	79	93	48	49	47
Trainees employed at 31 Dec.	Number	26	29	35	23	14
Preferred employer ^b						
Economics students	Ranking	17	25	43	53	33
Engineering students	Ranking	5	5	15	28	41

^a Includes 183 full-time equivalents in connection with the E.ON agreement.

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

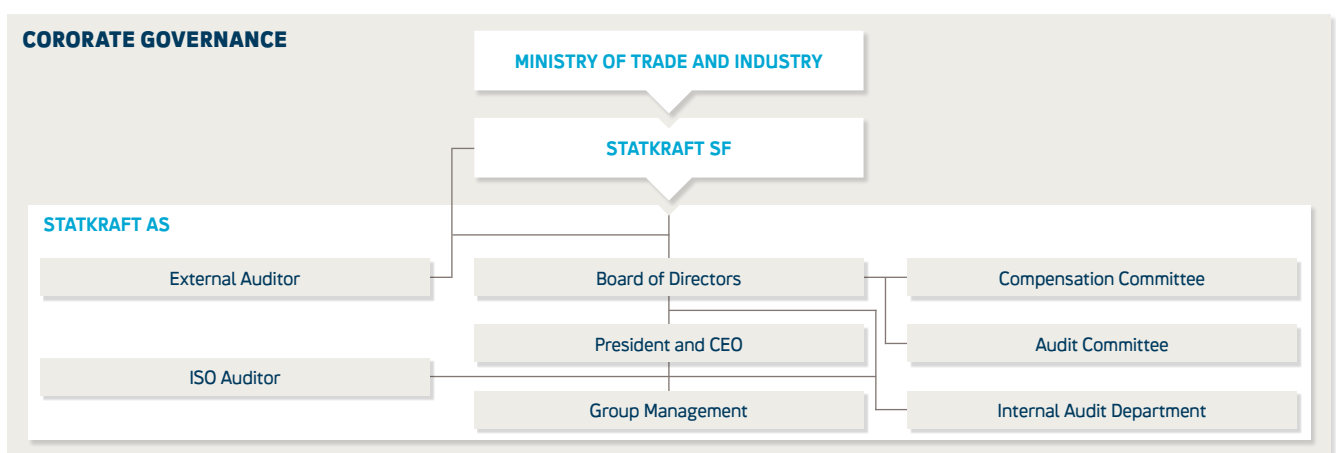
About Statkraft's annual report

This printed copy of the annual report contains a statement concerning corporate governance, report from the Board of Directors and financial statements. Statkraft's complete annual report, including sustainability report and additional information, is available online. By posting the complete report online we aim both to distribute the information in an effective manner, as well as reduce environmental impact and costs by using less paper. The internet version of the annual report is available on our web-pages www.statkraft.com, or directly through the following link:

annualreport2010.statkraft.com

Good corporate governance contributes to value creation

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



Statement concerning Corporate Governance

Statkraft applies the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company's organisation and ownership. Non-compliances are attributable to the fact that Statkraft is not a publicly listed company and that the Norwegian state is the sole owner of the company, as well as restrictions contained in the Articles of Association. The non-compliances relate to non-discrimination of shareholders, tradability of shares, dividends, the annual general meeting, election committee and corporate assembly. Statkraft also complies with the Norwegian state's ten principles for good corporate governance. The principles are based on how the state will act as an owner as well as what the state expects from the companies it owns.

A statement concerning follow-up of the items in the Norwegian Code of Practice for Corporate Governance is given below.

1. Corporate governance statement

Statkraft's Board of Directors endorses the Norwegian Code of Practice for Corporate Governance.

The code has been applied to the extent permitted by the company's organisation and ownership. Non-compliances are attributable to the fact that Statkraft is not a publicly listed company and that the Norwegian state is the sole owner of the company, as well as restrictions contained in the Articles of Association.

Statkraft's corporate governance principles establish the relationship between the company's owner, board of directors and management.

Sustainable and responsible behaviour is a cornerstone for Statkraft and must be characteristic of Statkraft's activities in all markets where the company is present. Corporate Social Responsibility is the key to a successful, sustainable business. The company's basic ethical principles are described in Statkraft's code of conduct and set requirements for both its employees and business partners. Through clear requirements and consistent practices, we aim to build trust and loyalty among employees, business partners, customers and society in general.

2. Business

Statkraft's Articles of Association state that: "The object of the Company is, alone, or through participation in or cooperation with other companies, to plan, design, construct and operate energy production facilities, undertake financial and physical energy trading, and operate businesses which are naturally associated therewith.

Statkraft AS is registered in Norway and its management structure is based on Norwegian company law. Statkraft is also subject to the Norwegian Securities Trading Act and stock exchange regulations associated with the company's debt obligations. In addition, the company's Articles of Association, vision, values, business principles, corporate responsibility policies and ethical guidelines govern the company's business.

3. Share capital and dividend

In December 2010, the Storting adopted the government's proposal for new balancing of the national budget and to increase the contributed capital of Statkraft SF. NOK 70 will be paid for each share. This means that the total share contribution amounts NOK 14 billion, of which NOK 10 billion is shareholders' equity and NOK 4 billion is premium. The shareholder's equity has been raised to NOK 30 billion by raising the nominal value of the shares from NOK 100 to NOK 150.

Section 4 of Statkraft AS' Articles of Association have been amended as follows:

"The company's shareholders' equity totals NOK 30 000 000 000, divided among 200 000 000 shares of NOK 150 each. The company's shares can only be owned by Statkraft SF."

The Board of Directors focuses continuously on ensuring that the equity is adapted to the company's objectives, strategy and risk profile.

Capital increases are processed through the general meeting of Statkraft SF and the general meeting of shareholders in Statkraft AS. There is therefore no authority for the board to increase the capital.

Deviation from the recommendation. In its Ownership Report, Report no. 13 to the Storting (2006-2007), the Norwegian government states that the dividend from Statkraft will normally lie in the upper quartile. The government further states that it does not believe it necessary to introduce the Norwegian Companies' Act's normal regulations for determination of dividend from state-owned companies.

See Note 35 for further information on the company's equity.

4. Equal treatment of shareholders and transactions with related parties

Deviation from the recommendation. All shares in Statkraft AS are owned by the state-owned enterprise Statkraft SF, which in turn is wholly owned by the Ministry of Trade and Industry. The Articles of Association of Statkraft SF and Statkraft AS ensure that transactions of material importance with respect to the objectives of the company or the nature of its business are referred to the state-owned enterprise, as the parent company. The current Norwegian government has resolved that Statkraft shall continue to be wholly state-owned and has expounded its principles for management of the state's ownership in its Ownership Report.

The instructions to the Board of Statkraft state that neither Board members nor the CEO and President may participate in the processing or deciding of issues that are of substantial personal or financial interest to them or closely related parties. Any persons in such a situation must, on their own initiative, state any interest they or their closely related parties may have in the deciding of an issue.

The same follows from the Group's ethical rules.

5. Freely negotiable

Deviation from the recommendation. Statkraft AS is wholly state-owned through Statkraft SF, and the shares cannot be traded.

6. General meeting

Deviation from the recommendation. The shareholder exercises supreme authority over Statkraft AS through the annual general meeting. As the owner of all the shares, Statkraft SF will constitute the annual general meeting of Statkraft AS. In accordance with the Articles of Association of Statkraft SF, the corporate meeting of the enterprise, i.e. the Ministry of Trade and Industry, shall grant the authority to appear and vote at the annual general meeting of Statkraft AS.

The annual general meeting reviews and resolves business matters in accordance with Norwegian law, including approval of the annual financial statements and directors' report, distribution of dividends, election of an auditor and approval of auditor's fees. In addition, the annual general meeting appoints shareholder-elected members to the Board and adopts amendments to the Articles of Association. The ordinary general meeting is held once a year by the end of June.

7. Election committee

Deviation from the recommendation. Statkraft AS has no election committee as the state is the sole owner and determines the composition of the Board.

8. The corporate assembly and Board of Directors, composition and independence

Deviation from the recommendation.

Statkraft AS has entered into an agreement with its employees' trade unions stipulating that the company will not have a corporate assembly, pursuant to the exception provisions of the Norwegian Companies' Act.

The Board consists of seven to nine members, as determined by the annual general meeting, and the term of office is two years. Two or three members are elected by and from among the company's employees in accordance with the regulations of the Norwegian Companies' Act. The other members are elected by the annual general meeting. The current Board has nine members. Of these members, three have been elected by the employees based on the agreement that the company will not have a corporate assembly. Four of the members of the Board are women.

The Ministry of Trade and Industry reviews the composition of the Board through an arrangement where the Boards of Statkraft AS and Statkraft SF are identical. The objective is to achieve diversity in the Board as regards expertise, industrial understanding, gender and geographical affiliation. Continuity is also sought on the Board.

The Board members are evaluated on the basis of their competence and independence, which excludes, for example, employees of the owner ministry or individuals with commercial interests in the industry from being Board members. The Board shall furthermore be independent of the company's executive employees. The current challenges facing the company are taken into consideration in establishing the composition of the Board.

The background and expertise of the individual Board member can be found on Statkraft's web site (<http://www.statkraft.no/om-statkraft/organisasjonen/styret/>). Overview of the members' participation in Board meetings can be found in Note 36 of the annual report.

9. The work of the Board of Directors

The Board has established instructions for the Board of Statkraft AS that lay down guidelines for the Board's work and decision-making procedures. The Board's tasks are described in general by Norwegian company law and the company's Articles of Association. The rules of procedure also define the tasks and obligations of the President and CEO in relation to the Board. The Board evaluates the work and expertise of the CEO annually. The Board evaluates its own performance and expertise annually.

The Board's Audit Committee comprises four of the Board's members. The Committee shall perform preparatory work in respect of the Board's administration and supervision tasks in the following areas:

- Quality in external financial reporting
- Internal control in connection with financial reporting and asset management
- The external auditor's qualifications, the quality of external audits and the external auditor's independence
- The Group auditors' qualifications and the quality of internal audit work

At least one member of the Audit Committee must have experience in accounts management, financial management or auditing. The committee has meetings with the external auditor to review the quarterly reporting and otherwise as required.

The Board's Compensation Committee comprises the chair of the Board and two other Board members which make recommendations to the Board with regard to the salary and other benefits paid to the President and CEO, as well as on matters of principle related to salary levels, bonus systems and pension terms, employment contracts and similar benefits for the company's executive managers. Under certain conditions this also applies to other Statkraft employees.

10. Risk management and internal control

Statkraft is exposed to risk in a number of areas and across its entire value chain. The management of risk is important for value creation. It is an integrated part of all business activities and is followed up within the respective unit by means of procedures for the monitoring and mitigation of risk. The Group's risk function monitors Statkraft's total risk on the group level and reports regularly to the corporate management and Board of directors.

The overall management system defines the Group's code of conduct and ensures a good control environment to fulfil the corporate management's objectives and intentions. Requirements related to internal control have been incorporated into the areas HSE, ethics, ICT, corporate social responsibility as well as accounting and financial reporting.

Statkraft works diligently to strengthen and systematise internal control over the Group's financial reporting. The system must contribute to reliable accounting information in monthly, quarterly and annual reports. The main elements of the system are risk assessment, control measures, self-evaluation, reporting and continuous exercise of control and compliance follow-up. Statkraft bases the work of internal control over financial reporting based on the COSO framework for internal control, published by the Committee of Sponsoring Organizations of the Treadway Commission.

Most of Statkraft's quality control and environmental management systems are certified in accordance with the ISO 9001:2000 quality standard and the ISO 14001:2004 environmental standard. Internal audits are conducted according to an annual rolling plan, and external follow-up audits are performed in accordance with the relevant standards.

As part of the Group's internal control system, Statkraft has established a

corporate audit function to assist the Board and management in making an independent and impartial evaluation of the Group's key risk management and control procedures. Corporate Audit shall also contribute to ongoing quality improvement in internal management and control systems. The Head of Corporate Audit acts as notification body for unethical or illegal matters. The annual corporate audit report and auditing plan for the coming year is submitted to and approved by the Board.

The main elements of the company's internal control and risk management are described in detail in the annual report.

11. Board remuneration

The Board's remuneration reflects the Board's responsibilities, expertise, time spent and the complexity of the activities. The compensation is not related to the company's results.

Board remuneration is described in Note 36.

12. Remuneration to executive employees

The Board's Compensation Committee evaluates the salary of the President and CEO and the rest of the company's senior management. The executive vice presidents have a bonus scheme that can pay up to a maximum of NOK 500 000 annually, based on defined criteria and achievement of results in their own areas of responsibility.

Remuneration to executive employees is described in Note 36.

13. Information and communication

The Board has stipulated guidelines for reporting financial and other information.

Statkraft emphasises open and honest communications with all its stakeholders and places the greatest focus on the stakeholders who are directly affected

by Statkraft's business. The information the company provides to its owner, lenders and the financial markets in general shall provide sufficient details to permit an evaluation of the company's underlying values and risk exposure. To ensure predictability, the owner and the financial markets shall be treated equally, and information shall be communicated in a timely manner. Statkraft's financial reports must be transparent, and provide the reader with a broad, relevant and reliable overview of its strategies, targets and results, as well as its consolidated financial performance.

14. Takeovers

Deviation from the recommendation.

The item is not relevant as the current government has stated that Statkraft will remain wholly owned by the state.

15. Auditor

The annual general meeting appoints the auditor based on the Board's proposal and approves the auditor's fees. The auditor serves until a new auditor is appointed. The assignment as the appointed auditor is put up for tender at regular intervals, and the current auditor was reappointed following a tender process in 2010.

The Board, represented by Audit Committee, holds meetings with the external auditor in connection with the processing of the annual financial statements and otherwise as required. The Audit Committee evaluates the external auditor's independence and has established guidelines for the use of the external auditor for consultancy purposes. In accordance with the requirement to maintain the auditor's independence, Statkraft will only make limited use of the external auditor for tasks other than statutory financial audits.

The auditor will present an annual written report to Statkraft's Audit Committee as part of the ordinary audit. The Board is advised of the main elements of this report.

Report from the Board of Directors

2010 was characterised by uncommonly cold and dry weather in the Nordic region, as well as increased consumption, resulting in the average system price for 2010 increasing by 52% compared with 2009. The prices peaked in January–February and November–December. Power prices rose in Germany as well, compared with 2009, with an increase of 7%. Power consumption in the Nordic region increased by 3% in 2010. Statkraft has had high uptime for its power plants in 2010 and the hydropower production corresponded to the annual average. Through good management of the plants, Statkraft had available production capacity in the peak demand periods. The total production in 2010 was 57.4 TWh. The resource situation at the beginning of 2011 is relatively tight. At the end of 2010, the total reservoir water level in the Nordic region was 64.2% of normal, and this is expected to result in lower hydropower production than in 2010.

IMPORTANT EVENTS

Changes in the management and board Christian Rynning-Tønnesen took over as new President and CEO on 1 May 2010. Svein Aaser was elected chair of the board at the ordinary general meeting on 30 June 2010. In addition, three new directors were elected; Silvija Seres, Inge Ryan and Lena Halvari.

The new corporate management was appointed in late June, and the new organisation was completely in place by 31 December. In addition to the President and CEO, the corporate management consists of CFO Stein Dale, EVP staffs Hilde Bakken, EVP market operations and IT Asbjørn Grundt, EVP production and industrial ownership Steinar Bysveen, EVP international hydropower Øistein Andresen and EVP wind power and technologies Jon Brandsar.

Focused growth strategy Based on a comprehensive assessment of Statkraft's expertise, competitive advantages, market opportunities and synergies between activities, a more focused growth strategy than the Group had originally aimed for was adopted in 2010. The emphasis was placed on flexible power production and market operations in the Nordic region and Western Europe; international hydropower, wind power in Norway, Sweden and the UK, district heating and ownership in regional businesses.

The capital situation In December, Statkraft's owner injected NOK 14 billion in new equity. This provides solid support for the company's strategy, and makes it possible to reinforce the investments in environmentally friendly and flexible power production in Norway and abroad.

In January 2011, a new drawing facility of NOK 12 billion was signed. The drawing facility replaces existing facilities totalling NOK 8 billion.

Long-term agreements with the power-intensive industry In 2010, Statkraft entered into long-term power agreements with Elkem, Norske Skog and Finnfjord Smelteverk. In total, these contracts involve an annual volume of 3 TWh. At the beginning of 2011, Statkraft has a contract portfolio of about 14 TWh per year in long-term power agreements. These agreements are in addition to leased-out power plants and energy service agreements with the industry.



➔ **SVEIN AASER**

Chairman of the Board
and Chair of Statkraft's
Compensation
Committee, Board
member since 2010

Growth in Norway The Group has a large number of projects underway in Norway. This includes maintenance of existing plants, as well as capacity increases. In total, these investments amounted to NOK 1.9 billion in 2010.

Investments are made in the grid activities in Skagerak Energi, as well as in the Group's hydropower plants. The largest investments are in connection with Eiriksdal and Makkoren, Nedre Røssåga and Svartisen. Svartisen is expected to start operation in the summer of 2011, while the two others will be commissioned in 2013 and 2017, respectively. In total, these investments will increase the Group's installed capacity by 259 MW (Statkraft's share), and the expected added production is 143 GWh per year.

Both the district heating business, operated through the Customers segment, and the district heating activities in Skagerak Energi are going through a growth phase. Investments are made both in the new district heating grid, upgrading of existing plants and in new production capacity. The Customers segment invested a total of NOK 184 million in district heating in Norway and Sweden in 2010, and the largest projects are related to grid development, new capacity in Harstad as well as upgrading existing plants. Construction stage 1 in Harstad will have an installed capacity of 24 MW when completed in January 2012, and expected production will increase from about 10 GWh in 2012 to about 50 GWh in 2015. Skagerak Energi invested a total of NOK 69 million in district heating in 2010, and the investments relate to plants in Tønsberg, Horten and Skien. When completed, these plants will have an installed capacity totalling 82.5 MW, and the expected production is 173 GWh.

In December, Norway and Sweden signed a protocol relating to a common market for green electricity certificates from 2012. The objective is to achieve the development of 26.4 TWh of renewable energy in the period leading up to 2020. To Statkraft, this means that development of wind and hydropower becomes more likely.

International growth Over the course of 2010, the Group has consolidated its international position. New plants have come online in Turkey, India and Chile. Overall, the Group's production capacity outside of Norway increased by 180 MW with an expected annual production of about 745 GWh in 2010 (Statkraft's share). Furthermore, a decision has been made to make major investments both in and outside of Europe, for a total of NOK 10.4 billion and a total installed capacity of 880 MW. Planned maintenance investments come in addition.

Cakit, the Group's first hydropower plant in Turkey, came online in June. The installed capacity is 20 MW and the expected annual production is 95 GWh. In November, a decision was made to invest in a new hydropower plant, Kargi, north-east of Ankara. The power plant, scheduled for completion in late 2013/early 2014, will have an installed capacity of 102 MW and a planned annual production of about 470 GWh. The investment has a ceiling of NOK 2 billion.

In the third quarter, the hydropower plants Allain Duhangan in India (192 MW and 43% shareholding) and La Higuera in Chile (155 MW and 50% shareholding) came online, and these projects will be completed in 2011. A decision has been made to build the Cheves hydropower plant in Peru. The investment has a ceiling of about NOK 2.4 billion. The plant will have an installed capacity of 168 MW and an expected annual production of 834 GWh. Completion is expected in late 2013/early 2014.

Early in 2010, a decision was made to develop the Em wind farm in Sweden. The farm, with an installed capacity of 9 MW, started trial operations in January 2011. The Group has received several licenses for additional development of wind power in Sweden.

Statkraft is involved in several wind power projects in the UK. At the end of 2009, the Forewind consortium, where Statkraft owns 25% was awarded the rights to develop the

Doggerbank offshore wind farm. The zone, which is the largest in the third licensing round in the UK, has a potential of 9000 MW. The foundation work for the Sheringham Shoal offshore wind power project started in June. Statkraft owns 50% and the Group's share of the investment is about NOK 5 billion. The project will have an installed capacity of 315 MW.

In the third quarter a decision was made to expand the gas power production at Knapsack outside of Cologne in Germany. The new plant, which will be ready for carbon capture and storage will have an installed capacity of 430 MW. The power plant is scheduled for completion in July 2013, and the investment has a ceiling of about NOK 3 billion. Statkraft plans no additional capacity growth within gas power in the next few years.

In October 2010, Statkraft entered into an agreement with E.ON to acquire the remaining shares (33.3%) in Baltic Cable with accounting effect from 1 January 2011. The 600 MW subsea cable between Sweden and Germany will thus be wholly owned.

Sale of activities As part of the focusing of the strategy, Trondheim Energi Nett was sold in the second quarter. Solar power has also been defined as being outside the focus areas and the shares in Ra1, the owner of the Casale solar park in Italy, were sold in December.

Health and safety There were no work-related accidents with serious consequences in consolidated operations in 2010, but there were five fatal accidents in associated companies; four at plants abroad and one in Norway. All accidents have been investigated and followed up. To achieve the goal of zero work-related accidents, the work to follow up and implement preventive activities in the operations and projects will be strengthened. Furthermore, high safety requirements are also set for partners and suppliers.

FINANCIAL PERFORMANCE¹

The Statkraft Group saw revenues increase significantly in 2010 as a result of higher power prices than in preceding years. The net revenues for 2010 were NOK 23 176 million and the fiscal operating profit was NOK 12 750 million. The increase from 2009 was 36 and 81% respectively.

A decline in the value of the E.ON AG shares through 2010 resulted in a write-down of the shares and a recognised unrealised loss of NOK 3625 million in the fourth quarter. This is a consequence of amended accounting procedures, but has not influenced book value and equity. The Group's profit for 2010 includes a dividend from the investment in E.ON of NOK 974 million.

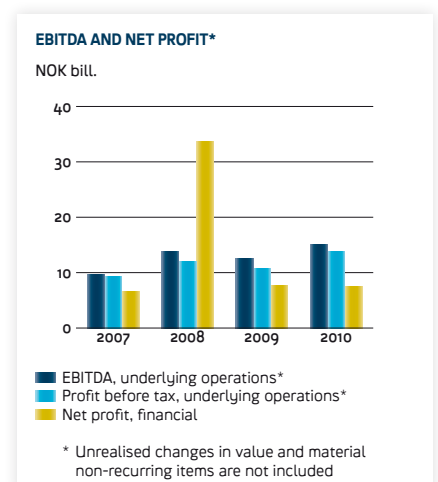
Changed assumptions and improved estimation models for calculation of deferred tax assets related to resource rent carryforwards have resulted in a positive effect on the result for the fourth quarter of about NOK 1400 million.

The write-down of the E.ON shareholding is the main reason for the Group's accounting profit before tax of NOK 12 599 million being on a par with 2009, and the profit after tax of NOK 7451 million showing a reduction of 3% compared with 2009.

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

Annual result the underlying profit before tax was nok 13 861 million (nok 10 654 million).

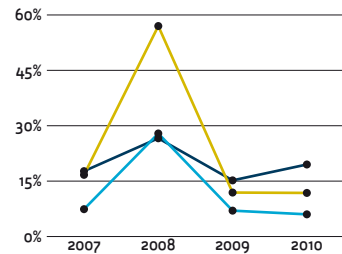
The main explanation for the improved profit is the higher power prices in the Nordic region. Lower market interest rates and lower average debt have reduced the financial expenses.



¹ Figures in parentheses show the comparable figures for 2009.

RETURN ON CAPITAL

NOK bill.



■ ROACE, underlying operations*
■ Return on total assets after tax
■ Return on equity after tax

* Unrealised changes in value and material non-recurring items are not included.

The operating expenses increased somewhat as a result of provisions in connection with the restructuring of the organisation, general wage growth, increased wind power activity in the UK and increased activity in Skagerak Energi.

Measured as ROACE – return on average capital employed - the Group achieved a return of 19.5% in 2010 compared with 15.2% in 2009. The increase of 4.3 percentage points is due to a higher operating result. Capital employed remained largely unchanged.

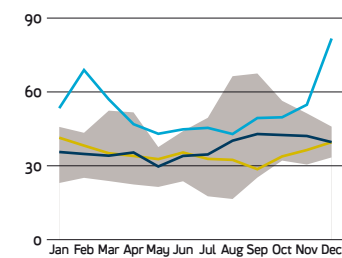
Based on the accounting result, the return on equity was 11.8% after tax, compared with 11.9% in 2009, and the return on total capital after tax was 6.0%, compared with 7.0% for the full year 2009. The decline is due to a somewhat lower result after tax. Average total assets were stable throughout the year, and the equity increase in December only marginally affected the average equity.

MARKET AND PRODUCTION

Statkraft’s revenues come from spot sales (sale of own production in spot markets), contract sales to the industry, financial trading and grid activities, as well as district heating and power sales to end-users. Energy prices, water management and production make up the fundamental basis for Statkraft’s revenues.

SYSTEM PRICE, NORD POOL

EUR/MWh



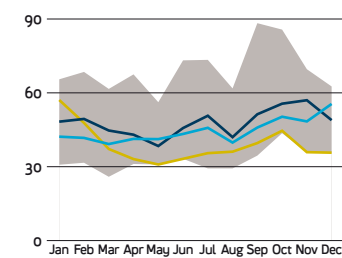
■ Price interval 2005–2009
■ Average 2005–2009
■ 2009
■ 2010

The power market The majority of Statkraft’s output is generated in the Nordic region and Germany. The Group is also exposed in other European markets as well as markets outside Europe through its subsidiary SN Power.

Power prices both in the Nordic region and Germany rose in 2010 compared with 2009. The average system price in the Nordic market was higher in all the months in 2010 compared with the corresponding periods in 2009, and the average system price on Nord Pool was 53.1 EUR/MWh for the year (35.0 EUR/MWh). The average spot price (base) on the European Energy Exchange (EEX) was 44.6 EUR/MWh in 2010 (38.9 EUR/MWh). This corresponds to an increase of 52% in the Nordic region and 15% in Germany. Compared with the average prices for the years 2005-2009, the price was 43% higher in the Nordic region, while it was 7% lower in Germany. The average gas price at the Title Transfer Facility (TTF) in the Netherlands was 17.4 EUR/MWh (12.1 EUR/MWh), an increase of 44% from 2009.

SPOT PRICE, EEX

EUR/MWh



■ Price interval 2005–2009
■ Average 2005–2009
■ 2009
■ 2010

The demand for power increased by 3% in the Nordic region and 3.7% in Norway from 2009 to 2010. Lower temperatures were the main reason for the increase in consumption. The power-intensive industry in Norway has increased its demand by 6.7% compared with 2009. Total production in Norway was 120.8 TWh, and 7.6 TWh or 6% of the consumption had to be imported to cover demand. In the Nordic region, imports amounted to 19.2 TWh, 5% of the total consumption of 392.7 TWh.

At the end of December, the overall water level in the Nordic region’s reservoirs was 64.2% of normal, corresponding to 45.0 TWh. The water level was 45% of maximum capacity, which is 121.2 TWh.

Production Statkraft’s production is determined by capacity, access to resources (hydrological balance and wind) and power optimisation. At the end of 2010, the installed capacity amounted to 16 010 MW, with hydropower contributing 12 969 MW, gas power 2178 MW, wind power 304 MW, district heating 544 MW and biopower 16 MW.

The Group had an energy production totalling 57.4 TWh (57.0 TWh). Hydropower production declined by 0.1 TWh, while gas power production increased by 0.5 TWh. Wind power production was unchanged.

The demand for power varies through the day and through the year, and the power markets are dependent on capacity that can be adjusted through the variations of the day. Statkraft's large share of flexible production capacity in combination with sound expertise in analysis and production contribute to making the Group able to achieve generally sound water resource management. This is achieved through good power optimisation as well as available power plants in peak demand periods. This expertise is also used in the flexible power production on the Continent.

Statkraft's hydropower production in 2010 has been in line with the annual mean production. As a result of uncommonly cold and dry weather in 2010, the resource situation was very tight at year-end.

UNDERLYING OPERATING REVENUES

Gross operating revenues increased by 12% to NOK 28 859 million (NOK 25 675 million).

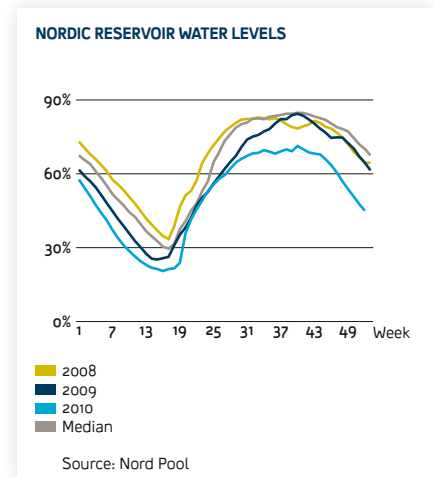
Net operating revenues amounted to NOK 22 590 million (NOK 19 796 million).

Power production is mainly sold in the spot market and under long-term commercial industrial contracts. In addition, the Group also delivers power at terms set by the authorities (concessionary and industrial power). The production revenues are optimised through financial power trading, and the Group also engages in pure trading activities. Downstream activities are conducted through the Skagerak Energi and Customers segments.

UNDERLYING OPERATING REVENUES

Figures in NOK mill.	2010	2009
Net physical spot sales, incl. green certificates	18 286	10 464
Concessionary sales at statutory prices	308	384
Sales of electricity to industry at statutory prices	1 535	1 671
Long-term commercial contracts	3 054	2 820
Nordic and Continental dynamic asset management portfolio	308	1 654
Trading and Origination	601	1 622
Distribution grid	1 421	1 485
End-users	5 986	4 285
District heating	634	505
Other/eliminations	-4 354	-175
Sales revenues	27 780	24 715
Other operating revenues	1 079	960
Gross operating revenues	28 859	25 675
Energy purchase	-4 678	-4 825
Transmission costs	-1 595	-1 054
Net operating revenue	22 590	19 796

Long-term agreements with the power-intensive industry Statkraft is a major supplier to the energy-intensive industry, and some of this power has historically been sold at terms stipulated by the authorities. These contracts have successively expired in recent years, and the annual delivered volume will drop from about 7.9 TWh in 2010 to about 1.5 TWh in 2011. As these contracts have expired, the commercial energy-intensive industry contract portfolio has grown. In 2010, three major agreements were entered into with a total annual volume of about 3 TWh. The deliveries are divided into two terms, one from 2011 to 2020 and one from 2011 to 2022. After this, long-term contracts amount to about 14 TWh per year. In line with the expiration of the long-term agreements with statutory prices, Statkraft's revenues from this volume of power will increase considerably. In 2010, the revenues from the commercial contract portfolio amounted to NOK 3054 million (NOK 2820 million), while the contracts with statutory prices amounted to NOK 1535 million (NOK 1671 million).





→ ELLEN STENSURD

Deputy chair,
Board member
since 2007

Concessionary sales at statutory prices Statkraft is required to cede a share of the power production to the district where the power is produced, so-called concessionary power. The price for this power corresponds to the average production cost, which is substantially lower than the power market price. In 2010, the revenues from concessionary sales amounted to NOK 308 million (NOK 384 million).

Portfolio management To mitigate risk related to uncertainty in future price and production volumes, as well as to increase the long-term revenues, the company hedges production revenues through financial power trading. The share of the production that is hedged changes in line with market development expectations. As power prices are influenced by other commodity prices such as coal, oil, gas and CO₂, and as these prices can both be input factors in gas power production (gas and CO₂), and price adjustment factors in contracts, Statkraft also engages in financial trading with these commodities.

Statkraft's analysis activities occupy a key position in the trading. The analysis activities are based on collection and processing of hydrological data and other market data. These data are used to estimate market prices and optimise the flexible production. In 2010, the revenues from the hedging transactions through the Nordic and Continental portfolio management amounted to NOK 308 million (NOK 1654 million). The decline is caused by contract losses in the first quarter due to the dry and cold winter and less available nuclear power resulted in very high power prices.

Trading and origination Statkraft is also engaged in relatively short-term positioning with financial standard contracts (trading) and trading with structured products and customised agreements for industry and industry and commerce (origination). Realised revenues can vary considerably between periods and years, and must also be seen in the context of unrealised changes in the value of energy contracts. In 2010, the realised revenues from trading and origination amounted to NOK 601 million (NOK 1622 million).

Downstream activities The downstream activities in Statkraft consist of grid operations, district heating and power sales to end users. The sales revenues from these activities are large, but the margins are low compared with the other activities. Trondheim Energi Nett was sold in the first half of 2010. In total, the revenues from the downstream activities amounted to NOK 8041 million (NOK 6275 million). Revenues from retail electricity sales and district heating rose as a result of higher prices and volumes, but grid revenues fell as a result of the divestment of the activities.

Other operating revenues amounted to NOK 1079 million for the year (NOK 960 million). The increase is mainly generated by the increased activity in Skagerak Energi. About half of the revenues come from leasing of power plants. Revenues from fibre, natural gas, electrical entrepreneur and settlement activities in Skagerak Energi, as well as property management in Trondheim are also recognised as other operating revenues.

Energy purchases totalled NOK 4674 million (NOK 4825 million). The decline is due to Fjordkraft now buying a larger share of the power for the retail customer activities internally in the Group. The somewhat higher costs in connection with purchase of gas for power production count in the other direction.

Transmission costs associated with the transport of power totalled NOK 1595 million (NOK 1054 million). The increase primarily related higher Nordic power prices.

UNDERLYING OPERATING EXPENSES

The operating expenses for 2010 were NOK 10 103 million. This is an increase of 3% from 2009. Increasing efficiency in both existing activities and in connection with the integration of new activities is emphasised. The organisation underwent a restructuring in 2010. In

addition, efforts are underway to improve purchasing routines and processes for important input categories.

OPERATING EXPENSES

Figures in NOK mill.	2010	2009
Salaries and payroll costs	2 726	2 517
Depreciation	2 543	2 635
Property tax and license fees	1 236	1 166
Other operating expenses	3 598	3 530
Operating expenses	10 103	9 849

Salaries and payroll costs rose by NOK 208 million to NOK 2726 million. The increase relates to higher average staffing in the segments Generation and Markets as well as Wind power, general wage growth as well as provisions in connection with the restructuring of the organisation.

In recent years, the Group has increased the activities through take-over of assets from E.ON AG, consolidation of SN Power as a subsidiary as well as investments in new capacity in several of the business segments. During the last two years, assets have been written down by NOK 1.7 billion in total. Trondheim Energi Nett was sold with fiscal effect from 30 June 2010. Both write-downs and sale of businesses are important explanations for the reduction in the depreciation in the underlying activities of NOK 92 million from 2009 to NOK 2543 million in 2010.

License 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 calculation basis for property tax on power plants is based on an average of the results for the power plant over the last five years, and high power prices will therefore influence tax costs. Statkraft's license fees are relatively stable. Property tax has increased in recent years as a result of an increase in the calculation basis. The increase in 2010 is related to SN Power and wind power. In total, property tax and licence fees increased by NOK 69 million to NOK 1236 million.

Other operating expenses include external services, materials, costs of power plants operated by third parties as well as compensation payments. In addition come other operating expenses, which include rent, IT expenses, marketing, insurance and travel expenses. In 2010, these expenses amounted to NOK 3598 million in total. The increase of NOK 69 million, corresponding to 2%, primarily relates to increased wind power activities in the UK and increased activity in Skagerak Energi. The increase is somewhat offset by lower costs as a result of the sale of Trondheim Energi Nett at the end of the second quarter of 2010.

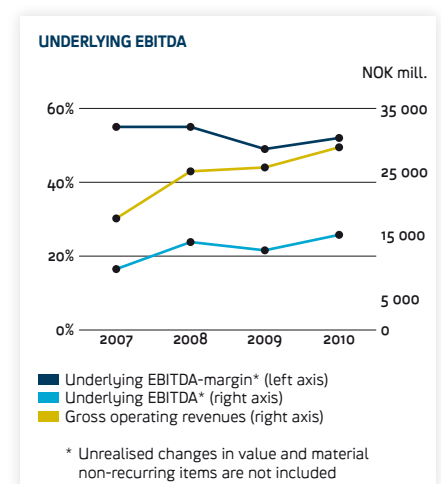
UNDERLYING EBITDA AND UNDERLYING OPERATING RESULT

EBITDA was NOK 15 030 million in 2010 (NOK 12 582 million), and the operating profit was NOK 12 487 million (NOK 9947 million). This is an improvement of 19 and 26%, respectively.

Historically, Statkraft has had very high EBITDA margins as a result of operating expenses in connection with hydropower production being generally low. This is offset to some extent by higher tax rates for hydropower production through economic rent taxation. Growth in other technologies is expected to reduce the Group's margins over time. The EBITDA margin was 52% in 2010 (49%). The margin improvement is mainly a result of higher prices.

UNDERLYING SHARE OF PROFIT FROM ASSOCIATED COMPANIES

The Group has major shareholdings in the regional power companies BKK and Agder Energi. Outside of Norway, the growth in several cases takes place through ownership in partly-owned





**HALVOR
STENSTADVOLD**

Chair of Statkraft's
Audit Committee,
Board member
since 2003

companies. The share of profit from the Group's associated companies amounted to NOK 921 million in 2010 (NOK 1033 million).

The decline is primarily due to reduced contributions from BKK and Agder Energi as a result of low production and losses in the hedging portfolio. Increased contributions from associated companies in SN Power, partly due to higher production in the Philippines, have a positive effect.

UNDERLYING FINANCIAL ITEMS

Net financial items were positive with NOK 452 million in 2010 (negative position of NOK 327 million). Statkraft's external debt is considerably higher than placements, and this resulted in net interest charges of NOK 1246 million in 2010. Other financial items, mainly dividend from E.ON AG and realised currency gains from overdue debt, were positive, amounting to NOK 1698 million.

Financial income amounted to NOK 2060 million (NOK 1911 million). The increase is mainly due to realised currency gains on external debt of NOK 498 million. The realisation of these gains has resulted in a reduction in unrealised changes in the value of financial items. Gains from hedging transactions in EUR and bank deposits denominated in foreign currency were reduced by NOK 371 million compared with 2009.

Statkraft places significant amounts in banks and securities at times, particularly ahead of major payments. Counterparties are continually followed up to reduce the risk of losses. The return on placements was NOK 114 million lower so far this year as a result of lower average placed amounts. This is offset by NOK 88 million in increased interest income from lending to associated companies. At the end of the year, Statkraft received NOK 14 billion in the form of a share contribution from the owner. The new capital increased cash and cash equivalents to NOK 20 billion at the end of 2010.

Financial expenses amounted to NOK 1607 million (NOK 2238 million). Interest charges fell by NOK 289 million, as a result of both lower market interest rates and lower average debt. Other financial expenses were NOK 318 million lower, and can mainly be explained by loss recognition for loans and guarantees in 2009.

The Group has four loan portfolios in NOK, SEK, EUR and USD, respectively. The portfolios are exposed to both variable and fixed interest rates, with exposure to variable interest rates amounting to 64%. The average current interest rates in 2010 for loans denoted in NOK were 4.2%, in SEK 1.3%, in EUR 3.5% and in USD 4.1%. Debt in USD is in relation to project financing in SN Power.

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

ITEMS EXCLUDED FROM THE UNDERLYING RESULT

Figures in NOK mill.	2010	2009
Unrealised changes in value energy contracts	193	-2 813
Unrealised changes, associates and joint ventures	235	547
Unrealised changes in financial items	-1 369	5 977
Unrealised changes	-941	3 711
Material non-recurring items	-321	-1 878
Unrealised changes and material non-recurring items after tax	-1 152	561

Total unrealised changes in value and material non-recurring items after tax in 2010 amounted to NOK -1152 million (NOK 561 million).

Write-down of the E.ON AG shares Statkraft owns 83 415 119 shares in E.ON AG, corresponding to a shareholding of 4.17%. At year-end, the shareholding was entered in the balance sheet with market value of NOK 14 862 million. The market price has gone from EUR 28.44 per share when the shares were transferred to Statkraft at the end of 2008 to EUR 22.94 per share at the end of 2010. In the same period, the currency exchange rate for EUR to NOK has gone from 9.75 to 7.80. The currency loss has been recognised on the income statement continuously as part of currency hedging against loans denominated in EUR. The part of the unrealised loss that can be attributed to a lower market price amounts to NOK 3625 million.

As the loss of value has continued over a longer period of time, the result for the fourth quarter was charged with NOK 3625 million under financial items. Previously, the changes in value for the shares have been recognised against comprehensive income. As the loss is charged to the result, earlier charges against comprehensive income will be reversed. This means that the loss recognition has no effect on the equity.

Unrealised changes in value on energy contracts Unrealised changes in value on energy contracts were NOK 193 million (negative position of NOK -2813 million). The Group's contracts are indexed against various commodities, currencies and indices. In 2010, higher gas prices and a stronger US dollar were the primary influences on these unrealised items.

Unrealised changes in value in associated companies and joint ventures Unrealised changes in value in associated companies and joint ventures amounted to NOK 235 million NOK (NOK 547 million). Higher power prices have influenced hedging contracts in BKK and Agder Energi negatively, while associated companies in Germany have increased their unrealised values in 2010.

Unrealised changes in value of financial items Unrealised changes in value for financial items amounted to NOK -1369 million, and relate primarily to the following items in addition to the change resulting from the write-down of the E.ON AG shares mentioned above.

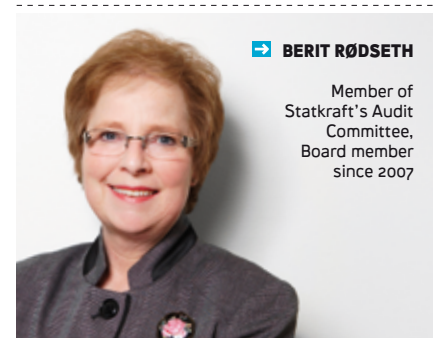
Debt in SEK and EUR resulted in a total unrealised currency gain of NOK 267 million. The NOK became stronger in relation to EUR, which increased the unrealised currency gains seen in isolation. A substantial part of the debt in SEK was realised and rolled over. This reduced unrealised currency gains while the weaker NOK against SEK resulted in an unrealised currency loss.

Statkraft uses currency hedging contracts to ensure that future agreed cash flows, mainly related to power sales in EUR, are hedged. Of the unrealised changes in value for financial items, currency hedging contracts and short currency positions amounted to NOK 253 million, mainly due to the stronger NOK against EUR.

Currency gains on internal loans amounted to NOK 3373 million of the unrealised changes in value for financial items. The gain arose mainly as a result of a stronger NOK and SEK against EUR. The gain has no cash effect and will have a counterpart entry in comprehensive income under translation differences.

Unrealised changes in value related to currency for the E.ON AG shares are shown as currency losses under financial items and amounted to NOK 1193 million. Currency effects are recognised in the income statement as part of the unrealised changes in value in order to reduce the effect of currency changes on internal and external loans in EUR.

Changes in value for interest rate and inflation derivatives amounted to a gain of NOK 31 million.



→ **BERIT RØDSETH**

Member of
Statkraft's Audit
Committee,
Board member
since 2007



➔ **SILVIJA SERES**

Member of Statkraft's
Compensation
Committee,
Board member
since 2010

Non-recurring items Non-recurring items excluded from the calculation of the underlying profit amount to NOK -321 million in 2010 (NOK -1878 million).

In 2010, Statkraft recorded a gain on the sale of shares in Trondheim Energi Nett of NOK 393 million. The gain has been classified as other operating revenues in the accounts.

The pension reform for public schemes in Norway changes the rules for adjustment of retirement pension. This entails a reduction in the Group's pension liabilities. The reform has retroactive effect, and the effect of this appears as a reduction in salaries and payroll costs of NOK 339 million for consolidated operations and NOK 121 million for associated companies.

Non-recurring items include write-downs in consolidated and associated activities totalling NOK 1173 million. The write-downs are mainly related to gas power (NOK 589 million), wind power (NOK 114 million) and SN Power (NOK 459 million).

The gas-fired power plant Robert Frank in Germany and the shares in Naturkraft (gas-fired power plant at Kårstø) have been written down due to lower expected earnings (spark spread). The wind farms at Hitra and Kjøllefjord have been written down as a result of lower production and higher operating expenses than previously anticipated.

SN Power has written down a project portfolio in Chile on the basis of a market-related assessment. In addition, cost overruns and delayed start-up of the development project Allain Duhangan in India (43% shareholding) and La Confluencia in Chile (50% shareholding) contributed to a permanent impairment, while the value for Malana in India (49% shareholding) has previously been impaired as a result of new information relating to Indian tax rules.

Tax recognised as income related to estimated negative resource rent tax carryforwards amounted to NOK 250 million in 2009, while the estimate change for 2010 was about NOK 1900 million. The recognition as income is a combination of changed assumptions during the course of the year, as well as improved methods for estimation of deferred tax assets. The estimated effect of the changed assumptions and improved estimation models is about NOK 1400 million.

TAXES

Accounting tax expenses increased by NOK 376 million from 2009 to 2010, and amounted to NOK 5148 million. The effective tax rate in 2010 was 40.9% (38.2%). The ordinary payable tax increased by about NOK 1050 million, mainly due to an increase in unrealised losses on shares and financial assets without tax-related deduction. High power prices have furthermore resulted in an increase in resource rent tax payable of NOK 709 million. The reduction in deferred tax of NOK 1381 million is mainly due to recognition of estimated deferred tax assets related to negative resource rent tax carryforwards as income.

CASH FLOW AND CAPITAL STRUCTURE

CASH FLOW

Figures in NOK mill.	2010	2009
Net cash flow from operating activities	13 577	12 714
Net cash flow from investing activities	-2 297	-4 678
Net cash flow from financing activities	2 093	-3 333
Net change in cash and cash equivalents	13 372	4 703
Currency effect on cash flows	17	-249
Cash and cash equivalents 01.01.	6 663	2 209
Cash and cash equivalents 31.12.	20 052	6 663

The operating activities generated a cash flow of NOK 13 307 million in 2010 (NOK 7781 million). Long and short-term items had a net negative change of NOK 876 million (NOK 3850 million). Dividend received from associated companies amounted to NOK 1146 million (NOK 1083 million).

The net change in liquidity from the activities was thus NOK 13 577 million (NOK 12 714 million).

In 2010, NOK 3722 million was invested, of which about NOK 1 billion in maintenance of existing plants. In addition to maintenance investments, the largest investment items were related to hydropower in Norway, Turkey and SN Power, distribution grid operations in Skagerak Energi as well as wind power in Sweden and the UK. Sale of fixed assets, mainly Trondheim Energi Nett, amounted to NOK 1425 million. The net liquidity effect from investments amounted NOK -2297 million (NOK -4678 million).

Total new debt raised was NOK 4431 million in 2010. Repayment of debt amounted to NOK 8282 million. Dividend and group contribution was disbursed to Statkraft SF in the amount of NOK 7964 million (NOK 10 260 million).

The net liquidity change was NOK 13 372 million in 2010 (NOK 4703 million). The Group's cash and cash equivalents was NOK 20 052 million, compared with NOK 6663 million at the beginning of the year. The increase is primarily due to payment of new equity from the owner of NOK 14 billion in December.

Interest-bearing debt amounted to NOK 40 486 million at the end of 2010, compared with NOK 45 660 million at the start of the year. The interest-bearing debt-to-equity ratio was 35.0%, compared with 41.3% at year-end 2009. In addition to lower debt, the decline is due to the increase of NOK 14 billion in new equity from the owner in December 2010.

Loans from Statkraft SF to Statkraft AS amounted to NOK 1.1 billion at the end of the year compared with NOK 4.5 billion at the beginning of the year. Guarantee premium payments to the Norwegian state amounted to NOK 15 million in 2010.

The Group has improved its financial situation through the new equity, which reduced the need for borrowing in the short term. Future borrowing will seek to achieve a steady maturity profile.

At the end of the year, current assets, excluding cash and cash equivalents, totalled NOK 17 830 million and short-term interest-free debt amounted to NOK 21 928 million. Energy and financial derivatives amounted to NOK 5645 million of current assets and NOK 6861 million of short-term interest-free debt, respectively.

At the end of 2010, Statkraft's equity totalled NOK 75 302 million, compared with NOK 64 901 million at the start of the year. This corresponds to 48.3% of total assets. The increase is mainly a result of NOK 4112 million retained from operations and NOK 14 billion in new equity from the owner. The disbursed dividend and group contribution of NOK 7964 million reduced the equity.

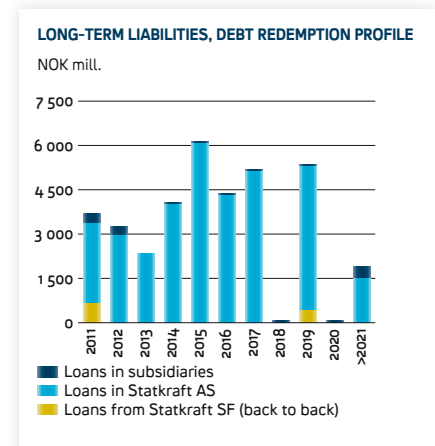
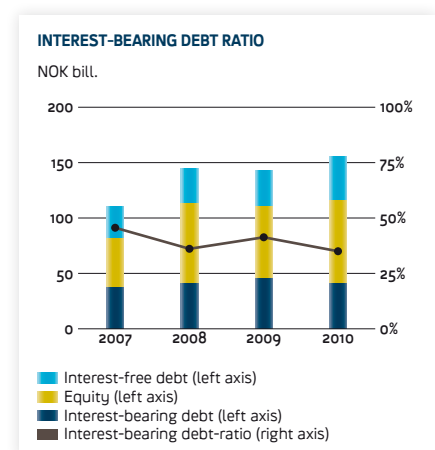
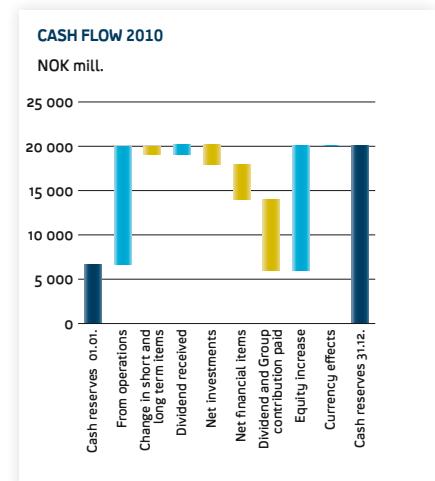
GOING CONCERN

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.

STATKRAFT'S ACTIVITIES

Statkraft is Europe's largest producer of renewable energy. In 2010 Statkraft's activities were organised in six segments – Generation and Markets, Wind power, Emerging Markets, Skagerak Energi, Customers and Industrial ownership.

Generation and Markets is the largest of these segments and is responsible for operation and maintenance of hydropower plants and gas-fired power plants in Europe, as well as





→ **INGE RYAN**

Member of
Statkraft's
Audit Committee,
Board member
since 2010

physical and financial energy trading and energy-related products in Europe. The production assets are generally flexible and include 182 wholly and partly owned hydropower plants, five gas power plants and two biomass plants. The total installed capacity is 12 963 MW. In addition to own power generation, extensive trading is carried out in standardised and structured power contracts, gas, coal, oil and carbon quotas. Statkraft owns two-thirds of a 600 MW subsea cable between Sweden and Germany through the company Baltic Cable AB. Baltic Cable became wholly owned from 1 January 2011.

The Wind power segment is responsible for the development, construction, operation and ownership follow-up of onshore and offshore wind farms in Norway and Europe. Responsibility for development and commercialisation of offshore wind power technology also rests with the segment. Development and construction projects are currently being implemented in Norway, Sweden and the United Kingdom. The segment has four wind farms in operation, Smøla, Hitra and Kjøllefjord in Norway and Alltvalis in the UK. The combined installed capacity of these wind farms is 268 MW. Further investments in wind power in Norway take place through the company Statkraft Agder Energi Vind DA, where Statkraft owns 62% and Agder Energi 38%.

The Emerging Markets segment is responsible for the management and further development of ownership positions outside of Europe, and currently consists of the shareholding in SN Power, where Norfund owns the remaining 40%. In addition, Theun Hinboun Power Company (THPC) (20% shareholding) is managed on behalf of Statkraft SF. THPC is not included in the segment's financial figures. At the end of last year, SN Power had ownership interests in 19 hydropower plants in South America and Asia, as well as in one wind farm and one gas power plant in South America. The power plants have a total installed capacity of 822 MW (SN Power's share). In addition, SN Power owns, alone or together with partners, three power plants totalling 300 MW (SN Power's share) under construction and rehabilitation. THPC owns one 210 MW hydropower plant which will be upgraded to 220 MW, and has two further hydropower plants with a combined installed capacity of 280 MW under construction in Laos.

The Skagerak Energi group constitutes a separate segment. The business is concentrated around the production of power, district heating operations, distribution grid operations, electrical entrepreneur activities and natural gas distribution. The company is owned by Statkraft (66.6% shareholding) and the local authorities in Skien (15.2%), Porsgrunn (14.8%) and Bamble (3.4%). The production assets comprise 45 wholly and partly-owned hydropower plants with a total installed capacity of 1314 MW. The company has about 181 000 distribution grid customers.

The Customers segment consists of the district heating activities in Norway and Sweden. In total, the district heating system in Trondheim and Klæbu produced about 600 GWh with an installed capacity of 297 MW. In Norway, about 640 commercial customers and about 8000 households are supplied with district heating. In Sweden, the segment produces about 400 GWh with an installed capacity of 211 MW of district heating. In Sweden, district heating is supplied to about 1500 customers. The segment also covers property management activities.

The Industrial ownership segment is responsible for management and development of Norwegian shareholdings. The segment comprises the companies Fjordkraft², BKK (49.9% shareholding) and Agder Energi (45.5% shareholding). The former company is included in the consolidated financial statements, while the other two companies are reported as associates.

² Fjordkraft is owned by Statkraft (3.15%), Skagerak Energi (48.0%) and BKK (48.85%).

Areas not shown as separate segments are presented under the heading Other. This includes the business units Southeast Europe Hydro, Solar Power, Small-Scale Hydro, Innovation and Growth, along with the 4.17% shareholding in E.ON AG, and Group functions and eliminations.

The Group has adopted a new segment structure from 1 January 2011. The new segments are Nordic hydropower, Continental energy and trading, International hydropower, Industrial ownership, Wind power and District heating.

KEY FIGURES 2010 – SEGMENTS

SEGMENTS

NOK million	Statkraft AS Group	Generation and markets	Wind power	Emerging markets	Skagerak Energi	Customers	Industrial ownership	Other
Income statement – underlying operations								
Gross operating revenues	28 859	21 619	289	707	3 328	938	6 001	-4 023
Net operating revenues	22 590	17 416	261	659	3 266	571	326	91
EBITDA	15 030	13 176	-67	169	2 003	236	58	-547
Operating profit	12 487	11 616	-174	39	1 539	87	24	-647
Share of profit from associates and joint ventures	921	41	-35	507	-2	-25	498	-65
Profit before financial items and tax	13 408	11 658	-209	547	1 538	62	523	-711
Unrealised changes in value and non-recurring items	80	-82	-106	-457	224	392	-9	118
Balance sheet								
Investments in associates and joint ventures	17 090	666	1 085	5 661	98	230	9 289	63
Other assets	138 877	79 322	1 960	6 659	15 270	4 149	4 920	26 597
Total assets	155 967	79 987	3 045	12 320	15 368	4 379	14 209	26 660
Investments, maintenance	1 000	598	3	103	235	13	-	48
Investments, new capacity	1 852	789	131	186	344	189	12	202
Investments in shares	888	-	559	274	-	-	-	55
Work-force, health and safety								
Full-time equivalents	3 301	1 422	87	424	788	119	98	362
Sickness absence	3.4 %	2.9 %	1.2 %	1.5 %	4.9 %	5.0 %	4.6 %	3.0 %
LTI, number of lost-time injuries per million hours worked	3.8	2.2	-	3.9	6.1	9.7	-	-
Fatalities in consolidated operations	-	-	-	-	-	-	-	-
Fatalities in associates and joint ventures	5	-	-	4	-	-	1	-
Upstream business								
Installed capacity (MW)	15 452	12 963	268	822	1 299	-	-	99
Production, actual (TWh)	57.4	49.9	0.6	1.9	5.0	-	-	0.1
– of which hydropower	50.1	43.2	-	1.9	5.0	-	-	0.1
– of which gas power	6.7	6.7	-	-	-	-	-	-
– of which wind power	0.6	-	0.6	-	-	-	-	-
District heating								
Installed capacity (MW)	544	-	-	-	36	508	-	-
Heating supplied (GWh)	1 018	-	-	-	45	973	-	-
Number of customers (1000)	10.9	-	-	-	0.7	10.1	-	-
Downstream business								
Number of distribution grid customers (1000)	181	-	-	-	181	-	-	-
Energy supplied (TWh)	7.8	-	-	-	7.8	-	-	-
Number of end-user customers (1000)	400	-	-	-	-	-	400	-
Total volume supplied (TWh)	13.0	-	-	-	-	-	13.0	-



→ **THORBJØRN HOLØS**

Employee-elected
Board member,
member of Statkraft's
Audit Committee,
Board member
since 2002

STRATEGY

Increased need for clean energy creates business opportunities for Statkraft. The 2011 strategic platform aims for growth in:

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

In addition to these areas, Statkraft will continue to support a sound development in the regional companies in Norway where Statkraft has ownership interests. Furthermore, the innovation strategy has been amended to strengthen Statkraft in the growth areas.

Statkraft's strategy is based on an evaluation of the market's attractiveness and Statkraft's ability to create value. In December, Statkraft received NOK 14 billion in new equity from the owner to implement the Group's strategy.

The premises for the strategy are that business development, construction and operation of power plants must be based on high health, safety and environment standards. The planned activities in emerging markets outside of Europe contribute to increased challenges in connection with corruption, health, safety and the environment as well as upholding Statkraft's corporate social responsibilities. These challenges must be handled in a satisfactory manner in order to create value.

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

On the basis of fundamental market analysis and a well-defined business model, Statkraft seeks to exploit the power plants' flexibility to produce electricity when commercially attractive and the need for power is greatest. Statkraft will prioritise modernisation and expansion, as well as further development of expertise, models and systems to ensure efficient operations and increased creation of value from existing hydro and gas-fired power plants. Statkraft furthermore seeks to increase profitability and reduce risk through the Group's market operations.

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

International hydropower Statkraft has a global strategy for development of hydropower with ambitions to strengthen the Group's position in attractive emerging markets. Statkraft invests in international hydropower both directly and through the subsidiary SN Power. The strategy for international hydropower is based on expected economic growth in selected markets, increased need for clean energy as well as a large potential for hydropower. Statkraft and SN Power have sound expertise related to development and production of hydropower which can form the basis for creation of value in new markets.

Statkraft is developing hydropower production in the Turkish market, and is considering solutions for the development of the Devoll project in Albania together with the Austrian company EVN. SN Power prioritises development of hydropower in Peru, Chile, Nepal, India and the Philippines, where company already owns production capacity. SN Power is also

seeking investment opportunities in Vietnam and Brazil. SN Power AfriCA, a subsidiary of SN Power, is considering investment opportunities in southern Africa and in Central America. SN Power normally seeks to invest in partnership with local interests or international investors.

Wind power Statkraft's ambition is to establish a position among the most profitable and cost-effective players in the industry within onshore wind power in Norway and Sweden. As regards offshore wind power in the UK, Statkraft's ambition is to develop a future attractive position.

The wind power market in Europe is considered to be attractive due to the rising need for new renewable energy production in Europe. Public subsidy schemes and reduced costs for wind power are necessary to achieve satisfactory profitability. Statkraft has a large project portfolio in Norway and Sweden. Statkraft will prioritise the work to secure binding licenses, establish cost-effective solutions within development, operation and maintenance and strengthen the wind analysis expertise. In the UK, Statkraft's goal is to consolidate the existing land-based project portfolio.

Within offshore wind power, Statkraft owns Sheringham Shoal 50-50 with Statoil. The project is scheduled for completion in 2012. The Group also develops projects on the Dogger Bank in the UK up to the license stage in cooperation with partners. The investment decisions for the projects on the Dogger Bank will be made at a later point in time.

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

Statkraft's ambition within small-scale hydropower production in Norway is to grow through industrial ownership in Småkraft AS. Småkraft invests in and builds small-scale hydropower plants in partnership with local landowners. Småkraft AS is owned by Statkraft (40%), Skagerak Energi (20%), BKK (20%) and Agder Energi (20%).

CORPORATE GOVERNANCE

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

Statkraft applies the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company's organisation and ownership. Non-compliances are attributable to the fact that Statkraft is not a publicly listed company and that the Norwegian state is the sole owner of the company, as well as restrictions contained in the Articles of Association. The non-compliances relate to non-discrimination of shareholders, tradability of shares, dividends, the annual general meeting, the election committee and the corporate assembly. Statkraft also applies the Norwegian State's ten principles for good ownership.

Corporate governance is described in detail in the chapter "Corporate governance".

THE WORK OF THE BOARD OF DIRECTORS

In connection with the board elections in 2010, both representatives appointed by the owner and directors elected by the employees were replaced. Svein Aaser took over as Chair after

Arvid Grundekjøn on 30 June 2010. The Board of Directors now consists of Chair Svein Aaser, Deputy Chair Ellen Stensrud and Directors Halvor Stenstadvold, Berit Rødseth, Inge Ryan, Silvija Seres, Odd Vanvik, Lena Halvari and Thorbjørn Holøs. The Board of Statkraft AS is also the Board of Statkraft SF.

The Board held 13 Board meetings through the year. In addition to monitoring the daily operations, a significant part of the work of the Board in 2010 related to Statkraft's financial platform and adaptation of the Group's strategy.

The Board has appointed an Audit Committee consisting of four of the Directors. The Audit Committee has held six meetings during the course of the year.

The Board has also appointed a Compensation Committee consisting of the Chair of the Board and two of the Board's other members. The Compensation Committee has held one meeting during the course of the year.

RISK MANAGEMENT AND INTERNAL CONTROL

The key risk factors for Statkraft relate to market operations, financial management, project execution, operating activities and framework conditions. The international growth contributes to increased project risk, both in the concept and implementation phases. Handling of risk is important for value creation and is an integrated part of all business activities. This is followed up in the respective units through risk monitoring procedures and risk mitigation measures. Statkraft has a central investment committee that assesses the risk, profitability and strategic adaptations related to individual investments and across the project portfolio. In addition, the mandate, expertise and capacity of the Group risk function has been strengthened in 2010.

There are substantial volume and price risks related to power production and trading. In the Nordic power market, precipitation levels and winter temperatures are of great significance and cause considerable fluctuations in both prices and output volumes. In addition, power prices are influenced by the price of gas, coal and oil, as well as carbon quota prices. In addition, gas power production is directly exposed to both gas, oil and CO₂. Statkraft manages this market risk by trading in physical and financial instruments in several markets. Closer integration of the energy markets is of major importance for the company's business models and risk management. Statkraft consequently attaches significant importance to seeing the various markets in context of each other. Internal authorisations and limits have been established for all trading, and these are subject to continuous follow-up.

The central treasury department coordinates and manages the financial risk associated with foreign currencies, interest rates and liquidity, including refinancing and new borrowing. The most important instruments of this management are forward currency contracts, interest swap agreements and forward interest agreements. Currency and interest rate risk are regulated by means of mandates. Limits have also been established for liquidity and counterparty risk. Both market risk and the other financial risk, as well as exposure connected to the issued mandates, are followed up by independent middle office functions, and are regularly reported to Group management and the board.

All processes in the value chain are exposed to operational risk, but the risk is greatest within project execution and operations. The operational risk is mainly handled by means of detailed procedures, emergency preparedness plans and insurance. A comprehensive system for mapping, registering and reporting hazardous conditions, undesirable incidents and injuries has also been established, and these are analysed on an ongoing basis. All projects above a certain size are subjected to continuous risk assessments where the probability and consequences are evaluated.

Other risk is primarily related to general framework conditions and political decisions. Climate changes can present both threats and opportunities, and are of importance for all the risks described above. Statkraft is therefore concerned with the potential consequences of climate change.

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

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

SUSTAINABLE DEVELOPMENT

Ethical business operations and anti-corruption work The Group's revised business principles ("Statkraft's code of conduct") was implemented in the first quarter of 2010. The code of conduct applies to all employees and all companies in the Statkraft Group, and our business partners are expected to have standards in accordance with Statkraft's code of conduct. Renewed ethical requirements especially intended for the Group's suppliers are under preparation.

Training and dilemma training for both managers and employees form a key component of the ethics work in Statkraft. To support this, a new anti-corruption manual and e-learning programs were developed in 2010, ready for introduction in 2011.

Statkraft encourages employees to raise ethical concerns. The Group audit is an independent notification channel. Two cases were registered in 2010. Both cases were handled in line with applicable guidelines and have now been closed.

Statkraft continues to express its support for the UN's Global Compact and renews the company's commitment to follow up the initiative and its ten principles.

Environmental impact No serious environmental incidents were registered in 2010. However, 92 (118) less serious environmental incidents were registered, of which one with high environmental risk. Most of these were in connection with minor and short-term breaches of the river management regulations and minor chemicals spills, and had little or no environmental impact.

Statkraft's emissions of greenhouse gases amounted to 1 693 400 tonnes of CO₂ equivalents (1 600 100 tonnes) in 2010, of which 93% from the gas power activities. The Group buys emission quotas in the voluntary CO₂ quota market to neutralise greenhouse gas emissions of from fuel consumption, business travel and accidental emissions. In 2010, 88% of the Group's power and district heating production was based on renewable energy sources.

In 2010, Statkraft consumed 737 GWh of electricity (1093 GWh). A major energy efficiency project was initiated at Statkraft's Norwegian plants managed by the Generation and markets segment in 2010. The objective is an energy consumption reduction of 35% by 2014. The goal will be reached through installation of management systems, monitoring of operations and energy management, as well as assessment of alternative solutions for equipment and maintenance. All electricity consumed in the Group has been certified as renewable in accordance with RECS (Renewable Energy Certificate System).



→ **ODD VANVIK**

Employee-elected
Board member,
member of Statkraft's
Compensation
Committee, Board
member since 1993

Statkraft generated 84 300 tonnes of hazardous waste that was treated in accordance with applicable regulations. The bulk of this (99.5%) are residual products from the district heating plant in Trondheim and the biopower plants in Germany.

In 2010, Statkraft developed a method to document the company's impact on biodiversity in the catchment areas in Norway. The method uses publicly available databases regarding protected areas, important nature types and existence of species combined with local knowledge and technical expertise. A pilot project has been conducted in the Nore catchment area. The result from the pilot project shows that the conflict potential between Statkraft's activities and biodiversity is moderate or low. Documentation of potential ecological conflicts in all Norwegian catchment areas is planned.

Employees At the end of 2010, the Group had 3301 full-time equivalents (3378). This is a reduction of 2.3% compared with 2009. The Group has employees in 20 countries, and 28% of the staff work outside Norway. The average seniority in Statkraft is 8.5 years. In 2010, the staff turnover rate in Statkraft was 3.9%. The Group's trainee programme was continued in 2010 with ten new trainees.

Statkraft strives to attain a diverse working environment and promotes equal treatment in its recruitment and HR policy. Employees and others involved in Statkraft's activities must be chosen and treated in a manner which does not discriminate on the basis of gender, skin colour, religion, age, disability, sexual orientation, nationality, social or ethnic origin, political conviction, trade union membership or other factors.

Statkraft strives to attain an even gender distribution in the Group, and more women in managerial positions. In 2010, 23% of the Group's employees were women (22%) and the percentage of women in managerial positions was 22 (23%). 44% of the board members were women. The board follows up the work to achieve an even gender balance, including compliance with statutory requirements relating to gender distribution in the boards of subsidiaries and companies where Statkraft has major ownership interests.

Health and safety There were no working accidents with serious consequences in consolidated operations in 2010, but a total of five fatal accidents were recorded in associated companies. In addition, there were two fatal accidents in associated activities in early 2011.

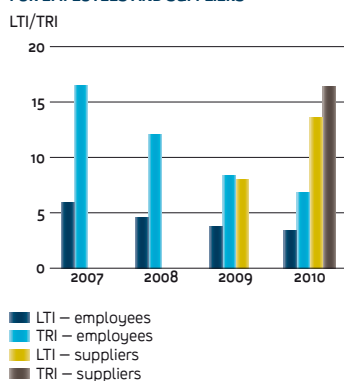
In 2010, one contractor employee died at the Allain Duhangan project (India) and four people from the local community died near the Group's plants (three in Laos and one in Norway). The contractor employee at the Allain Duhangan project died after falling from a mast, while the other four fatal accidents took place in connection with free time activities and traffic near the plants.

At the beginning of 2011, one contractor employee died at THPC (Laos) and one employee at the Istad Group (Norway). The fatal accident at THPC took place in connection with finishing work on the main intake tunnel, while the employee in the Istad Group died after a tracked vehicle overturned.

Several measures have been implemented following the accidents, for example increased focus on applicable guidelines for working at heights and use of safety equipment. Renewed information has also been given to local communities regarding risks and hazards in connection with Statkraft's plants.

The indicator for lost-time injuries, H1, was 3.4 (3.8) among the Group's employees in 2010, while the indicator for all types of injuries, H2, was 6.8 (8.4). For contractors, H1 was 13.6 and H2 was 16.4 in 2010. In total, 81 injuries were recorded, of which 52 lost-time injuries, among the Group's employees and contractors. The operations have seen a positive development

LOST-TIME AND TOTAL RECORDABLE INJURIES FOR EMPLOYEES AND SUPPLIERS



in recent years as regards health and safety, but the Group's development projects still show unsatisfactory results in this area. Statkraft emphasises that the same goals and requirements for health and safety, including physically safeguarding assets and people, apply everywhere and in all activities involving Statkraft. Clear requirements and close follow-up in all project phases are essential to achieving safe and sound workplaces and good results.

Statkraft works to achieve increased understanding for and compliance with safety requirements in all development projects it is involved in. The health and safety work is followed up directly in the projects and through the respective boards of directors.

The Group emphasises learning from injuries and damage, near-misses and hazardous conditions, and using this knowledge to improve. In 2010, 4853 (5597) hazardous conditions and 114 near-misses were recorded. 2010 saw special emphasis on the work to develop and implement clear guidelines for investigation of serious incidents. In addition, a recently developed non-compliance system was applied to record, analyse and follow up incidents. Learning from incidents is a key aspect of the system.

Absence due to illness in Statkraft was 3.4% in 2010 (3.3%). The company has a target of absence due to illness of less than 4%. 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.

Role in society

Statkraft is working to develop new production capacity which can contribute to long-term, reliable energy supply and wants to be a positive contributor in the societies where Statkraft operates. Statkraft strives to achieve an open and constructive dialogue with all stakeholders and is working to develop the company in a manner which increases the value for the owner and the local communities and countries in which Statkraft operates. Identification and active follow-up of the company's impact in local communities is a key aspect of all activities.

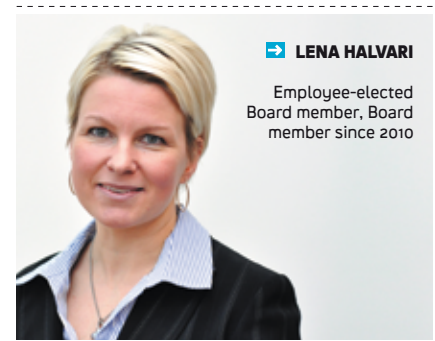
Statkraft's economic value creation amounted to NOK 17 472 million (NOK 19 743 million) in 2010. Of this, NOK 5973 million (NOK 3740 million) was returned to the owner as dividend and group contribution, while taxes and fees to the state and municipalities amounted to NOK 6679 million (NOK 6202 million). Statkraft's total investments in 2010 amounted to NOK 3740 million (NOK 4907 million) (excluding loans given), of which NOK 1999 million (NOK 2355 million) in Norway and NOK 1741 million (NOK 2552 million) abroad. Of these investments, 50% were in connection with expansion of production capacity.

Innovation is part of Statkraft's contribution to society. The Group's innovation investments are channelled through three programs within hydropower, wind power and bio-energy. Statkraft also focuses on technology monitoring and some long-term innovation projects such as osmotic power.

Through the Statkraft Fund, the Group allocated NOK 5 million in 2010 to organisations and projects that in various ways focus on the connections between energy, climate and sustainable development.

ALLOCATION OF THE NET PROFIT FOR THE YEAR

The board of Statkraft SF proposes a dividend of NOK 5973 million, corresponding to 75% of the dividend basis. The dividend basis is calculated as group profit to Statkraft SF after tax and non-controlling interests, adjusted for unrealised gains and losses and further adjusted for a non-recurring effect of NOK 1430 million in connection with deferred tax assets. The dividend will be disbursed from Statkraft SF, and in order to provide Statkraft SF with



sufficient ability to disburse dividend, the board proposes the following allocation of the annual profit in Statkraft AS:

Amounts in NOK million

Net profit in Statkraft AS' company accounts	5 809
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Allocation of profit for the year:

Group contribution from Statkraft AS to Statkraft SF	7 432
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Transferred from other equity	1 623
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The parent company's distributable equity was NOK 14,958 million at year-end.

PROSPECTS

Strategic focus In December, Statkraft's owner injected NOK 14 billion in new equity.

This provides solid support for the company's strategy, and makes it possible to carry out several investment projects within environmentally friendly and flexible power production in Norway, Europe, Asia and South America.

Statkraft has investment plans totalling NOK 70-80 billion in the period 2011-2015. At the end of 2010, Statkraft had adopted binding investments totalling NOK 14.5 billion for the period 2011-2013, excluding Norfund's option to sell the shares in SN Power to Statkraft.


Statkraft aims to maintain the company's credit rating, and has substantial flexibility as regards the investment level in this period.

Expectations for the year's operations At the beginning of 2011, the resource situation in the Nordic region was relatively tight. The Group therefore expects lower hydropower production in 2011 compared with 2010. Forward prices for 2011 indicate continued relatively high prices in the Nordic region, and the prices in Germany are expected to rise further compared with 2010.

The Board of Directors of Statkraft AS
Oslo, 16 March 2011


Svein Aaser
Chair


Berit Rødseth
Board member


Ellen Stensrud
Deputy chair


Halvor Stenstadvold
Board member

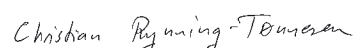

Silvija Seres
Board member


Inge Ryan
Board member


Thorbjørn Holøs
Board member


Odd Vanvik
Board member


Lena Halvari
Board member


Christian Rynning-Tønnesen
President and CEO

Declaration from the Board and CEO

We confirm to the best of our knowledge that the consolidated financial statements for 2010 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the financial statements for the parent company for 2010 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the board of directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the key risks and uncertainties the companies are faced with.

The Board of Directors of Statkraft AS
 Oslo, 16 March 2011


 Svein Aaser
 Chair


 Berit Rødseth
 Board member


 Ellen Stensrud
 Deputy chair


 Halvor Stenstadvold
 Board member


 Silvija Seres
 Board member


 Inge Ryan
 Board member


 Thorbjørn Holøs
 Board member


 Odd Vanvik
 Board member


 Lena Halvari
 Board member


 Christian Rynning-Tønnesen
 President and CEO

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Statement of Comprehensive Income

STATKRAFT AS GROUP

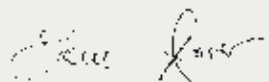
RESULTS			2010	2009
NOK million	Note			
Sales revenues	7		27 780	24 715
Other operating revenues	8		1 473	960
Gross operating revenues	6		29 252	25 675
Energy purchases	9		-4 674	-4 825
Transmission costs			-1 595	-1 054
Unrealised changes in the value of energy contracts	10		193	-2 813
Net operating revenues			23 176	16 983
Salaries and payroll costs	11		-2 387	-2 517
Depreciation, amortisation and impairments	6, 17, 18		-3 205	-2 743
Property tax and licence fees	13		-1 236	-1 166
Other operating expenses	14		-3 598	-3 530
Operating expenses			-10 426	-9 956
Operating profit	6		12 750	7 027
Share of profit from associates and joint ventures	6, 19		766	1 179
Financial income	15		2 060	2 060
Financial expenses	15		-1 607	-3 765
Unrealised changes in value financial items	15		-1 369	5 977
Net financial items			-917	4 281
Profit before tax			12 599	12 487
Tax expense	16		-5 148	-4 771
Net profit			7 451	7 716
Of which non-controlling interest			357	184
Of which majority interest			7 094	7 532
COMPREHENSIVE INCOME				
Changes in the fair value of financial instruments			-4 107	463
Reversed change in value of financial instruments, recognised as loss under financial items			3 625	-
Estimate deviation pensions			-274	81
Translation differences			-2 583	-8 304
Translation differences			-3 339	-7 760
Total comprehensive income			4 112	-44
Of which non-controlling interest			243	-691
Of which majority interest			3 869	647

Balance Sheet

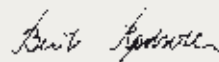
STATKRAFT AS GROUP

NOK million	Note	31.12.10	31.12.09
ASSETS			
Intangible assets	17	2 981	2 277
Property, plant and equipment	18	77 791	78 239
Investments in associates and joint ventures	6, 19	17 090	16 509
Other non-current financial assets	20	16 382	21 939
Derivatives	24	3 842	3 358
Non-current assets		118 085	122 322
Inventories	21	1 013	1 247
Receivables	22	10 748	8 707
Short-term financial investments	23	424	421
Derivatives	24	5 645	4 645
Cash and cash equivalents	25	20 052	6 663
Current assets		37 882	21 683
Assets		155 967	144 005
EQUITY AND LIABILITIES			
Paid-in capital		45 569	31 569
Retained earnings		22 449	26 065
Non-controlling interests		7 284	7 267
Equity		75 302	64 901
Provisions	12, 26	15 758	13 653
Long-term interest-bearing liabilities	27	34 251	36 342
Derivatives	24	2 494	4 016
Long-term liabilities		52 502	54 011
Short-term interest-bearing liabilities	27	6 235	9 318
Taxes payable	16	3 458	2 372
Other interest-free liabilities	28	11 609	9 336
Derivatives	24	6 861	4 067
Short-term liabilities		28 163	25 093
Equity and liabilities		155 967	144 005

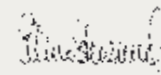
The Board of Directors of Statkraft AS
Oslo, 16 March 2011



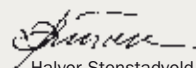
Svein Aaser
Chair



Berit Rødseth
Board member



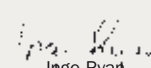
Ellen Stensrud
Deputy chair




Halvor Stenstadvold
Board member



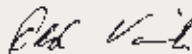
Silviya Seres
Board member



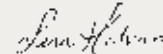
Inge Ryart
Board member



Thorbjørn Holøs
Board member



Odd Vanvik
Board member



Lena Halvari
Board member



Christian Rynning-Tønnesen
President and CEO

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Statement of Cash Flow

STATKRAFT AS GROUP

NOK million	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	12 599	12 487
Profit/loss on sale of non-current assets	26	13
Depreciation, amortisation and impairments	3 205	2 743
Profit from the sale of activities	-371	-
Share of profit from associates and joint ventures	-766	-1 179
Unrealised changes in value	1 176	-3 164
Taxes	-2 562	-3 119
Cash flow from operating activities	13 307	7 781
Changes in long-term items	252	-305
Changes in short-term items ¹	-1 128	4 155
Dividend from associates	1 146	1 083
Net cash from operating activities	13 577	12 714
	A	
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment, maintenance	-1 000	-1 308
Investments in property, plant and equipment, new capacity	-1 852	-2 447
Sale of property, plant and equipment	67	158
Capital reduction in associates and joint ventures	46	1 320
Business divestments, net liquidity accruing to the Group	1 358	-
Business combinations, net liquidity accruing to the Group	-	-417
Loans to third parties	-222	-1 410
Repayment of loans	194	161
Investments in other companies	-888	-735
Net cash flow from investing activities	-2 297	-4 678
	B	
CASH FLOW FROM FINANCING ACTIVITIES		
New debt	4 431	15 377
Repayment of debt	-8 282	-9 378
Capital increase	14 000	-
Reduction of capital to non-controlling interests	-334	-
Dividend and group contribution paid	-7 964	-10 260
Share issue in subsidiary to non-controlling interests	241	928
Net cash flow from financing activities	2 092	-3 333
	C	
Net change in cash and cash equivalents	13 372	4 703
	A+B+C	
Currency exchange rate effects on cash and cash equivalents	17	-249
Cash and cash equivalents 01.01	6 663	2 209
Cash and cash equivalents 31.12	20 052	6 663
Unused committed credit lines	8 000	8 054
Unused overdraft facilities	1 074	731

¹ Changes in short-term items include a movement in working capital of NOK -49 million, changes in receivables and debt related to cash collateral of NOK -448 million, changes in derivatives of NOK 213 million, as well as other currency effects of NOK -881 million.

Statement of Changes in Equity

STATKRAFT AS GROUP

EQUITY	Paid-in capital	Other- equity	Accu-	Retained equity	Total majority	Non- controlling interests	Total equity
			translation- differences				
NOK million							
Balance as of 01.01.2009	31 569	35 608	2 375	37 983	69 552	2 772	72 324
Total comprehensive income of the period	-	8 048	-7 401	647	647	-691	-44
Dividend and group contribution	-	-10 000	-	-10 000	-10 000	-260	-10 260
Business combinations incl. liabilities in connection with options on increased shareholding in subsidiaries	-	-2 561	-	-2 561	-2 561	4 475	1 914
Equity holdings in associates and joint ventures	-	-4	-	-4	-4	-	-4
Capital increase	-	-	-	-	-	971	971
Balance as of 31.12.2009	31 569	31 091	-5 026	26 065	57 634	7 267	64 901
Total comprehensive income of the period	-	6 435	-2 566	3 869	3 869	243	4 112
Dividend and group contribution	-	-7 420	-	-7 420	-7 420	-101	-7 521
Equity holdings in associates and joint ventures	-	-79	-	-79	-79	-	-79
Transactions with non-controlling interests	-	14	-	14	14	-32	-18
Capital increase	14 000	-	-	-	14 000	241	14 241
Reduction of capital	-	-	-	-	-	-334	-334
Balance as of 31.12.2010	45 569	30 041	-7 592	22 449	68 018	7 284	75 302

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01 → GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

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

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

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

Standards applied with effect for the 2010 accounting year:

- IFRS 3 – Business combinations. The standard has been updated and applied prospectively for business combinations that have been implemented on or after 1 January 2010. The standard will have consequences for how acquisitions are recorded in the accounts. The main effects relate to the presentation and measurement of assets and liabilities connected to acquisition transactions and the treatment of transaction costs. The standard will thus affect Statkraft's future acquisitions.
- IAS 27 – Consolidated and separate financial statements. The revised standard has been introduced for accounting

periods starting on or after 1 January 2010 and has been implemented retrospectively (with a few specific exceptions) in accordance with the relevant transitional rules. The standard requires that the effects of transactions with non-controlling interests be recognised against equity as long as there are no changes in control. Such transactions will no longer generate any estimated goodwill or income statement effects. The standard also deals with recognition in the event of loss of control.

The following standards have been amended effective 1 January 2010, but are not assumed to have any significant impact on Statkraft:

- IAS 39 amendment – Financial instruments – recognition and measurement: Qualifying hedging objects – and instruments
- IFRIC 12 – Service concession arrangements
- IFRIC 15 – Agreements for the construction of real estate
- IFRIC 16 – Hedges of a net investment in a foreign operation
- IFRIC 17 – Distributions of non-cash assets to owners
- IFRIC 18 – Transfers of assets from customers

Relevant standards and interpretations issued at the time of presentation of the financial statements, but not adopted by Statkraft are:

- IAS 24 – Related party disclosures
- IAS 32 – Classification of rights issues
- IFRIC 19 – Conversion of financial liabilities into equity
- IFRS 9 – Financial instruments

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

SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES

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

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

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

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

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

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

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

Revenues

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

Power revenues Revenues from power sales are recognised as sales revenues on delivery. Realised revenues from physical and financial trading in energy contracts are recognised as sales

revenues. Where these types of physical and financial contracts are covered by the definition of financial instruments (derivatives) in accordance with IAS 39, any changes in fair value are recognised under unrealised changes in the value of energy contracts. Realised revenues and losses from trading portfolios are presented net under sales revenues.

Distribution grid revenues Distribution grid activities are subject to a regulatory regime established by the Norwegian Water Resources and Energy Directorate (NVE). Each year the NVE sets a revenue ceiling for the individual distribution grid owner. Revenue ceilings are set partly on the basis of historical costs, and partly on the basis of a norm. The norm is there to ensure efficient operation by the companies. An excess/shortfall of revenue will be the difference between actual income and allowed income. The revenue ceiling can be adjusted in the event of changes in delivery quality. Revenues included in the income statement correspond to the actual tariff revenues generated during the year. The difference between the revenue ceiling and the actual tariff revenues comprises a revenue surplus/shortfall. Excess or shortfall of revenue is not recognised in the balance sheet. The size of this is stated in Note 41.

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

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

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

Foreign currency Subsidiaries render their accounts in the company's functional currency, normally the local currency in the country where the company operates. Statkraft AS uses NOK as its functional currency, and it is also the presentation currency for the consolidated accounts. When preparing the consolidated accounts, foreign subsidiaries, associated companies and joint ventures are translated into NOK in accordance with the current exchange rate method. This means that balance sheet items are translated to NOK at the exchange rate in force at 31 December, while the income statement is translated using the weighted average exchange rate for the year. Translation differences that arose after 1 January 2007 are recognised in comprehensive income and only recognised in the income statement upon sale of shareholdings in foreign companies.

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

Financial instruments

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

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Measurement of different categories of financial instruments

1) Financial instruments valued at fair value through profit or loss

Derivatives are financial instruments that are compulsory at fair value in the balance sheet. Other financial instruments held for trading purposes are also valued at fair value in the balance sheet. Changes in value are recognised through profit or loss. In the case of derivatives used as hedging instruments in a hedging arrangement, changes in value will have no impact on the income statement. In a fair value hedge, any change in the value of hedging instruments will be offset by a corresponding change in the value of the hedging object. In the case of cash flow hedges and hedges of net investments in a foreign operation, changes in value are recognised directly in comprehensive income. Derivatives consist of both stand-alone derivatives, and embedded derivatives that are separated from the host contract and recognised at fair value as if the derivative were a stand-alone contract. The use of the fair value through profit or loss option is permitted where the financial instrument is included in a portfolio that is measured and followed up by management at fair value, or where recognition at fair value through profit or loss reduces what otherwise would have been a recognition inconsistency as a result of the application of different measurement methods for different categories of financial instruments.

2) Loans and receivables

are measured at fair value on initial recognition together with directly attributable transaction costs. In subsequent periods, loans and receivables are measured at amortised cost using the effective interest rate method, so that the effective interest remains the same over the entire term of the instrument.

3) Held-to-maturity assets

are measured at the initial recognition at fair value together with directly attributable transaction costs. Held-to-maturity assets are non-derivative assets with payments that are fixed, or which are possible to establish, and where the unit has the ability and intention to hold such assets until maturity. This assumes that the assets are not covered by the definition of loans and receivables, are not designated at fair value through profit or loss and are not designated as available-for-sale.

4) Assets classified as available for sale

are assets where a decision has been made to place them in this category, or which are not included in any of the above categories. Upon initial recognition, such assets are measured at fair value together with directly attributable transaction costs. In later periods, the asset is measured at fair value.

5) Financial liabilities

are measured at fair value on initial recognition together with directly attributable transaction costs. In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method, so that the effective interest remains the same over the entire term of the instrument.

Principles applied to allocate financial instruments to different categories of instruments The following describes the guidelines that Statkraft uses to allocate financial instruments to different categories in cases where a financial instrument qualifies for recognition in more than one category.

Financial instruments compulsory at fair value through profit or loss

Derivatives must always be recognised in the category designated at fair value through profit or loss. Financial contracts for the purchase and sale of energy and CO₂ quotas must always be designated as derivatives. Physical contracts for the purchase and sale of energy and CO₂ quotas that are entered into as a result of mandates resulting from trading, or which are financially settled, will be deemed to be financial instruments and are measured at fair value through profit or loss. Physical contracts for the purchase and sale of energy, CO₂ quotas and gas that are entered into as a result of mandates connected to Statkraft's own requirements for use or procurement in own production normally fall outside the scope of IAS 39, as long as such contracts are not resold or do not contain written options in the form of volume flexibility.

Held-to-maturity assets Statkraft will not normally have any investments that qualify for designation in the held-to-maturity category.

Financial assets held available for sale Statkraft classifies strategic long-term shareholdings in this category. The assets are measured at fair value with changes in value against comprehensive income. Assets classified as available for sale must be tested for impairment, regardless of whether they are evaluated at fair value in the balance sheet in each financial statement. A significant decline or a decline over a longer period in the fair value of an investment in such an asset to below the instrument's cost price is an indication of impairment. In the event of a write-down, changes in value that have previously been recognised in comprehensive income will be reclassified and recognised in the income statement. Future positive changes are recognised in comprehensive income. Additional decline compared with cost price will result in additional write-down and be recognised in the income statement.

Financial instruments used in hedge accounting Financial instruments that are included as hedging instruments or hedged items in hedge accounting are identified on the basis of the intention behind the acquisition of the financial instrument. See also the more detailed description under the discussion of hedge accounting in Note 30.

Presentation of derivatives in the income statement and balance sheet

Derivatives not relating to hedging arrangements are recognised on separate lines in the balance sheet under assets or liabilities. Derivatives with respective positive and negative values are presented gross in the balance sheet provided there is no legal right to the set off of different contracts, and such set-off rights will actually be used for the current cash settlement during the terms of the contracts. In the latter cases, the actual contracts will be presented net in the balance sheet. All energy contracts traded via energy exchanges are presented net in the balance sheet. Changes in the fair value of derivatives not used for hedge accounting are recognised on separate lines in the income statement. Changes in the value of energy contracts are presented on a separate line under revenues, while changes in the value of interest rate and foreign currency contracts are presented on a separate line under financial items.

Taxes

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

Income tax Income tax is calculated in accordance with ordinary tax rules. 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.

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

Resource rent tax Resource rent tax is a profit-dependent tax that is calculated at a rate of 30% of the net resource rent revenue generated by each power plant. Resource rent revenue is calculated on the basis of the individual power plant's production hour by hour, multiplied by the spot price for the corresponding hour. The actual contract price is applied for deliveries of concessionary power and power subject to physical contracts with

a term exceeding seven years. Actual operating expenses, depreciation and a tax-free allowance are deducted from the calculated revenue in order to arrive at the tax base. The tax-free allowance is set each year on the basis of the taxable value of the power plant's operating assets, multiplied by a normative interest rate set by the Ministry of Finance. The relevant normative interest rate for 2010 has been set at 2.3 per cent. From 2007 onwards negative resource rent revenues per power plant can be pooled with positive resource rent revenues for other power plants owned by the same tax entity. Negative resource rent revenues per power plant from the 2006 fiscal year or earlier years can only be carried forward with interest offset against future positive resource rent revenues from the same power plant. Deferred tax assets linked to negative resource rent carry-forwards and deferred tax linked to other temporary differences are calculated on the basis of power plants where it is probable that the deferred tax asset will be realised within a time horizon of ten years. The applied rate is a nominal tax rate of 30%. The tax-free allowance is treated as a permanent difference in the year it is calculated for, and therefore does not affect the calculation of deferred tax connected with resource rent.

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

Classification as short-term/long-term Balance sheet items can be classified as short-term when they are expected to be realised within 12 months of the balance sheet date. With the exception of the items mentioned below, all other items are classified as long-term.

Financial instruments are recognised as short-term or long-term items in accordance with the general guidelines for such classification. This also applies to derivatives classified separately, with the exception of some derivatives that are hedging instruments in hedge accounting, where the derivatives are presented together with the hedging item. The first year's repayments relating to long-term liabilities are presented as short-term items.

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

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

Property, plant and equipment Investments in production facilities and other property, plant and equipment are recognised at cost less accumulated depreciation and impairments. Depreciation is charged from the time the assets are available for use. The cost of property, plant and equipment includes fees for acquiring or bringing assets into a condition in which they can be used. Directly attributable loan costs will have acquisition cost added. Expenses incurred after the operating asset has been taken into 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 licences, provisions are made for decommissioning obligations on the debt side, with a balancing entry to increase the recognised value of the relevant asset. Increases in book value are depreciated over the license period.

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

Depreciation is calculated on a straight-line basis over assets' expected useful economic lives. Residual values are taken into account in the calculation of annual depreciation. Land including waterfall rights are not depreciated, as the assets are deemed to have perpetual life if there is no right of reversion to state ownership. Periodic maintenance is recognised in the balance sheet over the period until the time when the next maintenance round is scheduled. Estimated useful lives, depreciation methods and residual values are assessed annually.

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

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

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

Inventories CO₂ quotas that are received or acquired in connection with Statkraft's emission requirements are measured at cost price and classified as intangible assets. All other CO₂ quotas are deemed to be held for trading purposes and are recognised as inventories. Inventories of CO₂ quotas and green certificates held for trading purposes are measured at net realisable value. Other inventories are measured at the lower of cost price and net realisable value. The cost price includes the purchase price and other expenses that have been incurred in bringing the inventories to their current condition and location. Net realisable value is measured as sales value less expected costs to sell.

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

Cash and cash equivalents The item cash and cash equivalents also includes certificates and bonds with short residual terms at the time of acquisition. The market settlement for derivatives connected with financial activities (cash collateral) is recognised in the balance sheet.

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

Provisions, contingent assets and contingent liabilities Provisions are only recognised where there is an existing obligation as a result of a past event, and where it is probable that an outflow of resources embodying financial benefits will be required to settle the obligation. The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If material, account should be taken of present values in calculating the size of the provision.

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

Concessionary power, licence fees and compensation

Each year concessionary sales are made to local authorities at statutory prices stipulated by the Norwegian Storting (parliament). The supply of concessionary power is recognised as income on an ongoing basis in accordance with the established concessionary price. In the case of certain concessionary power contracts, agreements have been made regarding financial settlement in which Statkraft is invoiced for the difference between the spot price and the concessionary price. Such concessionary contracts are not included in the financial statements. The capitalised value of future concessionary power obligations is estimated and disclosed in Note 2.

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 charged as expenses as they accrue. The value of future licence fees recognised in the balance sheet is estimated and disclosed in Note 13.

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

Pensions

Defined benefit schemes A defined benefit scheme is a retirement benefit scheme that defines the retirement benefits that an employee will receive on retirement. The retirement benefit is normally set as a percentage of the employee's salary. To be able to receive full retirement benefits, contributions will normally be required to be paid over a period of between 30 and 40 years. Employees who have not made full contributions will have their retirement benefits proportionately reduced. The liability recognised in the balance sheet which relates to the defined benefit scheme is the present value of the future retirement benefits that have accrued at the balance sheet date, reduced by the fair value of the plan assets and including 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 a risk-free interest rate stipulated on the basis of the interest rate for ten-year Norwegian government bonds. The retirement benefit liability is calculated annually by an independent actuary using the linear accruals method.

Actuarial gains and losses 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 retirement benefit plans that have retrospective effect, where these rights are not contingent on future service, are recognised directly in the income statement. Changes that are not issued with retrospective 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 retirement benefit liabilities for underfunded schemes and non-funded schemes that are covered by operations are classified as long-term liabilities.

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

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

SEGMENTS

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

CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. The statement starts with the Group's result for the year in order to show cash flow generated by operating activities, investing activities and financing activities respectively. Dividend disbursed to the owner and to non-controlling interests are presented under financing activities.

02 →

ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

ACCOUNTING JUDGEMENTS

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

Non-financial energy contracts IAS 39 prescribes that non-financial energy contracts that are covered by the definition of "net financial settlements" shall be treated as if these were financial instruments. This will typically apply to contracts for physical purchases and sales of electricity and gas. Using its best judgement, and based on the criteria contained in IAS 39, management has assessed which contracts are covered by the definition of financial instruments, and which contracts fall outside the definition, primarily as a result of the "own use" exception. Contracts that are defined as financial instruments in accordance with IAS 39 are recognised at fair value in the

balance sheet with changes in value through profit or loss, while those contracts that are not covered by the definition are recognised as normal buying and selling of power.

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

At the end of 2010 concessionary power contracts with financial settlement had a total volume of around 500 GWh and an average price of NOK 95/MWh. Although agreements for financial settlement apply for a limited period, the calculation of fair value is based on the perpetual horizon of the underlying concessionary power contracts. With these assumptions, the estimated fair value as of 31 December 2010 would have been negative with about NOK 4670 million and changes in fair value in 2010 would have been about NOK 660 million.

ESTIMATES AND ASSUMPTIONS

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

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

Impairments Significant investments are made in property, plant and equipment, intangible assets, associates and joint ventures. These non-current assets are tested for possible impairment where there are any indications of loss of value. Such indications could include changes in market prices, agreement structures, harmful events or other operating conditions. Goodwill and other intangible assets with perpetual useful life are tested annually for impairment. Calculating the recoverable amount requires a series of estimates concerning future cash

flows, of which price paths and production volume are the most important.

Deferred tax assets The Group has recognised deferred tax assets associated with negative resource rent revenues in the balance sheet. Deferred tax assets relating to resource rent revenue carryforwards are recognised in the balance sheet with the amount expected to be utilised within a period of ten years. The period over which negative resource rent revenues can be used is estimated on the basis of expectation relating to production and power prices.

Pensions The calculation of pension liabilities involves the use of judgement and estimates across a range of parameters. Refer to Note 12 for a more detailed description of the assumptions used. The Note also shows how sensitive the calculations are in relation to the most important assumptions.

Development costs Development costs are recognised in the balance sheet when it is probable that these will result in future economic benefits. Establishing such probability involves estimating the future cash flows from projects, which by their very nature are uncertain. The calculations are based on previous results and experiences, the company's own and third-party analyses and other methods that are considered appropriate.

03 → EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events after the balance sheet date.

04 → BUSINESS COMBINATIONS**BUSINESS COMBINATIONS 2010**

There have been no significant business combinations in 2010.

BUSINESS COMBINATIONS 2009

SN Power Statkraft AS and Norfund reached agreement on a new ownership structure for SN Power on 11 November 2008. Statkraft increased its shareholding from 50 to 60% on the transaction date, 13 January 2009. The increased shareholding in SN Power supports Statkraft's ambitions of developing its role as a global niche player within hydropower and other renewable energy. SN Power's market positions in Asia and South America provide a strong starting point for a long-term, global focus. Statkraft purchased 10% of the shares in SN Power for NOK 1100 million. Statkraft also obtained a call option for a further 7% of the shares in 2015, or when the investment portfolio in Africa reaches 500 MW.

At the same time, Norfund is guaranteed the opportunity to sell its residual shareholding in SN Power through a put option on its remaining shares in 2010, 2013, 2014 and 2015. The pricing of the shares, and thus Statkraft's financial obligation to Norfund, will be based on guidelines in the agreement and calculated in accordance with approved valuation models at the relevant time. The options will be recognised at fair value in the balance sheet as they are exercised. Norfund can sell up to half of its remaining shareholding in SN Power (20%) to new investors, with the exception of international competitors of Statkraft, before the end of 2010.

Together with Norfund, SN Power established a separate company to invest in Africa and Central America, in which SN Power owns 51% and Norfund 49%.

At the time of the acquisition, SN Power employed more than 400 people within power production and construction projects in India, Nepal, Sri Lanka, the Philippines, Peru and Chile, in

addition to a head office in Norway and offices in Singapore and Brazil. In 2008, SN Power had 621 MW of operating capacity and 320 MW under construction through wholly and partly owned plants. The ambition is to increase the installed capacity to 4000 MW by 2015 through acquisitions and expansion in existing and selected new markets.

The purchase price for the shares including transaction costs was NOK 1100 million and was settled by NOK 276.4 million in cash and a private placement where Statkraft paid in NOK 2 billion.

The voting rights in the acquired companies correspond to the shareholding. However, some decisions require the approval of all shareholders.

Prior to the transaction, SN Power was accounted for as an associate under the equity method. The company was fully consolidated in Statkraft's Group accounts as of 13 January 2009.

Yesil Enerji Üretim Sanayi ve Ticaret A.S (Yesil Enerji)

On 17 March 2009, Statkraft and the Turkish company Global Investment Holding A.Ş signed an agreement concerning Statkraft's acquisition of hydropower projects in Turkey. On the implementation date on 23 June 2009, Statkraft acquired 95% of the shares in Yesil Enerji from the Turkish company Global Investment Holdings. The acquisition gives Statkraft the rights to six hydropower projects in Turkey with a total annual production potential of about 2 TWh.

The investment amounts to NOK 711 million, including the cost price of the shares at NOK 523 million and assumption of receivables at NOK 188 million.

Statkraft Södra Vindkraft AB On 1 October 2009, Statkraft entered an agreement with Södra Skogsägarna ekonomiska

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förening relating to wind power collaboration. This entailed that Statkraft purchased 90.1% of Statkraft Södra Vindkraft AB, a wind power development company. The activities will be continued in two companies, one for investment, ownership and operation, Statkraft Södra Vindkraft AB, where Statkraft will own 90.1% of the shares, and one for early-phase project development, Södra Statkraft Vindkraft Utveckling AB, where Statkraft will own 40% of the shares. The portfolio contains projects in various stages of development, with an overall potential of about 634 MW of installed capacity and an annual production of 1.6 TWh.

OTHER BUSINESS COMBINATIONS

Ra1 S.r.l and Ra2 S.r.l On 4 March 2009, Statkraft UK Ltd acquired the remaining 50% of the shares in Statkraft Wind UK Ltd, formerly Catamount Cymru Cyf, from Catamount Energy Ltd. The purpose of the acquisition is to secure ownership of the Alltwalis wind farm.

Statkraft UK Wind Limited On 4 March 2009, Statkraft UK Ltd acquired the remaining 50% of the shares in Statkraft Wind UK Ltd, formerly Catamount Cymru Cyf, from Catamount Energy Ltd. The purpose of the acquisition is to secure ownership of the Alltwalis wind farm.

Skagerak Energi The following business combinations have taken place in Skagerak Energi: On 24 June 2009, Skagerak Energi AS acquired the remaining 70% of the shares in Naturgass Grenland AS. On 28 February 2009, Skagerak Fibernett acquired the remaining 66% of Larvik Fibernett through a merger of the two mentioned parties and Grenland Fibernett. On 31 March 2009, this new company was merged with Skagerak Fibernett Vestfold. The shareholding following this merger was 66%.

Allocation of purchase price in connection with business combinations 2009	Statkraft Norfund Power Invest AS	Yesil Enerji Üretim Sanayi ve Ticaret A.S. ¹	Statkraft Södra Vindkraft AB ¹	Other acquisitions ¹	Total
Transaction date	13.01.09	23.06.09	01.10.09	-	
Voting rights/shareholding acquired through the acquisition	10%	95%	90.1%	-	
Total voting right/shareholding following acquisition	60%	95%	90.1%	-	
Consideration paid (NOK million)					
Cash	1 077	518	140	102	1 837
Transaction costs	23	5	-	1	29
Total acquisition cost	1 100	523	140	103	1 866
Book value of net acquired assets (see table below)	5 790	47	1	70	5 909
Identification of excess value, attributable to:					
Property, plant and equipment	1 476	504	-	-	1 980
Investments in associates and joint ventures	3 641	-	-	-	3 641
Gross excess value	5 117	504	-	-	5 621
Deferred tax on excess value	-543	-	-	-	-543
Net excess value	4 574	504	-	-	5 078
Fair value of net acquired assets, excluding goodwill	10 364	551	1	70	10 987
Of which:					
Majority interest	6 282	523	1	70	6 877
Minority interest	4 082	28	-	-	4 109
	10 364	551	1	70	10 987
Total acquisition cost	1 100	523	140	103	1 866
Fair value of net acquired assets, acquired by the majority through the transaction	1 037	523	1	47	1 609
Goodwill ²	63	-	139	56	257

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

² Recognition of goodwill relates to synergies and expected future earnings capacity that have been identified without being able to link the value to other intangible assets, as well as the recognition of deferred tax liabilities at nominal value.

Allocation of purchase price in connection with business combinations 2009 (cont.)	Statkraft Norfund Power Invest AS	Yesil Enerji Üretim Sanayi ve Ticaret A.S. ¹	Statkraft Södra Vindkraft AB ¹	Other acquisitions ¹	Total
Book value of net acquired assets					
Intangible assets	139	-	1	4	144
Deferred tax asset	20	-	-	13	33
Property, plant and equipment	4 161	310	-	198	4 670
Investments in associates and joint ventures	2 448	-	-	-	2 448
Other non-current financial assets	24	-	-	1	25
Non-current assets	6 793	310	1	216	7 321
Cash and cash equivalents	1 372	4	-	19	1 394
Receivables	646	17	1	112	776
Inventories	5	-	-	3	8
Total current assets	2 023	21	1	134	2 178
Acquired assets	8 816	331	1	350	9 499
Interest-bearing long-term liabilities	2 002	74	-	198	2 274
Short-term interest-bearing liabilities	219	-	-	-	219
Deferred tax	95	-	-	-	95
Other interest-free debt	344	210	-	82	636
	366	-	-	-	366
Liabilities	3 026	284	-	280	3 590
Net value of acquired assets	5 790	47	1	70	5 909
Total acquisition cost	1 100	523	140	103	1 866
Deferred payment due to seller	-	-34	-	-21	-55
Consideration and costs in cash and cash equivalents	1 100	489	140	82	1 811
Cash and cash equivalents in acquired companies	-1 372	-4	-	-19	-1 394
Net cash payment in connection with the acquisitions	-272	485	140	63	417

The Group's pro forma figures for 2009 would give insignificant effects on sales revenues and net profit. This is due to the fact that SN Power was acquired on 13 January 2009, while the other business combinations are in connection with projects which had not started or which have recently started.

05 → CONSOLIDATED COMPANIES

Name	Registered office	Country	Shareholding and voting share
Shares in subsidiaries in Statkraft AS			
Statkraft Energi AS	Oslo	Norway	100.00%
Statkraft Carbon Invest AS	Oslo	Norway	100.00%
Statkraft Financial Energy AB	Stockholm	Sweden	100.00%
Statkraft Germany GmbH	Düsseldorf	Germany	100.00%
Statkraft Enerji A.Ş.	Istanbul	Turkey	100.00%
Statkraft Elektrik Ltd.	Istanbul	Turkey	100.00%
Statkraft Suomi Oy	Kotka	Finland	100.00%
Statkraft Sverige AB	Stockholm	Sweden	100.00%
Statkraft Södra Vindkraft AB	Stockholm	Sweden	90.10%
Statkraft Development AS	Oslo	Norway	100.00%
Statkraft UK Ltd	London	The UK	100.00%
Statkraft Western Balkans d.o.o.	Beograd	Serbia	100.00%
Statkraft d.o.o. Banja Luka	Banja Luka	Republika Srpska	100.00%
Wind Power Bulgaria EOOD	Sofia	Bulgaria	60.00%
Statkraft Albania Shpk.	Tirania	Albania	100.00%
Statkraft Montenegro d.o.o.	Podgorica	Montenegro	100.00%
Statkraft Treasury Centre SA	Brüssel	Belgium	100.00%
Statkraft SCA Vind AB	Stockholm	Sweden	60.00%
Renewable Energies and Photovoltaics Spain S.L.	Malaga	Spain	70.00%
Ra 2 S.r.l	Milano	Italy	100.00%
Ra 3 S.r.l	Milano	Italy	100.00%
Statkraft Värme AB	Kungsbacka	Sweden	100.00%
Statkraft Industrial Holding AS	Oslo	Norway	100.00%
Statkraft Forsikring AS	Oslo	Norway	100.00%
Statkraft Norfund Power Invest AS	Oslo	Norway	60.00%
Statkraft France SAS	Lyon	France	100.00%
Fjordkraft AS ¹	Bergen	Norway	
Småkraft AS ²	Bergen	Norway	

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Name	Registered office	Country	Shareholding and voting share
Shares in subsidiaries owned through subsidiaries			
Statkraft Energi AS			
Baltic Cable AB	Malmö	Sweden	66.67%
Trondheim Energi Kraft AS	Trondheim	Norway	100.00%
Statkraft Development AS			
Smøla Vind 2 AS	Oslo	Norway	100.00%
Hitra Vind AS	Oslo	Norway	100.00%
Kjøllefjord Vind AS	Oslo	Norway	100.00%
Statkraft Industrial Holding AS			
Skagerak Energi AS	Porsgrunn	Norway	66.62%
Trondheim Energi AS	Trondheim	Norway	100.00%
Trondheim Energi AS			
Trondheim Energi Fjernvarme AS	Trondheim	Norway	100.00%
Trondheim Energi Eiendom AS	Trondheim	Norway	100.00%
Enita AS	Trondheim	Norway	100.00%
Trondheim Energi Eiendom AS			
Sluppen Eiendom AS	Trondheim	Norway	100.00%
Skagerak Energi AS			
Skagerak Kraft AS	Porsgrunn	Norway	100.00%
Skagerak Nett AS	Sandefjord	Norway	100.00%
Naturgass Grenland AS	Porsgrunn	Norway	100.00%
Skagerak Elektro AS	Porsgrunn	Norway	100.00%
Skagerak Varme AS	Porsgrunn	Norway	100.00%
Skagerak Fibernet AS	Porsgrunn	Norway	66.00%
Grenland Fibernet AS	Porsgrunn	Norway	100.00%
Grunnåi Kraftverk AS	Porsgrunn	Norway	55.00%
Nota AS	Porsgrunn	Norway	100.00%
Skagerak Varme AS			
Skagerak Varme AS	Skien	Norway	100.00%
Skien Fjernvarme AS	Skien	Norway	51.00%
Statkraft Germany GmbH			
Statkraft Markets GmbH	Düsseldorf	Germany	100.00%
Statkraft Markets GmbH			
Statkraft Markets Hungaria LLC	Budapest	Hungary	100.00%
Statkraft South East Europe EOOD	Sofia	Bulgaria	100.00%
Statkraft Markets GmbH Slovakian branch	Bratislava	Slovakia	100.00%
Statkraft Romania SRL	Bucuresti	Romania	100.00%
Statkraft Energy Austria GmbH	Wien	Austria	100.00%
Statkraft Markets BV	Amsterdam	The Netherlands	100.00%
Statkraft Markets Financial Services GmbH	Düsseldorf	Germany	100.00%
Statkraft Holding Knapsack GmbH	Düsseldorf	Germany	100.00%
Statkraft Holding Herdecke GmbH	Düsseldorf	Germany	100.00%
Statkraft Trading GmbH	Düsseldorf	Germany	100.00%
Statkraft Germany Drei GmbH	Düsseldorf	Germany	100.00%
Statkraft Germany Vier GmbH	Düsseldorf	Germany	100.00%
Statkraft Germany Fünf GmbH	Düsseldorf	Germany	100.00%
Statkraft Holding Knapsack GmbH			
Knapsack Power GmbH & Co KG	Düsseldorf	Germany	100.00%
Knapsack Power GmbH & Co KG			
Knapsack Power Verwaltungs GmbH	Düsseldorf	Germany	100.00%
Statkraft Enerji A.Ş.			
Çakit Enerji A.Ş.	Istanbul	Turkey	100.00%
Anadolu Elektrik A.Ş.	Istanbul	Turkey	100.00%
Akel Elektrik A.Ş.	Istanbul	Turkey	100.00%
Gümüşsan Enerji Ltd.	Istanbul	Turkey	100.00%
Çetin Enerji A.Ş.	Istanbul	Turkey	100.00%
Statkraft Sverige AB			
Graninge AB	Stockholm	Sweden	100.00%
Gidekraft AB	Stockholm	Sweden	90.10%
Statkraft Sverige Vattendel 3 AB	Stockholm	Sweden	100.00%
Statkraft Sverige Vattendel 2 AB	Stockholm	Sweden	100.00%

Name	Registered office	Country	Shareholding and voting share
Statkraft UK Ltd			
Statkraft Wind UK Ltd	London	UK	100.00%
Statkraft Energy Limited	London	UK	100.00%
Statkraft Suomi Oy			
Ahvionkoski Oy	Kotka	Finland	100.00%
Statkraft Norfund Power Invest AS			
SN Power Holding AS	Oslo	Norway	100.00%
SN Power Brasil AS	Oslo	Norway	100.00%
SN Power AfriCA AS	Oslo	Norway	47.0%/51.0%
SN Power Holding AS			
SN Power Holding Singapore Pte. Ltd	Singapore	Singapore	100.00%
SN Power Holding Singapore Pte. Ltd			
SN Power Global Services Pte. Ltd	Singapore	Singapore	100.00%
SN Power Holding Peru Pte. Ltd	Singapore	Singapore	100.00%
SN Power Holding Chile Pte. Ltd	Singapore	Singapore	100.00%
SN Power Energica do Brasil	Rio de Janeiro	Brazil	100.00%
SN Power Peru Holding S.R.L	Lima	Peru	100.00%
Nividhu Assupiniella Pvt Ltd	Colombo	Sri Lanka	100.00%
SN Power International Pte. Ltd	Singapore	Singapore	100.00%
SN Power India Pvt Ltd	New Dehli	India	100.00%
Himal Power Ltd	Kathmandu	Nepal	57.1%/50.7%
SN Power Peru Holding S.R.L			
Empresa de Generacion Electrica Cahua S.A	Lima	Peru	99.99%
Empresa de Generacion Electrica Cheves S.A	Lima	Peru	100.00%
Inversiones Electricas de Los Andes S.A.C	Lima	Peru	100.00%
SN Power Peru S.A.	Lima	Peru	100.00%
SN Power Brasil AS			
SN Power Energia do Brasil Ltda	Rio de Janeiro	Brazil	100.00%
SN Power Holding Chile Pte. Ltd			
SN Power Chile Inversiones Eléctricas Ltda	Santiago	Chile	100.00%
SN Power Chile Inversiones Eléctricas Ltda			
SN Power Chile Tinguerrica y Cia.	Santiago	Chile	99.99%
SN Power Chile Valdivia y Cia.	Santiago	Chile	99.99%
SN Power Chile Tinguerrica y Cia.	Santiago	Chile	100.00%
SN Power Chile Valdivia y Cia.	Santiago	Chile	100.00%
Inversiones Electricas de Los Andes S.A.C			
Electroandes S.A	Lima	Peru	100.00%
SN Power AfriCA AS			
SN Power ACA Pte. Ltd	Singapore	Singapore	100.00%
SN Power Energia do Brasil			
Central Eólica São Raimundo Ltda.	Fortaleza	Brazil	100.00%
Central Eólica Garrote Ltda.	Fortaleza	Brazil	100.00%
SN Power Chile Valdivia y Cia.			
Hidroelectrica Trayenko S.A	Santiago	Chile	80.00%
Norvind S.A	Santiago	Chile	80.00%

¹ Fjordkraft AS is owned by Statkraft Industrial Holding AS (3.15%) and Skagerak Energi AS (48%).

² Småkraft AS is owned 40% by Statkraft AS and 20% by Skagerak Kraft AS.

06 → SEGMENT INFORMATION

The division into segments is intended to meet the changes resulting from increased growth and internationalisation. The aim is to achieve a flexible and dynamic organisation where new priorities and growth areas can be highlighted and achieve visibility as separate business units with clear performance targets. At the same time, the organisation model creates a foundation for an effective management and control structure. The Group has adopted a new segment structure from 1 January 2011.

Generation and Markets The Generation and Markets segment is the largest segment, responsible for the operation and maintenance of hydropower plants and gas power plants in Europe, as well as physical and financial trading in energy and energy-related products in Europe.

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

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

Skagerak Energi Activities in Skagerak Energi are followed up as a joint activity by management and reported as a separate segment. This segment focuses on the generation and sale of power and district heating, and distribution grid activities. Other activities involve fibre, natural gas distribution and electrical contractor and settlement activities.

Customers At the end of 2010, the customers segment consisted of district heating. The grid activities were sold and the power sales activities transferred to the industrial ownership segment in 2010.

Industrial ownership Industrial Ownership is responsible for managing and further developing Norwegian shareholdings where Statkraft has industrial ambitions. The segment comprises Fjordkraft, Bergenshalvøens Kommunale Kraftselskap (BKK) and Agder Energi.

Other Other includes the business units Southeast Europe Hydro, Solar Power, Small-Scale Hydro, Innovation and Growth, along with the shareholding in E.ON AG, group functions and eliminations.

ACCOUNTING SPECIFICATION PER SEGMENT

The Statkraft Group had the following accounting figures in the most important segments.

Segmentes NOK million	Statkraft AS Group	Generation and markets	Wind power	Emerging- markets	Skagerak Energi	Customers	Industrial ownership	Other
2010								
Operating revenues external	29 252	18 144	-8	707	2 708	1 301	5 998	403
Operating revenues internal	-	3 475	298	-	620	30	3	-4 426
Gross operating revenues	29 252	21 619	289	707	3 328	1 331	6 001	-4 023
Operating profit/loss	12 750	11 379	-280	-103	1 764	480	11	-500
Share of profits/losses from associated companies and joint ventures	766	196	-35	193	-2	-25	503	-64
Profit/loss before financial items and tax	13 515	11 575	-315	89	1 762	455	514	-565
Balance Sheet 31.12.10								
Investments in associates and joint ventures	17 090	666	1 085	5 661	98	230	9 289	63
Other assets	138 877	79 322	1 960	6 659	15 270	4 149	4 920	26 597
Total assets	155 967	79 987	3 045	12 320	15 368	4 379	14 209	26 660
Depreciation, amortisation and impairments	-3 205	-1 951	-221	-274	-464	-161	-34	-100
Maintenance investments	1 000	598	3	103	235	13	-	48
Investments in new generating capacity	1 852	789	131	186	344	189	12	202
Investments in shares	888	-	559	274	-	-	-	55

Segmentes NOK million	Statkraft AS Group	Generation and markets	Wind power	Emerging- markets	Skagerak Energi	Customers	Industrial ownership	Other
2009								
Operating revenues external	25 675	17 539	64	746	1 928	1823	3 418	157
Operating revenues internal	-	1000	197	1	798	-32	-	-1965
Gross operating revenues	25 675	18 539	261	747	2 726	1 791	3 418	-1 808
Operating profit/loss	7 027	6 242	-64	181	1 191	80	97	-700
Share of profits/losses from associated companies and joint ventures	1 179	-136	-15	91	-21	6	1 284	-30
Profit/loss before financial items and tax	8 206	6 107	-78	272	1 170	86	1 380	-731
Balance Sheet 31.12.09								
Investments in associates and joint ventures	16 509	393	566	5 192	82	292	9 938	46
Other assets	127 496	70 218	2 177	7 344	15 136	3 913	2 767	25 941
Total assets	144 005	70 611	2 743	12 536	15 218	4 205	12 705	25 987
Depreciation, amortisation and impairments	-2 743	-1 758	-93	-101	-486	-223	-33	-49
Maintenance investments	1 308	594	26	150	289	143	-	106
Investments in new generating capacity	2 447	548	348	599	401	67	8	476
Investments in shares	1 152	-	826	-271	1	-	5	591

SPECIFICATION PER PRODUCT

Reference is made to Note 7.

SPECIFICATION PER GEOGRAPHICAL AREA

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

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

Geographical areas NOK million	Statkraft AS Group	Norway	Germany	Sweden	Finland	Other
2010						
Sales revenues external	27 779	20 188	2 232	3 064	114	2 181
Non-current assets as of 31.12.	78 818	48 761	4 394	17 810	726	7 127
2009						
Sales revenues external	24 715	17 611	2 997	1 835	89	2 183
Non-current assets as of 31.12.	79 352	49 562	5 124	16 660	774	7 232

INFORMATION ON IMPORTANT CUSTOMERS

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

07 → SALES REVENUES

Statkraft's revenues come from spot sales (sale of own production in spot markets), contract sales to the industry, financial trading, distribution heating and power sales to end-users. The fundamental basis for Statkraft's revenues comprises power prices, water management and production.

Statkraft 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 irrespective of contracts entered into. In the event that Statkraft has physical contractual obligations to supply power that deviate from actual output, the difference is either bought or sold on the spot market. Necessary spot purchases are recorded as a correction to power sales. Physical and financial contracts are used to hedge underlying production in the form of purchase and sales positions. Sales positions are taken to hedge the price of a specific part of the planned future output. Buying positions are taken to adjust the hedging level if the assumptions change and Statkraft is considered to have a too highly hedged position. All contracts are recognised as adjustments to the underlying revenue from production based on the margin between the contract price and the spot price (system price for financial contracts).

NOK million	2010	2009
Net physical spot sales, including green certificates	18 286	10 464
Concessionary sales at statutory prices	308	384
Industrial sales at statutory prices	1 535	1 671
Long-term commercial contracts	3 054	2 820
Dynamic hedging	308	1 654
Trading and origination	601	1 618
Distribution grid	1 421	1 485
End-user	5 986	4 285
District heating	634	505
Other/eliminations ¹	-4 354	-171
Sales revenues	27 780	24 715

¹ From 2010, Fjordkraft purchases power internally in the Group.

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Statkraft has long-term physical sales contracts with power-intensive industrial customers and the wood processing industry at prices set by the Norwegian Storting (parliament), as well as obligations to supply power to local authorities at concessionary prices. These contracts are entered into at prices below the market level.

Statutory-priced industrial contracts mostly run until 2011. As the statutory-priced contracts expire, these will mainly be replaced by commercial agreements.

In addition, Statkraft has a number of other physical contractual obligations of varying duration to both Norwegian and international customers.

08 → OTHER OPERATING REVENUES

NOK million	2010	2009
Power plant leasing revenues	522	289
Other leasing and service revenues	230	477
Other operating revenues	721	194
Total	1 473	960

Other operating revenues include a gain of NOK 393 million from the sale of Trondheim Energi Nett.

09 → ENERGY PURCHASES

NOK million	2010	2009
Gas purchases	2 871	2 225
End-user activities	1 803	2 600
Total	4 674	4 825

10 → UNREALISED CHANGES IN THE VALUE OF ENERGY CONTRACTS

Unrealised changes in the value of energy derivatives are classified by portfolio in the table below. The individual portfolios are described in Note 32.

NOK million	2010	2009
Nordic hydropower portfolio excluding industrial power	-642	-240
Industrial power contracts in the Nordic hydropower portfolio ¹	677	-617
Trading and Origination	247	-128
Continental assets	-64	-1 917
End-user portfolio	-25	89
Total	193	-2 813

¹ Volume optionality and built-in derivatives are evaluated at fair value.

11 → SALARIES AND PAYROLL COSTS AND NUMBER OF FULL-TIME EQUIVALENTS

NOK million	2010	2009
Salary	1 817	1 699
Employers' national insurance contribution	295	264
Pension costs	36	342
Other benefits	239	212
Total	2 387	2 517

The Group employed an average of 3414 full-time equivalents in 2010. The corresponding figure for 2009 was 3329.

As of 31.12.2010 the Group employed 3301 full-time equivalents. The corresponding figure for 2009 was 3378.

Pension costs are described in further detail in Note 12.

12 → PENSIONS

DEFINED BENEFIT SCHEMES

The companies in the Group have organised their pension schemes in the National Pension Fund (SPK), own pension funds as well as in insurance companies. Employees in the Group's Norwegian companies participate in public service occupational pension schemes in accordance with the Norwegian Public Service Pension Fund Act, the Norwegian Public Pension Service Pension Fund Transfer Agreement and the regulatory framework governing public service pensions. 2422 employees and 984 pensioners were covered by benefit schemes as of 31 December 2010.

Pension benefits from the SPK are guaranteed by the Norwegian state (Section 1 of the Pension Act). The occupational pension schemes cover retirement, disability, surviving spouse and child's pension. With maximum accrual, the retirement schemes provide pension benefits amounting to 66% of pensionable income, up to 12 times the National Insurance Scheme's basic amount (G). In connection with the pension reform, a decision was made in 2010 to reduce the continuous adjustment of future pensions. Current pensions will be adjusted by the National Insurance Scheme's basic amount (G) less a fixed factor of 0.75 percentage points. The change will have retroactive effect and be treated as a scheme change in the accounts, resulting in a reduction in the pension commitment of NOK 339 million. The reduction in the pension commitment appears as a reduction in the pension costs for the year.

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

Employees who leave the company before pensionable age receive a deferred pension entitlement. In schemes that are part of SPK, participating companies are not responsible for these obligations. Deferred entitlements in the pension schemes will be continued as an obligation in the pension schemes.

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

The pension schemes have placed the pension assets in a diversified portfolio of Norwegian and foreign interest-bearing securities, Norwegian and foreign shares, secured loans to members, hedge funds and properties through external asset managers.

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

Unsecured pension obligations In addition to the above, some Group companies in Norway have entered into pension agreements that provide all employees whose pensionable incomes exceed 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G.

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

Actuarial calculations The present value of defined benefit pension liabilities and the current year's accrued pension entitlements are calculated using the accrued benefits method. The net present value of pension benefits accrued at the balance sheet date adjusted for expected future salary increases until pensionable age is based on best estimate assumptions as of 31 December 2010. Calculations are based on staff numbers and salary data at the end of the year.

Actuarial gains and losses in 2010 are mainly due to updated assumptions, staff numbers, actual salary increase and return on assets, as well as the transition from private AFP to public AFP for some of the companies.

Explanation of the background for selected assumptions/risk table The discount rate is set at 3.7% for Norwegian pension schemes and is calculated as a weighted average of the risk-free interest rate until the time when payments are expected to be made. Salary adjustments for Norwegian schemes are mainly calculated as the total of the expected nominal salary increase of 1.75%, inflation of 2.0% and career progression increase of 0.25%, with some minor adaptations. For the majority of the Norwegian schemes, adjustment of current pensions follows the Norwegian National Insurance Scheme's basic amount (G -0.75 percentage points). For demographic factors, the K2005, GAP07 and IR73 tariffs are used to establish mortality and disability risks. The stipulation of parameters which apply to foreign defined-benefit schemes is adapted to local conditions.

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DEFINED CONTRIBUTION SCHEMES

In companies outside of Norway, defined contribution schemes have been established in accordance with local statutes.

The following assumptions are used

	31.12.10	01.01.10	31.12.09	01.01.09
Annual discount rate ¹	3.7-5.5%	4.4-6%	4.4-6%	3.7%
Salary adjustment	4%	4.3-4.5%	4.3-4.5%	4%
Adjustment of current pensions	3%	4%	4%	3.75%
Adjustment of the National Insurance Scheme's basic amount (G)	3.75%	4%	4%	3.75%
Forecast voluntary exit				
• Up to age 45	3.5%	3.5%	3.5%	2.5%
• Between ages 45 and 60	0.5%	0.5%	0.5%	0.5%
• Over age 60	0%	0%	0%	0%
Projected yield	3.7-6%	4.4-6%	4.4-6%	3.7%
Rate of inflation ¹	2-3.3%	2.3-3.4%	2.3-3.4%	2%
Tendency to take early retirement (AFP)	10.0-30.0%	10.0-30.0%	10.0-30.0%	20.0%

¹ Interval discount rate and inflation for foreign entities.

Breakdown of net defined benefit pension liability

NOK million	2010	2009
Present value of accrued pension entitlements for funded defined benefit schemes	4 669	4 540
Fair value of pension assets	3 124	3 062
Actual net pension liability for funded defined benefit schemes	1 545	1 478
Present value of accrued pension entitlements for unfunded defined benefit schemes	285	348
Employers' national insurance contribution	276	268
Net pension liabilities in the balance sheet (see Note 26)	2 106	2 094

Movement in defined benefit pension liability during the year

NOK million	2010	2009
Defined benefit pension liabilities 01.01.	4 888	4 534
Increase in liabilities for new subsidiary/new members	2	10
Reduction in liabilities as a result of transfer of employees	-395	-
Present value of accrued pension entitlements for the year	290	261
Interest expenses	189	165
Amortisation scheme change, excluding employers' national insurance contribution	-298	-
Actuarial losses on liabilities	396	74
Paid benefits	-115	-122
Currency effects	-3	-35
Gross defined benefit pension liabilities 31.12.	4 954	4 888

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

NOK million	2010	2009
Fair value of pension assets 01.01.	3 062	2 525
Projected yield on pension assets	134	111
Actuarial gains pension assets	42	178
Total contributions	271	341
Increase in pension assets through new subsidiary	-	25
Reduction in assets as a result of transfer of employees	-263	-
Paid benefits	-115	-106
Currency effects	-9	-12
Fair value of pension assets 31.12.	3 124	3 062

Pension assets comprise

	31.12.10	31.12.09
Equity instruments	563	483
Interest-bearing instruments	2 273	2 281
Other	288	298
Fair value of pension assets	3 124	3 062

Movement in actuarial gains and losses recognised directly in comprehensive income

NOK million	2010	2009
Cumulative amount recognised in comprehensive income 01.01	1 840	1 959
Recognised in comprehensive income during the period	404	-119
Cumulative amount recognised directly in equity before tax 31.12.	2 243	1 840
Deferred tax relating to actuarial gains (-) / losses (+) recognised directly in comprehensive income	628	516
Cumulative amount recognised directly in equity after tax 31.12	1 615	1 324

Pension cost recognised in the income statement
Defined benefit schemes

NOK million	2010	2009
Present value of accrued pension entitlements for the year	290	261
Interest expense	189	165
Projected yield on pension assets	-134	-111
Amortisation of scheme changes	-298	-
Employee contributions	-22	-24
Employers' national insurance contribution	1	40
Pension cost defined benefit schemes	26	331

Defined contribution schemes

Employer payments	10	11
Total pension cost - see Note 11	36	342

Sensitivity analysis upon changes in assumptions	Discount rate		Annual salary increase		Increase in G		Staff turnover rate	
	1%	-1%	1%	-1%	1%	-1%	1%	-1%
Increase (+)/decrease (-) in net pension cost for the period	-55	72	65	-64	20	-24	-18	6
Increase (+)/decrease (-) in net pension liability 31.12.2010	-782	1022	430	-417	379	-377	-95	17

13 → PROPERTY TAX AND LICENCE FEES

NOK million	2010	2009
Property tax	941	888
Licence fees	295	278
Total	1 236	1 166

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

The present value of the Group's future licence fee obligations that are not provided for in the annual financial statements is estimated at NOK 7351 million, discounted at an interest rate of 4% in accordance with the regulations relating to the adjustment of licence fees, annual compensation and funds, etc. In 2009, the amount was NOK 7000 million.

14 → OTHER OPERATING EXPENSES

NOK million	2010	2009
Purchase of third-party services	1 232	1 329
Materials	345	336
Costs of power plants operated by third parties ¹	483	332
Compensation payments	56	50
Rent	305	260
IT expenses	211	150
Marketing	101	147
Travel expenses	166	159
Insurance	94	93
Other operating expenses	605	674
Total	3 598	3 530

¹ The increase is mainly due to the increase in the shareholding in AS Tyssefaldene in July 2009, as well as the effect of the adjustment of lease costs for partly-owned power plants.

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15 → FINANCIAL ITEMS 2010

NOK million	Assessment basis					Total
	Fair value through profit or loss	Amortised cost	Available for sale	Held for sale	Bank	
Financial income						
Interest income	-	131	-	-	168	299
Financial derivatives, realised currency gains/losses	517	471	-	-	-	988
Bank accounts and loans, realised currency gains/losses	141	-360	-	-	-	-219
Dividend	-	-	975	-	-	975
Other financial income	-	19	-	-	-2	17
Total	658	261	975	-	166	2 060
Financial expenses						
Interest expenses	-	-1 529	-	-	-	-1 529
Other financial expenses	30	-93	-	-	-15	-78
Total	30	-1 622	-	-	-15	-1 607
Unrealised changes in value						
Financial interest rate swaps, unrealised changes in value	120	-	-	-	-	120
Financial currency and interest rate swaps, unrealised change in value	-576	-	-	-	-	-576
Forward exchange contracts, unrealised change in value	157	-	-	-	-	157
Foreign currency loans, unrealised change in value	761	3 463	-	-	-	4 224
Securities liquidity, gains/losses, unrealised ¹	-476	-	-4 818	-	-	-5 294
Total	-14	3 463	-4 818	-	-	-1 369
Total financial items	674	2 101	-3 843	-	151	-917

¹ See note 20.

2009

NOK million	Assessment basis					Total
	Fair value through profit or loss	Amortised cost	Available for sale	Held for sale	Bank	
Financial income						
Profit on the sale of shares ¹	-	-	-	149	-	149
Interest income	-	43	-	-	281	324
Financial derivatives, realised currency gains/losses	-63	-	-	-	-	-63
Bank accounts and loans, realised currency gains/losses	-	482	-	-	-	482
Dividend	-	-	1 094	-	-	1 094
Other financial income	32	15	-	-	27	74
Total	-31	540	1 094	149	308	2 060
Financial expenses						
Interest expenses	-	-1 794	-	-	-	-1 794
Bank accounts and loans, realised currency gains/losses	-	-1 518	-	-	-	-1 518
Other financial expenses	-212	-194	-	-	-38	-444
Total	-212	-3 506	-	-	-38	-3 756
Unrealised changes in value						
Financial interest rate swaps, unrealised changes in value	-109	-	-	-	-	-109
Financial currency and interest rate swaps, unrealised change in value	878	-	-	-	-	878
Forward exchange contracts, unrealised change in value	1 373	-	-	-	-	1 373
Foreign currency loans, unrealised change in value	222	6 012	-	-	-	6 234
Securities liquidity, gains/losses, unrealised	1 041	-	-3 440	-	-	-2 399
Total	3 405	6 012	-3 440	-	-	5 977
Total financial items	3 162	3 046	-2 346	149	270	4 281

¹ The amount of 149 relates to settlement of the balance on the swap deal with E.ON AG

16 → TAXES

The tax expense comprises the following

NOK million	2010	2009
Income tax	3 832	2 780
Resource rent tax	2 057	1 367
Correction relating to tax assessment for previous years	20	8
Change in deferred tax	-907	474
Withholding tax	146	142
Tax cost in the income statement	5 148	4 771

Income tax payable

NOK million	2010	2009
Income taxes payable on the Group's profit for the year	3 485	2 534
Effect of Group contributions on tax liability	-2 104	-1 522
Income tax payable before offsetting against natural resource tax for the year	1 381	1 012

Tax payable in the balance sheet

NOK million	2010	2009
Natural resource tax	589	493
Resource rent tax	2 057	1 367
Income tax exceeding natural resource tax	791	519
Tax due from previous financial years	21	-7
Tax payable in the balance sheet	3 458	2 372

Reconciliation of nominal Norwegian tax rate of 28 per cent and effective tax rate

NOK million	2010	2009
Profit before tax	12 599	12 487
Expected tax expense at a nominal rate of 28%	3 527	3 496
Effect on taxes of		
Resource rent tax	558	1 428
Rate differences	-427	-590
Share of profit from associates	-215	-321
Tax-free income	-176	-270
Changes relating to previous years	237	28
Reduction in value E.ON AG shares	1 349	963
Other permanent differences, net	294	37
Tax expense	5 148	4 771
Effective tax rate	40.9%	38.2%

BREAKDOWN OF DEFERRED TAX

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

NOK million	01.01.10	Recognised during the period	Recognised in comprehensive income	Acquisitions and sale of companies	Group contribution	31.12.10
Current assets/current liabilities	1 942	-2 161	26	-1	2 104	1 910
Property, plant and equipment	4 587	1 705	-193	-	-	6 098
Pension liabilities	-589	99	-113	-2	-	-605
Other long-term items	402	1 853	-3	-	-	2 251
Tax loss carryforward/compensation	-240	49	-	1	-	-190
Deferred tax, resource rent tax	2 242	-482	-	-	-	1 760
Negative resource rent tax carryforward ¹	-1 143	-1 970	-	-	-	-3 113
Total net deferred tax liability	7 202	-907	-283	-2	2 104	8 111

Of which presented as deferred tax asset, see Note 17	1 163	-	-	-	-	1 953
Of which presented as deferred tax liability, see Note 26	8 365	-	-	-	-	10 066

¹ Tax recognised as income relating to estimated negative resource rent tax carryforwards was NOK 250 million in 2009, while about NOK 1900 million was recognised as income in 2010. The estimate change is a combination of changed assumptions during the course of the year, as well as improved methods for estimating deferred tax assets. The calculated effect of the changed assumptions and improved estimation methods is about NOK 1400 million. Tax assets related to negative resource rent tax carryforward in power plants where the future tax-related profit for the next ten years can be estimated, are recognised in the balance sheet. Normal production and price curve expectations for the next ten years form the basis for the calculation of expected future taxable profit. Off-balance sheet deferred tax assets related to negative resource rent tax carryforward amounted to NOK 1665 million as of 31.12.2010.

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NOK million	01.01.09	Recognised during the period	Recognised in comprehensive income	Acquisitions and sale of companies	Group contribution	31.12.09
Current assets/current liabilities	500	-108	-31	-8	1 589	1 942
Property, plant and equipment	4 039	123	-290	715	-	4 587
Pension liabilities	-616	-2	33	-4	-	-589
Other long-term items	370	21	12	-1	-	402
Tax loss carryforward/compensation	-679	353	-	86	-	-240
Deferred tax, resource rent tax	1 916	326	-	-	-	2 242
Negative resource rent tax carryforward	-903	-240	-	-	-	-1 143
Total net deferred tax liability	4 627	473	-276	788	1 589	7 202
Of which presented as deferred tax asset, see Note 17	1 518	-	-	-	-	1 163
Of which presented as deferred tax liability, see Note 26	6 145	-	-	-	-	8 365
Deferred tax recognised directly in comprehensive income						
NOK million				2010		2009
Estimate deviation pension				-114		33
Translation differences				-169		-309
Total deferred tax recognised in comprehensive income				-283		-276

17 → INTANGIBLE ASSETS

NOK million	2010	2009
Deferred tax asset	1 953	1 163
Goodwill	547	648
Other	480	466
Total	2 981	2 277

Deferred tax is discussed in more detail in Note 16.

NOK million	Goodwill	Other	Total
2010			
Book value 01.01.	648	466	1 114
Additions	1	202	203
Additions from business combinations	6	-	6
Currency effects	1	-4	-3
Amortisation and impairments	-109	-184	-293
Book value 31.12	547	480	1 027
Cost as of 31.12	1 111	1 069	2 180
Accumulated amortisation and impairments 31.12.	-564	-589	-1 152
Book value 31.12	547	480	1 027
2009			
Book value 01.01.	632	331	963
Additions	-	80	80
Additions from business combinations (see Note 4)	257	144	401
Changes to business combinations in previous years (see Note 4)	-39	-	-39
Currency effects	-46	-36	-82
Amortisation and impairments	-156	-53	-209
Book value 31.12	648	466	1 114
Cost as of 31.12	929	872	1 801
Accumulated depreciation and impairments 31.12.	-281	-406	-687
Book value 31.1	648	466	1 114
Expected economic lifetime	10–15 years		

IMPAIRMENT GOODWILL

An impairment test carried out at year-end resulted in an impairment of goodwill of NOK 109 million. The reason for the impairment is increased prices on gas and CO₂ quotas while power prices are low. This creates an expectation of lower future margins.

RESEARCH AND DEVELOPMENT

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

In order to gain new knowledge and develop new methods within the fields of energy optimisation and preservation, the Group also performs research and development activities in connection with existing plants/energy sources. Research and development activities carried out in 2010 and 2009 are expensed with NOK 143 million and NOK 173 million, respectively.

18 → PROPERTY, PLANT AND EQUIPMENT

NOK million	Regulation plants	Turbines, generators etc.	Distribution grid facilities	Share- holdings in power plants operated by third parties	Properties, mountain halls, buildings, road, bridge and quay facilities	Plants under construction	Other ¹	Total
2010								
Book value 01.01.10	21 275	17 753	5 272	2 197	27 926	2 944	873	78 239
Additions	75	274	218	39	124	1 608	304	2 642
Transferred from facilities under construction	156	1 027	99	-	252	-1 715	181	-
Disposals	-	-17	-2 136	-	-55	-226	-256	-2 690
Capitalised loan expenses	-	-	-	-	-	2	7	9
Currency effects	346	25	57	1	615	6	32	1 082
Depreciation/impairments	-468	-1 425	-281	-77	-290	-10	-360	-2 911
Accumulated depreciation/ impairments on disposals	-	5	1 330	-	2	5	77	1 419
Book value 31.12.10	21 384	17 642	4 559	2 160	28 574	2 614	858	77 791
Cost 31.12.10	27 748	29 849	8 744	3 295	31 690	2 634	3 432	107 392
Accumulated depreciation and impairments 31.12.10	-6 364	-12 207	-4 186	-1 135	-3 116	-20	-2 574	-29 601
Book value 31.12.10	21 384	17 642	4 559	2 160	28 574	2 614	858	77 791
¹ The Other item mainly includes district heating plants, buildings, office and computer equipment, electro-technical installations and vehicles.								
2009								
Book value 01.01.09	26 954	18 614	5 124	2 161	17 038	1 565	3 097	74 553
Additions	68	512	326	113	266	1 982	408	3 675
Additions from business combinations	287	691	180	-	5 090	301	101	6 650
Changes in business combinations from previous years	-5 262	-4	-	-	7 799	18	-2 551	-
Transferred from facilities under construction	179	135	68	-	37	-685	266	-
Disposals	-	-8	-67	-	-32	-169	-29	-305
Capitalised loan expenses	-	-	-	-	-	5	2	7
Currency effects	-516	-1 169	-93	-	-1 989	-56	-82	-3 905
Depreciation/impairments	-435	-1 019	-333	-77	-290	-17	-363	-2 534
Accumulated depreciation/ impairments on disposals	-	1	67	-	7	-	23	98
Book value 31.12.09	21 275	17 753	5 272	2 197	27 926	2 944	872	78 239
Cost 31.12.09	27 171	28 540	10 506	3 255	30 754	2 961	3 171	106 358
Accumulated depreciation and impairments 31.12.09	-5 896	-10 787	-5 234	-1 058	-2 828	-17	-2 299	-28 119
Book value 31.12.09	21 275	17 753	5 272	2 197	27 926	2 944	872	78 239
Depreciation period (years)	30-75	15-40	25-35	5-50	25-75		3-40	

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

An impairment test carried out at year-end resulted in an impairment of property, plant and equipment of NOK 552 million. In 2009, the corresponding figure was NOK 140 million. The reason for the impairment is improved knowledge about recently acquired facilities and therefore a better basis for estimating future cash flows.

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

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

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

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19 → ASSOCIATES AND JOINT VENTURES

SPECIFICATION OF SIGNIFICANT INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

NOK million	BKK	Agder	Scira	SN Aboitiz Power – Magat Inc	Hidro- electrica La Higuera S.A.	Allain Duhangan Hydro Power Ltd	Other	Total
Opening balance 01.01	5 889	4 143	482	1 049	1 162	795	3 229	16 509
Share of profits	284	298	-13	308	15	-34	331	1 180
Amortisation of excess values	-15	-66	-	-	-	-	-6	-87
Impairments	-	-	-	-	-	-87	-239	-326
Investment/sale	-	-	455	-	-	314	168	856
Dividend	-649	-364	-	-122	-	-	-11	-1 146
Currency differences	-	-	-20	58	10	6	66	119
Change in hedging instruments	-	-	-	-	-	-	-	-
Equity transactions booked directly in the company	-66	-30	-	-16	-4	-	49	-67
Reduction of capital	-	-46	-	-	-	-	-	-46
Other	-	-	-	-	-	-	99	99
Closing balance 31.12	5 443	3 935	904	1 276	1 183	994	3 686	17 090
Excess value 31.12.2010	2 332	2 329	-	396	775	717	751	7 301
Of which unamortised waterfall rights	1 818	333	-	1 574	775	-	915	5 416

OVERVIEW OF COMPANIES RECOGNISED IN ACCORDANCE WITH THE EQUITY METHOD

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

Name	Registered office	Shareholding	Voting share
Joint ventures:			
Barmoor Wind Power Ltd	Berwick upon Tweed	50.0%	50.0%
Biomassheizkraftwerk Landesbergen GmbH	Landesbergen	50.0%	50.0%
Catamount Energy Ltd	St. Albans	50.0%	50.0%
Devoll Hydropower SHA	Tirana	50.0%	50.0%
Fountain Intertrade Corp.	Panama	50.1%	50.0%
Greenpower Carraig Gheal Ltd	Sterling	50.0%	50.0%
Greenpower Little Law Ltd	Sterling	50.0%	50.0%
Hidroelectrica La Confluencia S.A	Santiago	50.0%	50.0%
Hidroelectrica La Higuera S.A	Santiago	50.0%	50.0%
HPC Ammerån AB	Stockholm	50.0%	50.0%
HPC Byske AB	Stockholm	50.0%	50.0%
HPC Edsox AB	Stockholm	50.0%	50.0%
HPC Rön AB	Stockholm	50.0%	50.0%
Kraftwerksgesellschaft Herdecke. GmbH & Co. KG	Hagen	50.0%	50.0%
Luster Småkraft AS	Gaupne	50.0%	50.0%
Naturkraft AS	Bærum	50.0%	50.0%
Scira Offshore Energy Ltd (Scira)	London	50.0%	50.0%
Statkraft Agder Energi Vind DA	Kristiansand	62.0%	62.0%
Viking Varme AS	Porsgrunn	50.0%	50.0%
Associates:			
Agder Energi AS (Agder)	Kristiansand	45.5%	45.5%
Allain Duhangan Hydro Power Ltd	New Dehli	43.1%	43.1%
Baillie Wind Farm Ltd	Thurso	33.9%	33.9%
Bergenshalvøens Kommunale Kraftselskap AS (BKK)	Bergen	49.9%	49.9%
Biomassheizkraftwerk Emden GmbH	Emden	30.0%	30.0%
Censitel AS	Horten	40.0%	40.0%
Ecopro AS	Steinkjer	25.0%	25.0%
Energi og Miljøkapital AS	Skien	35.0%	35.0%
Energy Future Invest AS	Oslo	34.0%	34.0%
Forewind Ltd	London	25.0%	25.0%
Istad AS	Molde	49.0%	49.0%
Kokemäenjoen Säännöstely-yhtiö	Finland	15.2%	15.2%
Länsi-Suomen Voima Oy	Finland	13.2%	13.2%
Malana Power Company Ltd	New Dehli	49.0%	49.0%
Manila-Oslo Renewable Enterprise Inc	Manilla	16.7%	16.7%
Midt Norge Kraft AS	Rissa	40.0%	40.0%
Nividhu (Pvt) Ltd	Colombo	30.0%	30.0%
Rullestad og Skromme Energi AS	Etna	35.0%	35.0%
SN Aboitiz Power – Magat Inc	Manilla	40.0%	40.0%
SN Aboitiz Power Benguet Inc	Manilla	40.0%	40.0%
SN Aboitiz Power Cordillera Inc	Manilla	40.0%	40.0%
SN Aboitiz Power Hydro Inc	Manilla	40.0%	40.0%
SN Aboitiz Power Nueva Ecija Inc	Manilla	40.0%	40.0%

Name	Registered office	Shareholding	Voting share
SN Aboitiz Power Pangasnan Inc	Manilla	40.0%	40.0%
SN Aboitiz Power RES Inc	Manilla	40.0%	40.0%
Stiftelsen Norwegian Electricity Cooperation	Oslo	29.0%	29.0%
Thermokraft AS	Porsgrunn	39.0%	39.0%
Vestfold Trafo Energj AS	Stokke	34.0%	34.0%

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

JOINT VENTURES

Statkraft has shareholdings in jointly owned power plants. These power plants are treated as joint ventures and are recognised with Statkraft's share of income, expenses, assets and liabilities. Power plants with a shareholding of less than 50% are operated by third parties.

Name	Shareholding
Aurlandsverkene	7.00%
Bjørna	90.10%
Båtfors	6.64%
Folgefonn	85.06%
Forsmo	2.20%
Gammelby	90.10%
Gidbøle	90.10%
Gideå	90.10%
Gideåbacka	90.10%
Grytten	88.00%
Gäddede	70.00%
Harjavalta	13.20%
Harrsele	50.57%
Järnvägsforsen	94.85%
Kobbelv	82.50%
Kraftverkene i Orkla	48.60%
Leirdøla	65.00%
Nordsvorka	50.00%
Rana ⁵	35.00%
Røldal-Suldal Kraft AS ²	8.74%
Selfors	10.60%
Sima	65.00%
Sira-Kvina Kraftselskap DA ¹	46.70%
Solbergfoss ³	33.33%
Stennäs	90.10%
Svartisen	70.00%
Svorka	50.00%
Tyssefaldene ⁴	60.17%
Ulla-Førre	72.00%
Vikfalli	88.00%
Volgsjøfors	73.10%

¹ Statkraft's total shareholding is 46.7%, but if Skagerak's shareholding of 14.6% is deducted, Statkraft's shareholding is 32.1%.

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

³ Statkraft owns 33.3% of Solbergfoss, but controls 35.6% of the production.

⁴ Statkraft owns 60.17% of the shares in AS Tyssefaldene, which wholly owns Håvardsvatn power station. Furthermore, Statkraft controls 71.4% of the production from the Tysso II power plant.

⁵ 65% of the production in Rana is leased out for 15 years from 1 January 2005.

20 → OTHER NON-CURRENT FINANCIAL ASSETS

NOK million	2010	2009
Valued at amortised cost:		
Loans to associates ¹	689	899
Bonds and other long-term receivables	446	557
Total valued at amortised cost	1 135	1 456
Available for sale:		
Other shares and securities	15 247	20 483
Total	16 382	21 939

¹ Loans to Naturkraft AS were written down by NOK 165 million in 2010 as a result of lower prices and introduction of a CO₂ tax. The book value at the end of 2010 was NOK 120 million. In total, the loan has been written down by NOK 597 million.

Other shares and shareholdings in the balance sheet includes the E.ON AG shareholding with NOK 14 867 million. Shares are classified as assets available for sale and recognised in the accounts at fair value with changes in value recorded in comprehensive income. The part of the change in value which can be attributed to currency changes and which is within corresponding currency

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change for loans in EUR is presented in the income statement under Unrealised changes in value financial items. The change in value in 2010 was NOK -5 282 million, of which NOK -1 193 million is due to lower exchange rate for EUR. In 2010, the E.ON AG shareholding has shown a lasting reduction in market value compared with the original cost price. This entailed a need for write-down of the shares by an amount that includes earlier changes in value recognised in comprehensive income. The change in share value in 2010 amounted to NOK -4 088 million. Previous changes in value recognised in comprehensive income amounted to NOK 463 million as of 2009. As a result of a lasting reduction in value, the income statement has been charged with NOK -3 625 million under Unrealised changes in value financial items.

21 → INVENTORIES

NOK million	2010	2009
Valued at net realisable value:		
Green certificates	435	798
CO ₂ quotas	349	295
Spare parts	82	78
Other	147	76
Total	1 013	1 247

Green certificates and CO₂ quotas are valued at net realisable value, while spare parts and other are valued at the lower of cost price and net realisable value

22 → RECEIVABLES

NOK million	2010	2009
Accounts receivable	5 739	2 746
Accrued revenues etc.	1 190	1 868
Receivables from Statkraft SF	-	1 049
Interest-bearing restricted funds	1 527	215
Other receivables	2 292	2 829
Total	10 748	8 707

Other receivables mainly comprises prepaid expenses of NOK 1 139 million and value added tax owed to Statkraft of NOK 585 million.

Maturity analysis of receivables

2010	NOK million	Not yet due	Non-impaired receivables, overdue by		Total
			Less than 90 days	More than 90 days	
Accounts receivable		5 280	269	190	5 739
Other receivables		5 007	1	1	5 009
Total		10 287	270	191	10 748

Recognised as loss for the year

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2009	NOK million	Not yet due	Non-impaired receivables, overdue by		Total
			Less than 90 days	More than 90 days	
Accounts receivable		2 373	306	66	2 746
Other receivables		5 912	46	3	5 961
Total		8 285	352	69	8 707

Recognised as loss for the year

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23 → SHORT-TERM FINANCIAL INVESTMENTS

NOK million	2010	2009
Bonds	214	206
Money market fund	115	126
Shares and other investments	95	89
Total	424	421

24 → DERIVATIVES

The table below shows derivatives with respective positive and negative market values allocated by portfolio. The portfolios are described in Note 32. The figures for energy derivatives included in the table below are the recognised values of contracts which in accordance with IAS 39 fall under the definition of financial instruments. There can be significant deviations between the accounting values and the underlying real economic values due to the fact that the portfolios contain contracts that are both covered and not covered by IAS 39.

Derivatives – current assets	2010	2009
NOK million		
Energy derivatives		
Nordic hydropower portfolio excluding industrial power ¹	-589	-67
Industrial power contracts in Nordic hydropower portfolio	114	88
Trading and Origination	5 109	3 174
Continental assets	265	232
Total	4 899	3 427
¹ The Nordic hydropower portfolio contains Nord Pool contracts with negative value that are settled against Nord Pool contracts included in Trading and Origination. These contract types are included in a common evaluation unit.		
Currency and interest rate derivatives		
Interest rate swaps	34	145
Forward exchange rate contracts	712	221
Combined interest rate and currency swaps	-	852
Total	746	1 218
Total derivatives current assets	5 645	4 645
Derivatives – non-current assets		
NOK million	2010	2009
Energy derivatives		
Nordic hydropower portfolio excluding industrial power	17	125
Industrial power contracts in Nordic hydropower portfolio	1 479	936
Continental assets	1 407	1 568
Total	2 903	2 629
Currency and interest rate derivatives		
Interest rate swaps	643	552
Forward exchange rate contracts	286	169
Combined interest rate and currency swaps	10	8
Total	939	729
Total derivatives – non-current assets	3 842	3 358
Derivatives – current liabilities		
NOK million	2010	2009
Energy derivatives		
Nordic hydropower portfolio excluding industrial power	258	182
Industrial power contracts in Nordic hydropower portfolio	437	406
Trading and Origination	5 179	2 878
Continental assets	218	268
End-user portfolio	365	45
Total	6 457	3 779
Currency and interest rate derivatives		
Interest rate swaps	20	-
Forward exchange rate contracts	314	165
Combined interest rate and currency swaps	70	123
Total	404	288
Total derivatives – current liabilities	6 861	4 067
Derivatives – Long-term liabilities		
NOK million	2010	2009
Energy derivatives		
Nordic hydropower portfolio excluding industrial power	992	1 427
Industrial power contracts in Nordic hydropower portfolio	-	743
Trading and Origination	-	1 326
Continental assets	810	-
Total	1 802	3 496
Currency and interest rate derivatives		
Interest rate swaps	526	440
Forward exchange rate contracts	166	54
Combined interest rate and currency swaps	-	26
Total	692	520
Total derivatives – long-term liabilities	2 494	4 016

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25 → CASH AND CASH EQUIVALENTS

NOK million	2010	2009
Cash and bank deposits	18 420	5 629
Money market funds, certificates, promissory notes, bonds	1 632	1 034
Total	20 052	6 663

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

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

NOK million	2010	2009
Cash collateral for financial derivatives	-861	-1 351
Deposit account in connection with power sales on energy exchanges	45	40
Total	-816	-1 311

Cash collateral comprises payments made to/received from counterparties as security for net unrealised gains and losses that Statkraft has on interest rate swaps and combined interest rate and currency swaps, as well as forward exchange contracts.

26 → PROVISIONS

NOK million	2010	2009
Deferred tax	10 066	8 365
Pension liabilities	2 106	2 094
Other provisions	3 586	3 194
Total provisions	15 758	13 653

Pension liabilities are discussed in more detail in Note 12, while deferred tax is covered in Note 16.

Other provisions primarily relate to an advance payment received in connection with a future power sales agreement for Rana Power Plant. The advance payment was received in 2005 and amounted to NOK 2200 million. This is being amortised over the 15-year term of the agreement. The residual value as of 31.12.2010 is NOK 1318 million.

27 → INTEREST-BEARING DEBT

Current interest-bearing liabilities

NOK million	2010	2009
Certificate loans	770	1 114
First year's instalment on long-term liabilities	2 911	2 637
First year's instalment on long-term liabilities from Statkraft SF	653	3 483
Debt connected to cash collateral	1 080	1 522
Overdraft facilities	526	319
Other short-term loans	295	243
Total current interest-bearing liabilities	6 235	9 318

Interest-bearing long-term liabilities

Loans from Statkraft SF	400	1 053
Bond loans in the Norwegian market	13 596	15 605
Other loans raised in non-Norwegian markets	17 390	16 845
External loans in subsidiaries and other loans	2 865	2 839
Total long-term interest-bearing liabilities	34 251	36 342
Total interest-bearing liabilities	40 486	45 660

The Group's net repayment of debt in 2010 amounted to NOK 3851 million. Other changes are mainly explained by changes in currency exchange rates for loans denominated in foreign currency.

See Notes 29–34 for more details.

28 → OTHER INTEREST-FREE CURRENT LIABILITIES

NOK million	2010	2009
Accounts payable	2 875	2 187
Indirect taxes payable	1 574	798
Other interest-free liabilities	7 160	6 249
Current liabilities due to Statkraft SF	-	102
Total	11 609	9 336

Other interest-free liabilities includes an equity instrument liability.

29 → USE OF FINANCIAL INSTRUMENTS

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

FINANCIAL INSTRUMENTS IN ENERGY TRADING

Within energy trading, financial instruments are used in the trading and as part of the Group's financial hedging strategy for continuous optimisation of future revenues from the expected production volume. Financial instruments in energy trading mainly consist of financial and physical agreements relating to purchase and sale of power, gas, oil, coal, CO₂ quotas. Derivatives recognised in the balance sheet are shown as separate items in the balance sheet and are evaluated at fair value with changes in value recognised in the income statement. As the Group's future own production of power does not qualify for recognition in the balance sheet under IAS 39, the effect of changes in value of financial energy derivatives may have major effects on the income statement without necessarily reflecting the underlying activities.

FINANCIAL INSTRUMENTS USED IN FINANCIAL ACTIVITIES

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

30 → HEDGE ACCOUNTING

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

Hedging of net investments in foreign entities Some investments in subsidiaries of SN Power have been subject to hedge accounting.

Cash flow hedging As a general rule, the Group does not hedge cash flows. However, a cash flow hedge has been established in one subsidiary. This is related to cash flows in various currencies which have been hedged to USD in the project financing in one of SN Power's subsidiaries.

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

Fair value of hedging instruments

NOK million	2010	2009
Hedging instruments used in fair value hedging	1 220	1 188
Hedging instruments in cash flow hedging	-19	-2
Hedging instruments used to hedge net investments in a foreign operation	-	7
Total fair value of hedging instruments	1 201	1 193

Other information on fair value hedging

NOK million	2010	2009
Gains (+) losses (-) on hedging objects, in relation to the hedged risk	-1 237	-1 197

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31 → FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE OF ENERGY DERIVATIVES

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

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

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

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

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

CO₂ CO₂ contracts are priced based on the forward price of EUA quotas and CER quotas. For post-Kyoto contracts, the price in the last traded contract is used in the valuation of the contracts.

Foreign currency Several energy contracts have prices in different currencies. Official foreign currency rates from Reuters and major financial institutions are used in the valuation of contracts denominated in foreign currency. If there are no quotes for the entire time period in question, the interest parity is used to calculate exchange rates.

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

FAIR VALUE OF CURRENCY AND INTEREST RATE DERIVATIVES

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

FAIR VALUE OF FINANCIAL INVESTMENTS

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

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

FAIR VALUE OF EQUITY INVESTMENTS IN THE CO₂ FUND

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

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

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

Assets and liabilities recognised at amortised cost

NOK million	Note	2010 Recognised value	2010 Fair value	2009 Recognised value	2009 Fair value
Financial assets valued at amortised cost					
Loans to associates	20	689	719	899	952
Bonds and other long-term receivables	20	446	446	557	557
Accounts receivable	22	5 739	5 739	2 746	2 746
Accrued revenues etc.	22	1 190	1 190	1 868	1 868
Receivables from Statkraft SF	22	-	-	1 049	1 049
Interest-bearing restricted funds	22	1 527	1 527	215	215
Other receivables	22	2 292	2 292	2 829	2 829
Cash and bank deposits	25	18 420	18 420	5 629	5 629
Total		30 303	30 333	15 792	15 845
Financial liabilities valued at amortised cost					
Loans from Statkraft SF	27	-400	-460	-1 053	-1 142
Bond loans in the Norwegian market	27	-13 596	-13 726	-15 605	-16 031
Other loans raised in non-Norwegian markets	27	-17 390	-18 904	-16 845	-17 580
External loans in subsidiaries and other loans	27	-2 865	-2 883	-2 839	-2 711
Debt connected to cash collateral	27	-1 080	-1 080	-1 522	-1 522
Certificate loans	27	-770	-771	-1 114	-1 116
Overdraft facilities	27	-526	-526	-319	-319
First year's instalment on long-term liabilities	27	-3 564	-3 572	-6 120	-6 209
Other short-term loans	27	-295	-295	-243	-243
Accounts payable	28	-2 875	-2 875	-2 187	-2 064
Indirect taxes payable	28	-1 574	-1 574	-798	-798
Other interest-free liabilities	28	-7 160	-7 160	-6 249	-6 372
Current liabilities due to Statkraft SF	28	-	-	-102	-102
Total		-52 095	-53 826	-54 996	-56 209

ASSETS AND LIABILITIES RECOGNISED AT FAIR VALUE, DIVIDED AMONG LEVEL FOR FAIR-VALUE MEASUREMENT

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

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

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

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

2010 NOK million	Note	Fair-value measurement at period-end using:			Fair value
		Level 1	Level 2	Level 3	
Financial assets at fair value					
Energy derivatives	24	1 060	4 224	2 519	7 803
Currency and interest rate derivatives	24	-	1 685	-	1 685
Equity investment CO ₂ fund	20	-	-	82	82
Bonds	23	214	-	-	214
Shares and other investments	23	95	-	-	95
Money market fund	23	115	-	-	115
Money market funds, certificates, promissory notes, bonds	25	1 632	-	-	1 632
Total		3 116	5 909	2 601	11 626
Available-for-sale financial assets					
Other shares and securities	20	15 182	-	-	15 182
Total		15 182	-	-	15 182
Financial liabilities at fair value					
Energy derivatives	24	-385	-3 724	-4 150	-8 259
Currency and interest rate derivatives	24	-	-1 096	-	-1 096
Total		-385	-4 820	-4 150	-9 355

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2009	NOK million	Note	Fair-value measurement at period-end using:			Fair value
			Level 1	Level 2	Level 3	
Financial assets at fair value						
Energy derivatives		24	100	4 172	1 784	6 056
Currency and interest rate derivatives		24	-	1 947	-	1 947
Equity investment CO ₂ fund		20	-	-	101	101
Bonds		23	206	-	-	206
Shares and other investments		23	89	-	-	89
Money market fund		23	126	-	-	126
Money market funds, certificates, promissory notes, bonds		25	1 034	-	-	1 034
Total			1 555	6 119	1 885	9 559
Available-for-sale financial assets						
Other shares and securities		20	20 382	-	-	20 382
Total			20 382	-	-	20 382
Financial liabilities at compulsory fair value						
Energy derivatives		24	-235	-2 287	-4 753	-7 275
Currency and interest rate derivatives		24	-	-808	-	-808
Total			-235	-3 095	-4 753	-8 083
Assets and liabilities measured at fair value based on Level 3						
NOK million			Financial assets at fair value	Financial liabilities at fair value		Total
Opening balance 01.01.2010			1 885	-4 753		-2 868
Unrealised changes in value			917	-31		886
Purchase			3	-		3
Moved from Level 3			-204	634		430
Closing balance 31.12.2010			2 601	-4 150		-1 549
Net realised gain (+)/loss (-) for 2010						182
Opening balance 01.01.09			3 360	-4 616		-1 256
Unrealised changes in value			-1 456	-181		-1 637
Purchase			10	-		10
Moved from Level 3			-29	44		15
Closing balance 31.12.09			1 784	-4 753		-2 868
Net realised gain (+)/loss (-) for 2009						-463
Total unrealised changes in value						
NOK million	Note			2010		2009
Energy contracts	10			193		-2 813
Currency and interest contracts	15			-1 369		5 977
Total				-1 176		3 164
Sensitivity analysis of factors classified to Level 3						
NOK million			10% reduction		10% increase	
Net effect on energy prices			-131		139	
Net effect on post-Kyoto contracts			-3		3	

32 → MARKET RISK IN THE GROUP

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY

Statkraft has a unified approach to the Group's market risks. Statkraft is engaged in activities that entail risk in many areas. Risk management is not about removing risk, but assuming the right risk based on the Group's ability and willingness to take risks, expertise, solidity and development plans. The purpose of the risk management is to identify threats and opportunities for the Group, and to manage the risk towards an acceptable level to provide reasonable surety for achieving the Group's objectives.

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

DESCRIPTION OF RISK MANAGEMENT IN ENERGY TRADING AND THE POWER PORTFOLIOS

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

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

Nordic hydropower The Nordic hydropower portfolio is intended to cover hydropower production in the Nordic region and its associated risk.

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

Net exposure in this portfolio is derived from continually updated production forecasts, physical purchase and sale contracts, as well as contracts traded via energy exchanges and bilateral financial contracts.

The financial contracts are both contracts traded via energy exchanges and bilateral contracts. These generally have terms of less than five years, though some financial contracts run until 2020. Some of the perpetual concessionary power agreements have been renegotiated to financial settlement for shorter terms.

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

Financial contracts and physical contracts with volume optionality and built-in derivatives are evaluated at fair value, other contracts do not qualify for recognition in the balance sheet and are recognised in the income statement in accordance with normal purchase and sale.

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

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

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

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

The Group has shareholdings in five gas-fired power plants, four in Germany and one in Norway, and has in this connection entered into long-term supply contracts for natural gas. The purchase price for these contracts is indexed to coal and oil. The duration of the agreements differ. The gas agreements are mainly considered to be for own use except for contracts where the gas is resold and are therefore recognised at fair value in accordance with IAS 39.

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

Trading and Origination Statkraft has various portfolios for trading and origination that are managed independently of the Group's expected electricity production. Trading teams have been established in Oslo, Trondheim, Stockholm, Amsterdam and Düsseldorf. 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 has allocated risk capital for the trading and origination business. Clear guidelines have been established for the types of products that are allowed to be traded. The mandates for trading and origination activities are adhered to through specified limits for Value-at-Risk and Profit-at-Risk. Both methods calculate the maximum potential loss a portfolio can incur, with a given probability factor over a given period of time. Credit risk and operational risk are also quantified in connection with the allocated risk capital.

All trading and origination contracts are recognised at fair value in accordance with IAS 39.5 and 39.6.

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

Origination activities Origination activities include buying and selling both standardised products and structured contracts. Structured products may be energy contracts with a special duration, long-term contracts or energy contracts in different currencies. The trading with transport capacity over borders and virtual power plant contracts are also included in the activities. Quoted, traded

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contracts such as system price, regional prices and foreign currency are generally used to reduce the risk involved in trading in structured products and contracts. The majority of the contracts in the portfolio have a duration of up to five years, though some contracts run until 2026.

FOREIGN EXCHANGE AND INTEREST RATE RISK

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

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

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

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

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

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

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

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

33 → ANALYSIS OF MARKET RISK

Statkraft's main activities are the generation and trading of electrical power. In a market in which hydropower plays an important role, and where the supply of water varies a great deal from year to year, price and generating capacity will also vary considerably. Statkraft makes considerable use of forward contracts and other financial instruments to optimise its revenues. Market risk connected with energy optimisation thus covers volume risk, electricity price risk in the spot market and risk connected with positions in financial instruments. Market positions are also taken in connection with the Trading and Origination portfolios. Statkraft is also exposed to market risk relating to interest rate and currency positions, district heating and end-user activities, as well as risk related to grid operations through the revenues being related to the interest market.

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

The time period for the calculations is one year. For contracts with exposure of more than one year, only the uncertainty relating to the current year is reflected in the calculations. The exposure can take the form of actual exposure or an expected maximum utilisation of frameworks. The model also takes into account correlation, both within the individual areas and between the areas.

Total market risk as of 31 December 2010 was calculated at NOK 1251 million, where the main risk relates to energy optimisation. A minor increase in market risk for energy optimisation explains most of the change from 2009. The risk related to energy optimisation varies substantially over a period of time as a result of uncertainty and the energy price level and production volumes. The increase in the risk for energy optimisation from 31 December 2009 to 31 December 2010 must be seen in the context of higher expected prices and revenues and the fact that the downside risk is therefore also somewhat higher.

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

NOK million	2010	2009
Market risk in energy optimisation (volume risk, spot price risk and hedging)	1 215	1 171
Market risk in portfolios for Trading and origination	206	276
Market risk in interest rates and currency	220	192
Market risk in distribution grid revenues	27	14
Market risk in end-user activities and district heating	50	50
Total market risk before diversification effects	1 718	1 703
Diversification effects	-467	-490
Total market risk	1 251	1 213
Diversification effect as a percentage	27%	29%

Specification of loans by currency¹

NOK million	2010	2009
Loans in NOK	19 324	22 221
Loans in SEK	2 607	3 183
Loans in EUR	14 852	15 760
Loans in USD	1 887	1 581
Loans in Peruvian Nuevo Soles	-	248
Total	38 670	42 993

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

Specification of loan interest by currency¹

	2010	2009
Nominal average interest, NOK	4.20%	4.10%
Nominal average interest, SEK	1.30%	2.30%
Nominal average interest, EUR	3.50%	3.90%
Nominal average interest, USD	4.10%	4.80%
Nominal average interest, Peruvian Nuevo Soles	-	6.0%+VAC ²

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

² VAC = Valor Adquisitivo Constante – Inflation adjustment.

Fixed interest rate loan portfolio ¹	Future interest rate adjustments				Total
	2011	1–3 years	3–5 years	5 years and more	
NOK million					
Loans in NOK	11 428	290	2 919	4 687	19 324
Loans in SEK	2 607	-	-	-	2 607
Loans in EUR	9 364	30	19	5 439	14 852
Loans in USD	1 258	83	72	474	1 887
Total	24 657	403	3 010	10 600	38 670

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

Short-term financial investments – bonds per debtor category

NOK million	2010	2009	Mod. duration	2010 Average interest rate (%)
Commercial and savings banks	92	81	1.36	3.50
Industry	33	32	3.45	4.30
Public sector	89	93	3.09	2.60
Total	214	206		

34 → CREDIT RISK AND LIQUIDITY RISK

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

CREDIT RISK

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

It is assumed that no counterparty risk exists for financial energy contracts which are settled through an energy exchange. For all other energy contracts entered into, the limits are stipulated for the individual counterparty using an internal credit rating. The counterparties are allocated to different categories. The internal credit rating is based on financial key figures. Bilateral contracts are subject to limits for each counterparty as regards volume, amount and duration. Statkraft also has a separate category for counterparties with which the Group will not engage for ethical reasons.

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

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

Placement of surplus liquidity is mainly divided among institutions rated BBB+ or better. For financial instruments, loss exposure is calculated in the event of breach of contract by the counterparty. Statkraft has entered into agreements relating to interim cash settlement of the market value of financial derivatives with its counterparties (cash collateral), significantly reducing counterparty exposure in connection with these agreements.

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

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

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

Statkraft's gross credit risk exposure corresponds to the recognised value of financial assets, which are found in the various notes to the balance sheet. Statkraft has provided parent company guarantees for subsidiaries and associates (Note 39). The maximum credit risk exposure does not exceed the already recognised value of financial assets. Gross exposure to credit risk in financial assets is partly reduced through collateral. To the extent that relevant and substantial collateral has been provided, this has been presented below.

NOK million	Note	2010	2009
Gross exposure credit risk:			
Other non-current financial assets	20	15 249	21 939
Derivatives	24	9 487	8 003
Receivables	22	10 748	8 707
Short-term financial investments	23	424	421
Cash and cash equivalents	25	20 052	6 663
Total		55 960	45 733
Exposure reduced by security (guarantees, cash collateral etc.):			
Derivatives		-1 079	-1 501
Net exposure credit risk		54 881	44 232

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

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

All cash and cash equivalents are receivables due from banks.

LIQUIDITY RISK

Statkraft assumes a liquidity risk because the term of its financial obligations is not matched to the cash flows generated by its assets, and because of variations in security requirements linked to both financial contracts in the forward market (energy exchanges) and cash collateral requirements. Statkraft has good borrowing opportunities from the Norwegian and European money markets and in the banking market. Drawdown facilities have been established to secure access to short-term financing. Statkraft's drawdown facilities are large enough to cover outstanding certificate liabilities at any time. A guarantee framework has been established to cope with significant fluctuations in the collateral required for financial contracts in the forward market required by Nord Pool. Statkraft has a liquidity capacity target of between 1.5 and 4.0. Liquidity capacity in this context is defined as cash and cash equivalents, plus committed drawdown facilities, overdrafts and projected receipts for the next six months divided by projected payments for the next six months.

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

Maturity schedule, external long-term liabilities

NOK million	2011	2012	2013	2014	2015	After 2015
Instalments on loans from Statkraft SF	653	-	-	-	-	400
Instalments on bond loans from the Norwegian market	2 020	700	-	3 979	2 142	6 775
Instalments on other loans raised in non-Norwegian markets	654	2 214	2 335	-	3 886	8 972
Instalments on external loans in subsidiaries	247	418	1 541	72	73	757
Interest payments	1 623	1 495	1 416	1 349	1 053	2 466
Total	5 197	4 827	5 292	5 400	7 154	19 370

Allocation of non-discounted value of derivatives per period

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

NOK million	2011	2012	2013	2014	2015	After 2015
Energy derivatives	4 758	1 285	637	499	382	770
Interest rate and foreign currency derivatives	368	60	6	44	84	430
Total derivatives	5 126	1 345	643	543	466	1 200

35 → MANAGEMENT OF CAPITAL STRUCTURE

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

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

There were no changes in the Group's targets and guidelines governing the management of capital structure in 2010.

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

Overview of capital included in management of capital structure

NOK million	Note	2010	2009
Interest-bearing long-term liabilities	27	34 251	36 342
Short-term interest-bearing liabilities	27	6 235	9 318
Cash and cash equivalents and short-term financial investments	23, 25	-20 476	-7 084
Net liabilities		20 010	38 576

36 → BENEFITS PAID TO EXECUTIVE MANAGEMENT AND THE BOARD

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

Salaries and other benefits – executive management

NOK	Salary	Bonus ⁴	Benefits in kind	Salary and other benefits
Christian Rynning-Tønnesen, President and CEO ¹	2 606 133	-	132 716	2 738 849
Bård Mikkelsen, President and CEO ¹	1 204 112	-	64 145	1 268 257
Jørgen Kildahl, Executive Vice President ²	1 311 716	475 000	66 402	1 853 118
Jon G. Brandsar, Executive Vice President	2 069 406	475 000	165 194	2 709 600
Stein Dale, Executive Vice President	2 176 154	475 000	152 921	2 804 075
Ragnvald Nærø, Executive Vice President ²	970 098	425 000	76 399	1 471 497
Steinar Bysveen, Executive Vice President ³	858 000	-	68 864	926 864
Hilde Bakken, Executive Vice President ³	906 154	-	72 413	978 567
Asbjørn Grundt, Executive Vice President ³	1 681 248	-	95 901	1 777 149
Øistein Andresen, Executive Vice President ³	585 433	-	29 441	614 874

¹ Bård Mikkelsen resigned as President and CEO on 30 April 2010, Christian Rynning-Tønnesen took over as the new President and CEO on 1 May 2010.

² Jørgen Kildahl and Ragnvald Nærø resigned from their positions as Executive Vice Presidents on 12 May and 30 June respectively.

³ Asbjørn Grundt, Hilde Bakken, Steinar Bysveen and Øistein Andresen took up their positions as Executive Vice Presidents on 1 April, 1 July, 1 August and 16 September respectively.

⁴ Bonus earned in 2009, but paid in 2010.

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Each of the members of the corporate management, except the President and CEO, has a bonus scheme which can give an annual payment up to NOK 500 000. The bonus is paid on the basis of achieving individually specified objectives.

The corporate management has not received any remuneration or financial benefits from other companies in the same Group other than those shown above. No additional remuneration for special services over and above their normal managerial functions has been provided.

The President and CEO and some executive vice presidents have, under given terms, an agreement of 12 months' salary after the end of employment in addition to the salary in the normal notice period. The agreements are in accordance with advisory guidelines for employment of executives in wholly state-owned companies.

The total salaries and other benefits paid to executive management in 2009 amounted to NOK 16 333 909.

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

NOK	Board remuneration	Audit committee	Compensation committee	Participation in Board meetings
Svein Aaser, Chair ²	200 000	-	21 000	6
Arvid Grundekjøn, Chair ¹	170 500	-	20 000	7
Ellen Stensrud, Deputy chair	289 500	-	-	11
Halvor Stenstadvold, Board member	230 500	76 500	-	13
Berit J. Rødseth, Board member	230 500	56 000	-	13
Bertil (Pertti) Tiusanen, Board member ¹	113 000	-	-	7
Hilde M. Tonne, Board member ¹	113 000	-	12 500	7
Inge Ryan, Board member ²	117 500	28 500	-	6
Silvija Seres, Board member ²	117 500	-	13 000	5
Astri Botten Larsen, employee-elected Board member ¹	113 000	27 500	-	6
Thorbjørn Holøs, employee-elected Board member	230 500	28 500	-	11
Odd Vanvik, employee-elected Board member	230 500	-	25 500	13
Lena Halvari, employee-elected Board member ²	117 500	-	-	6

¹ Arvid Grundekjøn, Hilde M Tonne, Bertil Tiusanen and Astri Botten Larsen resigned from the Board on 30 June 2010.

² Svein Aaser, Silvija Seres, Inge Ryan and Lena Halvari became Directors on 30 June 2010.

The Board has no remuneration agreements other than the directors' fee and remuneration for participation in committee work, nor have any loans or pledges been granted to Directors of the Board.

Total remuneration paid to the Board, Audit Committee and Compensation Committee in 2009 was NOK 2 207 000, NOK 185 000 and NOK 90 000 respectively.

Pension provisions – executive management

NOK	Pensions ¹
Christian Rynning-Tønnesen, President and CEO	1 425 270
Bård Mikkelsen, President and CEO	1 624 155
Jørgen Kildahl, Executive Vice President	665 254
Jon G. Brandsar, Executive Vice President	1 073 874
Stein Dale, Executive Vice President	973 157
Ragnvald Nærø, Executive Vice President	965 877
Steinar Bysveen, Executive Vice President	618 522
Hilde Bakken, Executive Vice President	201 842
Asbjørn Grundt, Executive Vice President	524 847
Øistein Andresen, Executive Vice President	260 639

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

Bård Mikkelsen resigned from his position as President and CEO on 30 April 2010, at the age of 62. From 1 May 2010, he has been retained by the company as a consultant with 66% salary until official retirement age. The retirement age is 65 with a pension amounting to 66% of annual salary.

Christian Rynning-Tønnesen became President and CEO on 1 May 2010. He has a retirement age of 67 with a pension amounting to 66% of annual salary, assuming a full service period, i.e. 30 years.

Members of the corporate management may retire at the age of 65 at the earliest, with a pension amounting to 66% of annual salary assuming full service period. During the period between 62 and 67, members of the corporate management have agreements providing a mutual right to gradually scale back their workload and compensation.

The total pension provision for executive employees in 2009 was NOK 11 597 649.

37 → FEES PAID TO EXTERNAL AUDITORS

Deloitte AS is the Statkraft Group's auditor and audits all of the Group's subsidiaries with the exception of SN Power's activities in Peru and Statkraft's activities in Turkey.

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

NOK thousand	2010	2009
Statutory auditing	10 968	12 850
Other certification services	1 266	728
Tax consultancy services	2 778	2 064
Other services ¹	2 090	2 539
Total	17 102	18 181

¹ Other services include certification of the Sustainability Report.

Total fees to other auditors in the Group and other services are as follows:

NOK thousand	2010	2009
Statutory auditing	527	2 164
Other certification services	15	44
Tax consultancy services	236	742
Other services	-	686
Total	778	3 636

The decline in total auditing fees is primarily due to new agreed fees following a tender process, as well as there having been no major transactions in 2010. The decline in fees to other auditors in the Group is due to the Group's auditor having taken over the auditing of most of the companies in the SN Power Group.

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38 → RELATED PARTIES

All subsidiaries, associates and joint ventures stated in Note 5 and Note 19 are related parties of Statkraft. Intercompany balances and transactions between consolidated companies are eliminated on consolidation and are not shown in this Note.

The individuals stated in Note 36 are members of the corporate management or the Board and are also related parties of Statkraft.

In accordance with IAS 24, Astri Botten Larsen, a Board member until 30 June 2010, has been identified as a related party through her spouse, who is the general manager of and has a 28% shareholding in Norsk Radiokommunikasjon AS. In 2010, Norsk Radiokommunikasjon AS sold goods and services to Statkraft Energi AS worth NOK 144 813 at regular terms and conditions.

Jørgen Kildahl, member of the corporate management until 13 May 2010, was a director of Multiconsult AS, which sold services to Statkraft worth NOK 3 455 812 in 2010.

All transactions with related parties are conducted at market terms and conditions. Apart from the transactions that are stated in this Note and Note 36, there are no transactions or outstanding balances of significance with related parties.

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

NOK million	2010	2009
Revenues	52	40
Expenses	246	272
Receivables at the end of the period	40	206
Liabilities at the end of the period	526	472

SIGNIFICANT TRANSACTIONS WITH THE OWNER AND COMPANIES CONTROLLED BY THE OWNER

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

NOK million	2010	2009
Gross operating revenues include:		
Industrial sales at statutory prices	1 535	1 671
Concessionary sales at statutory prices	308	384
Net operating revenues includes:		
Energy purchases from Statoil	576	467
Grid tariff to Statnett	495	361
Operating expenses include:		
Property tax and licence fees to Norwegian authorities	1 236	1 166
Tax expenses include:		
Taxes payable to Norwegian authorities	3 458	2 562
Dividend and Group contribution from Statkraft AS to Statkraft SF	7 529	10 000

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

39 → PLEDGES, GUARANTEES AND OBLIGATIONS

PLEDGES

Under certain circumstances local authorities and publicly owned energy companies are entitled to a share of the output from power plants belonging to Statkraft in return for paying a share of the construction costs. To finance the acquisition of such rights, the local authorities/companies have been granted permission to pledge the power plant as security. The mortgage debt raised by the local authorities under this scheme totals NOK 1199 million. In addition, other subsidiaries have a total of NOK 2246 million in pledged assets. As of 31 December 2010, the book value of the pledged assets in Statkraft Energi AS totalled NOK 4740 million. The book value of pledged assets in other subsidiaries amounts to NOK 4573 million.

GUARANTEES

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

NOK million	2010
Parent company guarantees	9 872
Other	79
Total guarantees in Statkraft AS	9 951
Parent company guarantees	1 745
Guarantees in Nord Pool and other energy exchanges	3 624
Other	669
Total guarantees in subsidiaries	6 038
Total	15 989

The Statkraft Group had off-balance-sheet obligations and guarantees totalling NOK 14 438 million in 2009.

CONTRACT OBLIGATIONS

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

- Long-term agreement to purchase CO₂ quotas.
- Agreements relating to purchase of gas equalling 64 TWh in the period to 2017.
- Obligation relating to a financial power exchange agreement on the order of NOK 1020 million.
- A license agreement relating to the development, construction and operation of three hydropower plants which involves a joint responsibility estimated at EUR 800 million.
- Construction of two hydropower plants in subsidiaries with investment ceilings of USD 402 million and NOK 102 million, respectively, as well as investments in three hydropower plants in partly-owned companies where the remaining ceiling has been estimated at USD 171 million (100%).

40 → LEASES

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

NOK million	Within 1 year of the end of the period	Between 1 and 5 years after the end of the period	More than 5 years after the end of the period	Total
Property rental agreements	97	363	980	1 440
Other leases	16	22	6	44
Total	114	384	986	1 484

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

NOK million	Minimum lease	Variable lease	Sublease payments
Property rental agreements	93	-	6
Other leases	37	-	-
Total	130	-	6

There are no other material operating or financial leases.

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Income statement

STATKRAFT AS PARENT COMPANY

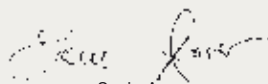
NOK million	Note	2010	2009
Operating revenues	2	412	433
Salaries and payroll costs	3, 4	-367	-331
Other operating expenses	5, 6	-489	-597
Depreciation and impairments	9	-41	-40
Operating expenses		-897	-968
Operating profit		-485	-535
Financial income	7	9 850	7 344
Financial expenses	7	-1 919	-1 856
Net financial items		7 931	5 488
Profit before tax		7 446	4 953
Tax expense	8	-1 637	-1 477
Net profit		5 809	3 476
Allocation of net profit for the year			
Group contribution payable	14	7 432	7 420
Transfer to (+)/from (-) other equity	14	-1 623	-3 944

Balance Sheet

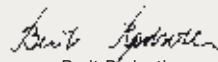
STATKRAFT AS PARENT COMPANY

NOK million	Note	31.12.10	31.12.09
ASSETS			
Property, plant and equipment	9	121	118
Investments in subsidiaries and associates	10	96 030	93 791
Other non-current financial assets	11	123	177
Non-current assets		96 274	94 086
Receivables	12	9 867	9 782
Cash and cash equivalents	13	17 597	5 149
Current assets		27 464	14 931
Assets		123 738	109 017
EQUITY AND LIABILITIES			
Paid-in capital	14	45 569	31 569
Retained earnings	14	14 958	16 554
Equity		60 527	48 123
Deferred tax	8	101	365
Provisions	15	517	562
Interest-bearing long-term liabilities	16, 18	31 931	32 987
Long-term liabilities		32 549	33 914
Short-term interest-bearing liabilities	17, 18	20 723	17 827
Other interest-free liabilities	19	9 939	9 153
Short-term liabilities		30 662	26 980
Equity and liabilities		123 738	109 017

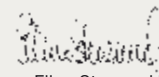
The Board of Directors of Statkraft AS
 Oslo, 16 March 2011



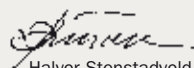
Svein Aaser
 Chair



Berit Rødseth
 Board member



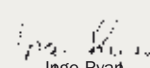
Ellen Stensrud
 Deputy chair



Halvor Stenstadvold
 Board member



Silvija Seres
 Board member



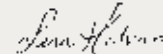
Inge Ryant
 Board member




Thorbjørn Holøs
 Board member



Odd Vanvik
 Board member



Lena Halvari
 Board member



Christian Rynning-Tønnesen
 President and CEO

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Statement of Cash Flow

STATKRAFT AS PARENT COMPANY

NOK million	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	7 446	4 953
Depreciation and impairments	41	40
Profit(-)/loss(+) from sale of shares	35	-149
Cash flow from operating activities	7 522	4 844
Changes in long-term items	183	31
Changes in other short-term items	5 287	6 318
Net cash from operating activities	12 992	11 193
	A	
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment	-49	-104
Proceeds from sales of non-current assets	2	101
Loans to third parties	-	23
Investments in other companies	-2 384	-2 356
Net cash flow from investing activities	-2 431	-2 336
	B	
CASH FLOW FROM FINANCING ACTIVITIES		
New debt	3 543	14 753
Repayment of debt	-7 793	-8 702
Paid-in capital	14 000	-
Dividend and Group contribution paid	-7 863	-10 000
Net cash flow from financing activities	1 887	-3 949
	C	
Net change in cash and cash equivalents	12 448	4 908
	A+B+C	
Cash and cash equivalents 01.01	5 149	241
Cash and cash equivalents 31.12	17 597	5 149

Notes

STATKRAFT AS PARENT COMPANY

Note 1	Significant accounting policies	Note 12	Receivables
Note 2	Operating revenues	Note 13	Cash and cash equivalents
Note 3	Salaries and other payroll costs	Note 14	Equity
Note 4	Pensions	Note 15	Provisions for liabilities
Note 5	Other operating expenses	Note 16	Interest-bearing long-term liabilities
Note 6	Fees paid to external auditors	Note 17	Current interest-bearing liabilities
Note 7	Financial income and expenses	Note 18	Market and liquidity risk analysis
Note 8	Taxes	Note 19	Other interest-free liabilities
Note 9	Property, plant and equipment	Note 20	Obligations and guarantees
Note 10	Shares in subsidiaries and associates	Note 21	Derivatives
Note 11	Other non-current financial assets	Note 22	Related parties

01 → ACCOUNTING PRINCIPLES

The annual accounts have been prepared in accordance with the Accounting Act and generally accepted accounting principles in Norway (GRS).

VALUATION AND CLASSIFICATION PRINCIPLES

Uncertainties in estimates The accounts are based on assumptions and estimates that affect the book value of assets, liabilities, incomes and costs. The best estimate at the time when the accounts are rendered form the basis, but the actual figures may deviate from the original estimates.

Principles for recognition of income and costs Recognition of revenues from sale of goods and services takes place when earned, while recognition of costs takes place in accordance with the accrual principle. Dividend and group contribution from subsidiaries are recorded as income in the earning year, while dividend from other companies is recognised as income in accordance with the cash basis of accounting. Gains/losses from sale of ordinary fixed assets are treated as operating revenues or expenses.

Pension costs The pension schemes for Statkraft AS are defined benefit schemes. The net pension cost for the period is included under salaries and other payroll costs, and comprises the total of the pension benefits accrued during the period, the interest on the estimated liability and the projected yield from the pension fund assets. The effect of changes to the schemes that have retroactive effect, i.e. where the earning of the entitlement is not dependent on further service, is recognised directly in the income statement. Changes to the schemes that are not issued with retroactive effect are accrued over the remaining service time. Estimate deviations are recognised directly against equity.

Net pension fund assets for overfunded schemes are classified as non-current assets and recognised in the balance sheet at fair value. Net pension liabilities for underfunded schemes are classified as provision for liabilities under long-term debt.

Taxes Statkraft AS is subject to tax on profits that is calculated in accordance with ordinary tax rules. The tax charge in the income statement comprises taxes payable and changes in deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward. Deferred tax assets are only recognised in the balance sheet to the extent that it is probable that the assets will be realised in the future. Tax related to equity transactions is recognised in equity.

Classification and valuation of assets and debt Assets intended for lasting ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables that will be repaid within 12 months are classified as current assets. Corresponding criteria are used in the classification of short-term and long-term liabilities.

Fixed assets are evaluated at acquisition cost, but are written down to fair value when the reduction in value is not expected to be transitory. Write-downs are reversed when the basis for the write-down no longer exists. Fixed assets with limited useful economic life are depreciated according to schedule. Long-term loans are recognised in the balance sheet at nominal value, corrected for any unamortised early redemption penalty or discount. Current assets are evaluated at the lowest of acquisition cost and fair value. Short-term loans are recognised in the balance sheet at nominal received amount at the time of establishment.

Intangible assets Costs relating to intangible assets are recognised in the balance sheet at historic cost provided that the requirements for doing so have been met. Intangible assets with a limited useful economic life are depreciated according to schedule.

Property, plant and equipment Property, plant and equipment are recognised in the balance sheet and depreciated in a straight line from the time the property, plant or equipment starts regular operations. The acquisition cost consists solely of directly attributable costs. Indirect administration costs are excluded when recognising own hours in the balance sheet.

Subsidiaries/associated companies Subsidiaries are companies where the Group has controlling influence over financial and operational principles. Controlling influence is normally achieved when the company owns more than 50 per cent of the voting shares. The investment is evaluated at acquisition cost for the shares unless write-downs have been necessary. Write-down to fair value is made when the reduction in value is due to reasons that cannot be considered transitory. Write-downs are reversed when the basis for the write-down no longer exists. Dividend and other disbursements received are recognised as income in the same year that the subsidiary allocated it. If the dividend exceeds the share of retained profits after the purchase, the excess part represents repayment of invested capital and the disbursements received are deducted from the value of the investment in the balance sheet. Associated companies are companies where Statkraft AS has significant influence. Significant influence is normally deemed to exist where the company owns or controls 20 to 50 per cent of the voting shares.

Long-term share investments and shareholdings All long-term investments are treated in accordance with the cost method in company accounts. Dividend received is treated as financial income.

Receivables Accounts receivables and other receivables are recognised at nominal value after the deduction of expected loss. Loss allocations are made on the basis of individual evaluations of each receivable.

Short-term financial investments Shares, bonds, certificates, etc. are classified as current assets and evaluated at market value.

Cash and cash equivalents The item cash and cash equivalents also includes certificates and bonds with short residual terms. Market settlements for derivatives connected with financial activities (cash collateral) are recognised in the balance sheet.

Doubtful commitments Doubtful commitments are recognised if settlement is more likely than not. Best estimates are used when calculating settlement value.

Long-term debt Borrowing costs and early redemption penalty or discount are recognised in accordance with the effective interest rate method (amortised cost) for fixed interest debt.

FINANCIAL DERIVATIVES AND HEDGING

The accounting treatment of financial instruments follows the intention behind entering into of agreements. Upon entering into the agreement, it is either defined as a hedging transaction or a trading transaction.

Interest rate derivatives Statkraft uses interest rate derivatives to hedge against large fluctuations in interest rates. Recognition of gains and losses depends on whether the interest rate derivative has been classified as a hedging instrument and, if applicable, the type of hedging. Interest rate derivatives that are not hedging instruments are recorded at the lowest market value. Unrealised losses or gains are included in the financial result. Interest rate derivatives that are defined as hedging instruments are accrued in the same way as interest on hedged debts or receivables. Interest rate derivatives are

classified as long-term fixed assets or long-term financial liabilities if the remaining term is longer than one year.

Gains and losses are recognised in the income statement when settling loans before maturity. Interest rate derivatives in connection with loans that have been repaid are normally cancelled. Gains and losses from cancelled interest rate swaps are accrued together with underlying loans.

Currency derivatives In order to hedge against fluctuations in the foreign currency rates, Statkraft uses currency derivatives in line with approved financial policy. Recognition of gains and losses depends on whether the currency derivative has been classified as a hedging instrument and, if applicable, the type of hedging. Currency derivatives which are not hedging instruments are valued at fair value. Changes in value are recorded in the income statement as financial income or financial costs.

Hedging The accounting treatment of financial derivatives designated as hedging instruments is recorded in line with the principles for the hedging types asset hedging and cash flow hedging. In the event of hedging of assets or liabilities in the balance sheet, the derivative is recognised at fair value. The book value of the hedged asset or liability is adjusted for the value of the financial derivative's change in value which is related to hedged risk. When hedging future cash flows, the unrealised gains and losses of the hedging instruments are not recorded in the balance sheet.

Currency Money items denominated in foreign currency are evaluated at the exchange rate on the balance sheet date. Currency effects are included in the financial result. Transactions denominated in foreign currency are converted using the transaction date exchange rate.

Cash flow statement principles The cash flow statement has been prepared using the indirect method. The statement starts with the company's result for the year in order to show cash flow generated by regular operating activities, investments and financing activities respectively.

02 → OPERATING REVENUES

Operating revenues mainly consist of intra-group service revenues, including property rental revenues.

03 → SALARIES AND OTHER PAYROLL COSTS

NOK million	2010	2009
Salaries	252	212
Employers' national insurance contribution	42	36
Pension costs	54	66
Other benefits	19	17
Total	367	331

The parent company employed an average of 279 full-time equivalents in 2010. The corresponding figure for 2009 was 245.

Pension costs are described in further details in Note 4.

For information about salaries and payroll costs for the corporate management and the board of directors, see Note 36 in the Group accounts.

04 → PENSIONS**GROUP PENSION SCHEMES**

The company is obliged to operate an occupational pension scheme under the Norwegian Act on Mandatory Occupational Pension Schemes. Statkraft AS operates an occupational scheme for its employees through the Norwegian Public Service Pension Fund (SPK) which meets these requirements. The benefits are retirement, disability, surviving spouse and child's pensions. For individuals qualifying for the full entitlement, the scheme provides retirement and disability pension benefits amounting to 66% of pensionable income, up to a maximum of 12 times the National Insurance Scheme's basic amount (G). The company's employees are also entitled to retire early under the early retirement (AFP) scheme from the age of 62. Pension benefits from the SPK are guaranteed by the Norwegian state (Section 1 of the Pension Act).

Statkraft pays an annual premium to the SPK and is responsible for the financing of the scheme. The SPK scheme is, however, not asset-based. Management of the pension fund assets (fictitious assets) is therefore simulated as though the assets were invested in long-term government bonds. In this simulation it is assumed that the bonds are held to maturity.

UNSECURED PENSION LIABILITIES

Statkraft has in addition to the above schemes entered into agreements that provide employees whose pensionable income exceeds 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G. These pensions are funded out of the company's operations.

Breakdown of pension costs for the period

NOK million	2010	2009
Present value of accrued pension entitlements for the year	38	54
Interest costs on pension liabilities	24	18
Projected yield on pension assets	-8	-6
Net pension costs	54	66

Reconciliation of pension liabilities and pension fund assets

NOK million	2010	2009
Gross pension liabilities	576	552
Pension assets in the Norwegian Public Service Pension Fund	-223	-183
Employers' national insurance contribution	49	52
Net pension liabilities	402	421

Movement in estimate deviations recognised directly in equity

NOK million	2010	2009
Cumulative amount recognised directly in equity before tax 01.01	163	159
Estimate deviations recognised in equity during the year	-38	4
Cumulative amount recognised directly in equity before tax 31.12	125	163
Of which recognised against equity	114	146
Of which recognised in deferred tax	11	17

Economic assumptions	31.12.10	01.01.10	31.12.09
Discount rate	3.7%	3.7%	4.40%
Salary adjustment	4.0%	4.0%	4.25%
Adjustment of current pensions	3.0%	3.0%	4.00%
Adjustment of National Insurance Scheme's basic amount (G)	3.8%	3.8%	4.00%
Projected yield on fund assets	3.7%	3.7%	4.40%
Forecast annual exit			
– Up to age 45	3.5%	3.5%	3.50%
– Between ages 45 and 60	0.5%	0.5%	0.50%
– Over age 60	0.0%	0.0%	0.00%
Rate of inflation	2.0%	2.0%	2.25%
Tendency to take early retirement (AFP)	10.0%	10.0%	10.00%

The actuarial calculations are based on demographic assumptions ordinarily used in calculating life insurance and pensions. Closing pension liabilities and estimate deviations as of 31 December 2010 are calculated on the basis of updated mortality (K2005) 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.

05 → OTHER OPERATING EXPENSES

NOK million	2010	2009
Materials	14	15
Purchase of third-party services	240	317
Other operating expenses	235	265
Total	489	597

06 → FEES PAID TO EXTERNAL AUDITORS

Deloitte AS is the Statkraft Group's auditor. The total fees paid for auditing and other services for Statkraft AS (excluding VAT) for 2010 were as follows:

NOK thousand	2010	2009
Statutory auditing	1 794	2 694
Other certification services	621	245
Tax consultancy services	1 025	1 267
Other services	1 067	1 198
Total	4 507	5 404

07 → FINANCIAL INCOME AND EXPENSES**Financial income**

NOK million	2010	2009
Interest income from Group companies	104	414
Interest income	-14	204
Other financial income	9 760	6 726
Total	9 850	7 344

Other financial income in 2010 consists mainly of dividends and group contributions from subsidiaries totalling NOK 8355 million, as well as currency gains from power sales hedging and debt in foreign currencies.

Financial expenses

NOK million	2010	2009
Interest expenses paid to Group companies	5	537
Interest costs	1 315	1 297
Write-down of shares	121	-
Other financial expenses	477	22
Total	1 919	1 856

08 → TAXES

The tax expense comprises the following

NOK million	2010	2009
Income tax	223	443
Change in deferred tax	1 414	1 034
Total tax expense in the income statement	1 637	1 477

Income tax payable

NOK million	2010	2009
Income taxes payable on the profit for the year	223	443
Effect of Group contributions on tax liability	-223	-443
Income tax payable	-	-

Reconciliation of nominal tax rate and effective tax rate

NOK million	2010	2009
Profit before tax	7 446	4 953
Expected tax expense at a nominal rate of 28%	2 085	1 387
Effect on taxes of:		
Tax-free income	-631	-25
Changes concerning previous years	40	19
Other permanent differences, net	142	96
Tax expense	1 637	1 477
Effective tax rate	22%	30%

BREAKDOWN DEFERRED TAX

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

NOK million	2010	2009
Current assets/current liabilities	825	1 783
Property, plant and equipment	-57	-60
Pension commitments	-402	-421
Total temporary differences and tax loss carry forwards	366	1 302
Total deferred tax (+)/deferred tax asset (-)	101	365
Applied tax rate	28%	28%

09 → PROPERTY, PLANT AND EQUIPMENT

NOK million	Operating equipment and fixtures and fittings	Facilities under construction	Total
Cost 01.01.10	332	41	373
Additions	49	-	49
Reduction	-5	-2	-7
Transferred from facilities under construction	9	-9	-
Cost 31.12.10	385	30	415
Accumulated depreciation and impairments 31.12.10	-294	-	-294
Book value 31.12.10	91	30	121
Depreciation for the year	-41	-	-41
Depreciation time	3–40 years		

10 → SHARES IN SUBSIDIARIES AND ASSOCIATES

NOK million	Registered office	Shareholding and voting share	Book value
Shares in subsidiaries			
Statkraft Energi AS	Oslo	100.00%	13 573
Statkraft Carbon Invest AS	Oslo	100.00%	4
Statkraft Financial Energy AB	Stockholm	100.00%	-
Statkraft Germany GmbH	Düsseldorf	100.00%	3 608
Statkraft Enerji A.Ş.	Istanbul	100.00%	1 063
Statkraft Elektrik Ltd.	Istanbul	100.00%	4
Statkraft Suomi Oy	Kotka	100.00%	910
Statkraft Sverige AB	Stockholm	100.00%	6 053
Statkraft Södra Vindkraft AB	Stockholm	90.10%	238
Statkraft Development AS	Oslo	100.00%	366
Statkraft UK Ltd	London	100.00%	1 304
Statkraft Western Balkans d.o.o.	Beograd	100.00%	28
Statkraft d.o.o. Banja Luka	Banja Luka	100.00%	-
Wind Power Bulgaria EOOD	Sofia	60.00%	12
Statkraft Albania Shpk.	Tirania	100.00%	6
Statkraft Treasury Centre SA	Brüssel	100.00%	52 380
Statkraft SCA Vind AB	Stockholm	60.00%	7
Renewable Energies and Photovoltaics Spain S.L.	Malaga	70.00%	4
Ra 2 S.r.l	Milano	100.00%	2
Ra 3 S.r.l	Milano	100.00%	59
Statkraft Värme AB	Kungsbacka	100.00%	642
Statkraft Industrial Holding AS	Oslo	100.00%	10 440
Statkraft Forsikring AS	Oslo	100.00%	80
Statkraft Norfund Power Invest AS	Oslo	60.00%	4 553
Statkraft France SAS	Lyon	100.00%	27
Småkraft AS	Oslo	40.00%	238
Total subsidiaries			95 601
Associates and joint ventures			
Naturkraft AS	Bærum	50.00%	76
Devoll Hydropower SHA	Tirana	50.00%	85
Statkraft Agder Energi Vind DA	Kristiansand	62.00%	191
Energy Future Invest AS	Oslo	34.00%	77
HPC Ammerån AB	Stockholm	50.00%	-
HPC Byske AB	Stockholm	50.00%	-
HPC Edsox AB	Stockholm	50.00%	-
HPC Røan AB	Stockholm	50.00%	-
Total associates and joint ventures			429
Total			96 030

11 → OTHER NON-CURRENT FINANCIAL ASSETS

NOK million	2010	2009
Loans to Group companies	7	13
Other shares and loans	116	164
Total	123	177

12 → RECEIVABLES

NOK million	2010	2009
Interest-bearing restricted funds related to cash collateral (see note 17)	171	215
Other receivables	1 063	1 527
Short-term receivables from group companies	8 633	8 040
Total	9 867	9 782

As of 31 December 2010, no need to recognise a provision for bad debts had been identified.

Short-term receivables from Group companies comprise dividends and group contribution from subsidiaries, as well as intra-group receivables.

13 → CASH AND CASH EQUIVALENTS

NOK million	2010	2009
Certificates and promissory notes	1 613	1 023
Cash and bank deposits	15 984	4 126
Total	17 597	5 149

Cash and bank deposits for 2010 include NOK 903 million (NOK 1351 million) relating to cash collateral. Cash collateral represents payments made to/by counterparties as security for net unrealised gains/losses Statkraft has on interest rate swaps, interest rate/currency swaps, and currency swaps.

Statkraft has long-term committed drawing facilities of up to NOK 8000 million and a bank overdraft of up to NOK 400 million. Neither had been used as of 31 December 2010. Figures in parentheses apply to 2009.

14 → EQUITY

NOK million	Paid-in capital			Retained earnings	Total equity
	Share capital	Share premium account	Other paid-in capital		
Equity as of 31.12.08	20 000	11 553	16	20 500	52 069
Profit for 2009	-	-	-	3 476	3 476
Estimate deviation pensions	-	-	-	-2	-2
Group contribution	-	-	-	-7 420	-7 420
Equity as of 31.12.09	20 000	11 553	16	16 554	48 123
Capital increase	10 000	4 000	-	-	14 000
Profit for 2010	-	-	-	5 809	5 809
Estimate deviation pensions	-	-	-	28	28
Group contribution	-	-	-	-7 432	-7 432
Equity as of 31.12.10	30 000	15 553	16	14 959	60 527

The company has a share capital of NOK 30 billion, divided into 200 million shares with a par value of NOK 150. All shares are owned by Statkraft SF.

15 → PROVISIONS FOR LIABILITIES

NOK million	2010	2009
Pension commitments	402	421
Other provisions	115	141
Total	517	562

Pension liabilities are described in further detail in Note 4.

16 → INTEREST-BEARING LONG-TERM LIABILITIES

NOK million	2010	2009
Loan from Statkraft SF (back-to-back agreement)	400	1 053
Bond loans in the Norwegian market	13 596	15 605
Changes in value interest rate swaps and combined interest rate and currency swaps	545	-
Other loans raised in non-Norwegian markets	17 390	16 329
Total	31 931	32 987

Changes in value currency swaps and combined interest rate and currency swaps are recognised in Other loans raised from non-Norwegian markets in their entirety. See Note 21 for details.

17 → CURRENT INTEREST-BEARING LIABILITIES

NOK million	2010	2009
First year's instalment of liabilities	3 327	5 882
Group cash pooling liability	15 276	8 960
Certificate loans	770	1 114
Cash collateral (see Note 13)	1 080	1 522
Current liabilities to Group companies	270	349
Total	20 723	17 827

18 → MARKET AND LIQUIDITY RISK ANALYSIS**Specification of loans by currency**

NOK million	2010	2009
Loans in NOK	18 190	21 110
Loans in SEK	2 607	3 183
Loans in EUR	14 748	15 691
Changes in value interest rate swaps	483	-
Total	36 028	39 984

The specification includes long-term interest-bearing liabilities, as well as the first-year instalment on liabilities and certificate loans included within current interest-bearing liabilities

Nominal average interest rate NOK	4.2%	4.1%
Nominal average interest rate SEK	1.3%	2.3%
Nominal average interest rate EUR	3.5%	3.9%

Fixed interest rate loan portfolio NOK million	Future interest rate adjustments				Total
	2011	1-3 years	3-5 years	5 years and later	
Loans in NOK	10 584	-	2 919	4 687	18 190
Loans in SEK	2 607	-	-	-	2 607
Loans in EUR	9 350	-	-11	5 409	14 748
Changes in value interest rate swaps	483	-	-	-	483
Total	23 024	-	2 908	10 096	36 028

The specification includes long-term interest-bearing liabilities, as well as the first-year instalment on liabilities and certificate loans included within current interest-bearing liabilities.

Repayment schedule

NOK million	2011	2012	2013	2014	2015	After 2015	Total
Loan from Statkraft SF (back-to-back agreement)	653	-	-	-	-	400	1 053
Bond loans in the Norwegian market	2 020	700	-	3 979	2 142	6 775	15 616
Other loans raised in non-Norwegian markets	654	2 198	2 335	-	3 886	8 971	18 044
Certificate loans in the Norwegian market	770	-	-	-	-	-	770
Currency exchange rate adjustments for currency and interest rate swaps	64	-2	-	-	-	-	62
Changes in value interest rate swaps	83	12	30	29	49	280	483
Total	4 244	2 908	2 365	4 008	6 077	16 426	36 028

The specification includes long-term interest-bearing liabilities, as well as the first-year instalment on liabilities and certificate loans included within current interest-bearing liabilities

19 → OTHER INTEREST-FREE LIABILITIES

NOK million	2010	2009
Other interest-free liabilities	1 072	795
Tax withholding and employers' national insurance contribution owed	24	21
Current liabilities to Group companies	8 843	8 337
Total	9 939	9 153

Current liabilities to Group companies primarily comprise the Group contribution to the parent company Statkraft SF amounting to NOK 6442 million. In 2009, the amount was NOK 7863 million.

20 → OBLIGATIONS AND GUARANTEES

Statkraft AS has off-balance-sheet obligations and guarantees totalling NOK 9972 million. Of this, an amount of NOK 9893 million relates to parent company guarantees.

Statkraft leases an office building at Lilleakerveien 6 in Oslo. The lessor is Mustad Eiendom AS. The agreement has a residual term of 11.5 years with an option to renew for a further ten years. The annual rent totals NOK 62.4 million.

21 → DERIVATIVES

Statkraft trades in financial derivatives for various purposes. The accounting treatment adopted for these depends on their purpose as described in the accounting policies note.

Currency and interest rate agreements

Book value and fair value of interest rate and currency derivatives:

NOK million	31.12.10		31.12.09	
	Book value	Fair value	Book value	Fair value
Interest rate swaps	-483	503	-	223
Combined interest rate and currency swaps	-62	-65	584	629
Currency futures contracts	523	523	203	203
Total	-22	961	787	1 055

Fair value is calculated on the basis of relevant market prices and forward curves, since the bulk of the derivatives are not traded on organised markets.

Interest rate derivatives, including the interest portion of combined interest rate and currency swaps, are used to manage the company's interest rate risk and are recognised as hedging instruments or at the lowest value principle, depending on whether the requirements for hedge accounting have been achieved. The fair value of interest rate derivatives classified as hedging (value hedging) is NOK -20 million as of 31.12.2010, while interest rate derivatives valued at the lowest value principle amount to NOK -382 million. The amounts have been recognised in the income statement in 2010 in their entirety. The hedges expire during the period 2011-2019. Fair value of derivatives in cash flow hedging is not recognised in the balance sheet, and amounts to NOK -15 million.

The fair value stated in the table does not include accrued interest.

The currency component of combined interest rate and currency swaps is recognised at the exchange rate in effect on the balance sheet date. The change in value recognised in the income statement is offset by a comparable change in value of underlying loans in the same currency.

The currency futures are recognised in the balance sheet at fair value, presented gross and included in the accounting lines Other interest-free liabilities and Receivables

22 → RELATED PARTIES

Statkraft AS owns shareholdings in a number of companies. For further details, see Note 10. Transactions with these companies are concluded on market terms and conditions.

Auditor's Report



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To the Annual Shareholders' Meeting of Statkraft AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Statkraft AS, which comprise the financial statements for the parent company and the financial statements for the group. The financial statements for the parent company comprise the balance sheet as at 31 December 2010, the income statement, and the statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements for the group comprise the balance sheet as at December 31, 2010, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the President and CEO's Responsibility for the Financial Statements

The Board of Directors and the President and CEO is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as The Board of Directors and the President and CEO determines 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 on the financial statements for the parent company

In our opinion, the financial statements of the parent company give a true and fair view of the financial position of Statkraft AS as at 31 December 2010, and of its financial performance and its cash flows

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Deloitte.

for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group give a true and fair view of the financial position of the group Statkraft AS as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the allocation of the net profit

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

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the company's 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, 16 March 2011
Deloitte AS



Ingebret G. Hisdal
State Authorised Public Accountant (Norway)

Sustainability Statement

→ ENVIRONMENTALLY FRIENDLY ENERGY

Installed capacity ^a	Unit of measurement	2010	2009	2008 ^b
Installed capacity	MW	16 010	15 806	15 478
Of which hydropower	MW	12 969	12 774	12 546
Of which small-scale hydropower ^c	MW	79	63	-
Of which wind power	MW	304	305	245
Of which gas power ^d	MW	2 178	2 160	2 130
Of which solar power	MW	-	3	-
Of which biofuel	MW	16	16	16
Of which district heating	MW	544	548	541
Geographical distribution				
Norway	MW	11 334	11 337	11 070
Other Nordic	MW	1 547	1 547	1 544
Other European	MW	2 308	2 273	2 247
Rest of the world	MW	822	649	621
Installed capacity^a in percent	Unit of measurement	2010	2009	2008^b
Distribution per technology				
Hydropower	%	81.0	80.8	81.1
Wind power	%	1.9	1.9	1.6
Gas power ^d	%	13.6	13.7	13.8
Biofuel	%	0.1	0.1	0.1
District heating	%	3.4	3.5	3.5
Geographical distribution				
Norway	%	70.8	71.7	71.5
Other Nordic	%	9.7	9.8	10.0
Other European	%	14.4	14.4	14.5
Rest of the world	%	5.1	4.1	4.0
Power generation and district heating production^a	Unit of measurement	2010	2009	2008
Power production, actual	TWh	57.4	56.9	53.4
Of which hydropower	TWh	50.1	50.1	47.4
Of which small-scale hydropower	TWh	0.1	0.1	-
Of which wind power	TWh	0.6	0.6	0.6
Of which gas power ^d	TWh	6.6	6.1	5.4
Of which biokraft	TWh	0.1	0.1	-
District heating	TWh	1.1	0.9	0.5
Percentage of renewable power generation ^e	%	88.1	89.1	89.7

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

^b Includes power plants and district heating plants covered by the E.ON transaction and the consolidation of SN Power, and is applicable from January 2009.

^c Installed capacity <10 MW.

^d Includes the jointly controlled Herdecke (Germany) and Kårstø (Norway) power plants.

^e Non-renewable production covers gas power and district heating based on fossil fuel.

→ CLIMATE

Greenhouse gas emissions	Unit of measurement	2010	2009	2008
Emissions of CO ₂ equivalents	Tonnes	1 693 400	1 600 100	1 604 700
Of which from gas power	Tonnes	1 568 000	1 516 500	1 541 300
Of which from district heating plants (fossil)	Tonnes	115 200	74 200	56 400
Of which from SF ₆ emissions	Tonnes	2 200	2 400	2 000
Of which from halon emissions	Tonnes	0	1 300	150
Of which from fuel consumption ^a	Tonnes	4 300	1 500 ^b	3 200
Of which from business travel ^c	Tonnes	3 700	4 200 ^d	1 600 ^e
SF ₆ emissions	kg	94	105	89
Halon emissions	kg	0	183	20

^a CO₂ from fuel consumption from the Group's own equipment and machinery.

^b SN Power and Skagerak Energi is not included.

^c Comprises air travel and mileage reimbursements for private vehicle use in the Norwegian operations. From 2010 is also car rental included.

^d SN Power is not included.

^e Skagerak Energi and air travel in Trondheim Energi is not included.

The GHG-protocol (from the World Business Council for Sustainable Development and World Resources Institute) divides greenhouse gas emissions into three types. Type 1 emissions are direct emissions from own activities. Type 2 emissions are indirect emissions from purchased electricity and district heating, while Type 3 emissions are other emissions. All the emissions in the table above are Type 1, except for business travel, which falls under Type 3. The electricity consumption in Statkraft is guaranteed renewable, resulting in zero Type 2 emissions. For 2010, the Group's Type 1 emissions totalled 1 689 700 tonnes, while the Type 3 emissions totalled 3 700 tonnes.

Relative greenhouse gas emissions (fossil) ^a	Unit of measurement	2010	2009	2008
CO ₂ -equivalent emissions per production unit, total	kg/MWh	44	42	-
CO ₂ -equivalent emissions per production unit, gas power	kg/MWh	374	383	-
CO ₂ -equivalent emissions per production unit, district heating	kg/MWh	105	82	-

^a Includes Statkraft's share of production and direct CO₂ emissions from the production process. Includes also Statkraft's share of production and emissions of CO₂ in the jointly controlled Herdecke (Germany) and Kårstø (Norway) power plants.

Allocated CO ₂ -quotas	Unit of measurement	2010	2009	2008
Gas power, consolidated companies	Tonnes	1 981 700	1 981 700	1 840 000
District heating, consolidated companies	Tonnes	19 300	19 300	19 300
Gas power, associates (Statkraft's share)	Tonnes	643 200	-	-



INTERVENTIONS IN NATURE AND BIOLOGICAL DIVERSITY

Impact ^a on Norwegian watercourses	Unit of measurement	2010	2009	2008
Affected river courses with anadromous fish	Number	38	38	806 ^b
Impact, national salmon rivers	Number	12	12	12 ^c
Impact, protected rivers	Number	12	14	32 ^c

^a Impact entails change of waterflow, water levels or other living conditions for fish.

^b The unit is km for the year 2008

^c Attendance was measured for the year 2008.

Fish cultivation (Norway and Sweden)	Unit of measurement	2010	2009	2008
Restocking of fish and smolt ^a	Number	872 000 ^b	957 000 ^c	732 000
Egg planting	Number	1 731 000	1 981 000 ^c	1 775 000

^a Includes salmon, sea trout, inland trout and char.

^b Wales is included.

^c Large increase due to two new plants in Sweden.

Distribution grid and cables	Unit of measurement	2010	2009	2008
Overhead lines				
High voltage (≥ 1 kV)	km	4 300	4 600	3 500
Low voltage (< 1 kV)	km	4 200	4 600	4 600
Underground and undersea cables	km	10 300	14 100	14 000
District heating grid	km	294	274	170



ENERGY AND RESOURCE CONSUMPTION

Consumption	Unit of measurement	2010	2009	2008
Electricity	GWh	737	1 093 ^a	828
Of which pumped-storage power	GWh	554	856	595
Of which electric boilers for district heating	GWh	41	52	118
Of which other operations	GWh	142	185	115
Of which certified renewable (RECS)	%	100	100	100
Energy loss, transformer stations and power lines	GWh	867	829 ^a	638 ^b
Fossil fuel				
Natural gas, gas-fired power plants	Mill. Nm ³	962	741	767
Fuel gas, district heating plants	Tonnes	12 161	7 582	5 100
Fuel oil	Tonnes	14 282	5 248	800
Engine fuel ^c	Tonnes	1 377	465 ^d	1 000
Other fuel				
Waste for district heating plants	Tonnes	165 500	174 500	163 800
Waste for bio power plants	Tonnes	301 400	-	-
Bio fuel	Tonnes	154 700	143 100	5 700

^a SN Power is not included.

^b Does not include Trondheim Energi.

^c Includes consumption of fuel for own equipment and machinery.

^d SN Power and Skagerak Energi is not included.

→ Sustainability Statement

Auditor's Statement

Inventories	Unit of measurement	2010	2009	2008
PCB in transformer oils and condensers	kg	28	25 ^a	-
SF ₆	kg	29 636	30 837 ^a	30 200
Halon	kg	2 126	1 226	1 600

^a SN Power is not included.

Statkraft has been temporarily exempted from the requirements to phase out halon as an explosion suppression medium in transformer rooms. Statkraft Energi AS is currently undertaking tests in order to replace halon with FE-36. A new plan for phasing out the use of halon will subsequently be developed.



AIR POLLUTION

Emissions to air	Unit of measurement	2010	2009	2008
SO ₂ from district heating plants	Tonnes	48	18	16
NO _x	Tonnes	1 804	1 132	1 225
Of which from gas power plants	Tonnes	1 473	824	1 009
Of which from district heating plants	Tonnes	330	308	216
Of which from bio power plants	Tonnes	1	-	-



WASTE

Waste	Unit of measurement	2010	2009	2008
Hazardous waste	Tonnes	84 257	39 663 ^a	34 287
Of which from waste incineration ^b	Tonnes	38 014	39 355	33 811
Of which from bio power plants	Tonnes	45 800	-	-
Of which other hazardous waste	Tonnes	443	308	476
Other waste	Tonnes	9 006	4 598 ^a	1 640

^a SN Power and the regions Sweden and Germany in the Production business area are not included.^b Consists of slag, filter dust and filter cake.

ENVIRONMENTAL NON-COMPLIANCE

Environmental incidents and issues	Unit of measurement	2010	2009	2008 ^a
Serious environmental incidents	Number	0	0 ^b	1
Less serious environmental incidents	Number	92	118 ^b	21
Undesirable environmental conditions	Number	50	22 ^b	10

^a The definitions for environmental incidents and issues were changed in 2008. Results for 2008 include July - December only.^b Customers business area are not included.

Definitions:

Serious environmental incidents: An incident (something that has occurred) that causes significant negative environmental impact.**Less serious environmental incident:** An incident (something that has occurred) that does not cause significant environmental impact.**Undesired environmental situation:** A situation discovered (something that has not yet occurred) that poses a high or low risk to the environment and/or the Group's reputation.

Most of the less serious environmental incidents concern short-term breaches of the river management regulations and minor oil spills which little or no environmental impact.

Penal sanctions, environment	Unit of measurement	2010	2009	2008
Penal sanctions for environmental non-compliance				
Penal sanctions	Number	0	0	0
Fines	NOK million	0	0	0



CONTRIBUTION TO SOCIETY

Value creation	Unit of measurement	2010	2009	2008
Gross operating revenues	NOK million	29 252	25 675	25 061
Unrealised changes in the value of energy contracts	NOK million	193	-2 813	4 282
Paid to suppliers for goods and services ^a	NOK million	9 868	9 409	8 242
Gross value added	NOK million	19 577	13 453	21 101
Depreciation and amortisation	NOK million	3 205	2 743	1 553
Net value added	NOK million	16 372	10 710	19 548
Financial income	NOK million	2 060	2 060	26 435 ^b
Unrealised changes in value currency and interest rates	NOK million	-1 369	5 977	-3 102
Share of profit from associates	NOK million	766	1 179	935
Minority interests	NOK million	357	184	250
Values for distribution	NOK million	17 472	19 743	43 566

^a Includes energy purchases, transmission costs and operating expenses.

^b NOK 25 591 million of this is related to the E.ON swap trade.

Distribution of value created	Unit of measurement	2010	2009	2008
Employees				
Gross salaries and benefits	NOK million	2 092	2 253	1 594
Lenders/owners				
Interest	NOK million	1 607	3 756	3 066
Dividend ^a	NOK million	5 973	3 740	10 000
Taxes ^b	NOK million	6 679	6 202	5 524
The company				
Change in equity	NOK million	1 121	3 792	23 382
Total wealth distributed	NOK million	17 472	19 743	43 566

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

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

Taxes ^a	Unit of measurement	2010	2009	2008
Total	NOK million	3 458	2 372	-
Of which Norway	NOK million	3 016	2 215	-
Of which in other Nordic	NOK million	378	139	-
Of which in other European	NOK million	62	18	-
Of which in rest of the world	NOK million	2	0	-

^a Taxes payable in the balance sheet.

Tax contribution to Norwegian municipalities	Unit of measurement	2010	2009	2008
Total	NOK million	1 349.3	1 315.0	1 407.7
Total, the ten municipalities which receive the most	NOK million	659.5	664.3	652.6
Vinje	NOK million	96.5	96.5	91.0
Hemnes	NOK million	90.3	90.7	84.8
Suldal	NOK million	86.7	85.9	81.4
Rana	NOK million	77.0	78.4	75.2
Tokke	NOK million	56.5	55.7	51.4
Eidfjord	NOK million	56.4	56.2	52.2
Meløy	NOK million	56.3	55.4	52.4
Nore og Uvdal	NOK million	47.7	46.0	57.7
Luster	NOK million	47.5	47.0	45.6
Narvik	NOK million	44.5	-	-
Sirdal	NOK million	-	52.6	60.9

The above figures include property tax, natural resource tax and licence fees paid directly to the local authorities.

Industrial and concessionary power contracts	Unit of measurement	2010	2009	2008
Statutory-priced industrial contracts				
Volume sold	TWh	7.9	8.8	8.3
Value lost	NOK million	-2 643	-981	-1 438
Concessionary fixed-price contracts				
Volume sold	TWh	2.2	2.7	2.6
Value lost	NOK million	-978	-581	-706

The value lost on statutory-priced and concessionary fixed-price contracts is defined as the estimated loss on politically determined contracts compared with the spot price.

Support schemes	Unit of measurement	2010	2009	2008
Sponsorships	NOK million	24.23	26.62	18.75
Donations to associations and organisations	NOK million	5.02	6.16	7.00
The Statkraft Fund	NOK million	5.0	5.0	5.0

In 2010, the Statkraft Fund was awarded to the Ny-Ålesund Symposium on Svalbard (NOK 2.0 million), the Science Centre of Northern Norway (NOK 1.0 million), Norwegian Church Aid (NOK 1.0 million), Norwegian Red Cross (NOK million 0.5) and Renewable World (NOK 0.5 million).

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Procurements of goods and services	Unit of measurement	2010	2009	2008
Suppliers	Number	7 200	7 900	7 500
Procurements	NOK million	5 000	4 800	3 900 ^a

^a Does not include Fjordkraft.

Customers	Unit of measurement	2010	2009	2008
Retail customers	Number	400 000	397 000	399 000
Distribution grid customers	Number	181 000	275 000	273 000
District heating customers	Number	11 000	10 000	7 000

→ BRAND

Reputation Statkraft	Unit of measurement	Target	2010	2009	2008
General public ^a	%	55	56	63	47
Professionals ^{a,b}	%	75	91	91	80

^a Percentage of people who have a very good or fairly good overall impression of the company. Source: Synovate^b Professionals include local authority chairmen and councillors, national politicians, employees in public administration, finance and specialist environments and the media.

Customer satisfaction	Unit of measurement	2010	2009	2008
Trondheim Energi Kraftsalg ^a	Scale 0–100	- ^b	66	64
Fjordkraft ^a	Scale 0–100	68	64	64

^a Satisfaction score in the Norwegian Customer Barometer survey. Source: BI Norwegian School of Management.^b From 2010 Trondheim Kraft (former Trondheim Energi Kraftsalg) is a part of Fjordkraft.

→ ETHICS

Compliance with Statkraft's Business Ethics	Unit of measurement	2010	2009	2008
Registered censurable issues	Number	2	0	1

Penal sanctions, ethics	Unit of measurement	2010	2009	2008
Penal sanctions for ethical non-compliance ^a				
Penal sanctions	Number	0	0	-
Fines	NOK million	0	0	-

^a Penal sanctions imposed for breaches of laws and regulations related to accounting fraud, discrimination, corruption, price cooperation, etc.

→ EMPLOYEES

Employees	Unit of measurement	2010	2009	2008
Full-time equivalents 31.12	Number	3 301	3 378	2 633 ^a
Of which in Norway	Number	2 365	2 441	2 236
Of which in other Nordic countries	Number	123	99	44
Of which in other European countries	Number	442	409	163
Of which in the rest of the world	Number	371	429	7
Percentage of full-time employees 31.12	%	97	96	95
Staff turnover rate ^b	%	3.9	2.3	4.0
Average service time	Years	8.5	12	14
Apprentices employed 31.12	Number	79	93	48
Trainees employed 31.12	Number	26	29	35

^a Including new employees transferred on 31 December 2008 as per the E.ON agreement, totalling 183 full-time equivalents.^b Excluding retirements.

Gender equality	Unit of measurement	2010	2009	2008
Percentage of women				
Total	%	23	22	24
In Norway	%	25	25	24
In other Nordic countries	%	19	19	14
In other European countries	%	20	18	21
In the rest of the world	%	18	15	-
In management positions	%	22	23 ^a	21
In Group management	%	14	0	17
In the Statkraft Board of Directors	%	44	44	44
New employees	%	27	30 ^a	26
New managers	%	15	23 ^a	32
Full-time employees	%	22	22 ^a	21
Part-time employees	%	75	64 ^a	64
Equal salaries^b				
Total		0.93 ^c	0.94	0.93
Managers		0.89 ^c	0.92	0.97

^a SN Power is not included.

^b Average salary for women in relation to average for men.

^c Includes only employees in Norway.

Competence	Unit of measurement	2010	2009	2008
Employees on management development program	Number	206	236	55
Of which the Group's management development program	Number	76	116	55
Of which other management development programs	Number	130	120	-
Employees on project management program	Number	132	55	301

Statkraft as employer	Unit of measurement	2010	2009	2008
Organisation and leadership evaluation^a				
Result	Scale of 1 to 5, where 5 is best	.. ^b	4.1 ^c	4.1
Svarprosent	%	.. ^b	91 ^c	87
Employees who have completed the annual appraisal interview	%	.. ^b	89	87
Ranking as preferred employer^d among:				
Business students	Ranking	17	25	43
Technology students	Ranking	5	5	15
Business professionals	Ranking	14	17	-
Technology professionals	Ranking	9	11	-

^a Statkraft's internal annual organisation and leadership evaluation survey.

^b No Group survey performed in 2010.

^c Fjordkraft is not included.

^d Ranking among final-year students and professionals, as defined and measured in the annual Universum Graduate Survey for Norway and the Universum Professional Survey for Norway respectively.

Variable salary scheme (Norwegian business)	Unit of measurement	2010	2009	2008
Collective variable salaries ^a	NOK million	51.5	43.7	-
Individual variable salaries	NOK million	20.8 ^b	19.5 ^c	21.9 ^c

^a Variable schemes in the various companies.

^b Include schemes in the parent company and SN Power.

^c Include schemes in the parent company, SN Power and Trondheim Energi.



HEALTH AND SAFETY

Fatalities	Unit of measurement	2010	2009	2008
Consolidated operations				
Employees	Number	0	0	0
Contractors	Number	0	1	0
Third party	Number	0	1	0
Associates				
Employees	Number	0	0	-
Contractors	Number	1	6	8
Third party	Number	4	0	1

In 2010, five people died in connection with the Group's international activities. All the fatalities occurred in associated companies. In SN Power's construction project Allain Duhangan (India), a contractor died after a fall from an electricity tower. Three people from the community around the Theun Hinboun (Laos) deceased, two of these accidents occurred in connection with leisure activities, while the third accident was a collision between a motorcycle and a construction vehicle. In Agder Energi, one person died after a fall into a turbine pipe which was located in an in-fenced area.

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Injuries	Unit of measurement	Target	2010	2009	2008
Employees					
Lost-time injuries ^a	Number	0	23	24	20
LTI	Lost-time injuries per million hours worked	0	3.4	3.8	4.6
Injuries ^b	Number	0	46	53	53
TRI	Total recordable injuries per million hours worked	0	6.8	8.4	12.1
Lost days ^c	Number	0	216	229	241
Lost-days rate	Lost days per million hours worked	0	32	36	55
Contractors					
Lost-time injuries ^a	Number		29	19	5
LTI	Lost-time injuries per million hours worked		13.6	-	-
Injuries ^b	Number		35	-	-
TRI	Total recordable injuries per million hours worked		16.4	-	-
Lost days ^c	Number		245	-	-
Lost-days rate	Lost days per million hours worked		115	-	-
Third parties					
Serious injuries ^d	Number		0	0	1

^a Work-related injuries which have resulted in absence extending beyond the day of the injury.^b Work-related injuries, with and without absence. Includes injuries which resulted in absence, medical treatment or need for alternative work assignments.^c Number of days of recorded absence due to injuries.^d Recorded injuries requiring treatment by a doctor.

Sickness absence	Unit of measurement	2010	2009	2008
Total	%	3.4	3.3	3.9
Of which short-term absence (16 days or less)	%	1.8	1.6	1.8
Of which long-term absence (more than 16 days)	%	1.6	1.7	2.1

Penal sanctions, health and safety	Unit of measurement	2010	2009	2008
Penal sanctions	Number	0	0	1 ^a
Fines	NOK million	0	0	0.1

^a Accident in the workplace at Smøla in 2006, where an apprentice was exposed to an electric shock.

Hazardous conditions ^a and near-misses ^b	Unit of measurement	2010	2009 ^c	2008 ^c
Hazardous conditions	Number	4 853	5 597 ^d	4 524 ^d
Near-misses	Number	114	-	-

^a Recorded matters involving personal safety risk. 2008 also include conditions without risk of personal injury.^b Recorded unforeseen incidents that could have resulted in personal injuries.^c Fjordkraft is not included.^d The figure includes both hazardous conditions and near-misses.

Auditor's Statement

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Independent Auditor's Report on the Statkraft Sustainability Report 2010

To the management of Statkraft AS

We have reviewed certain aspects of Statkraft Sustainability Report 2010 ("the Report") and related management systems and procedures. The Report is part of the Statkraft Annual Report and Sustainability Report 2010 on the Internet (www.annualreport2010.statkraft.com). The Report includes the Sustainability Statement published also in the printed Statkraft Annual Report and Sustainability Report 2010. The Report is the responsibility of and has been approved by the management of Statkraft AS ("the Company"). Our responsibility is to draw a conclusion based on our review.

We have based our work on emerging best practice and standards for independent assurance on sustainability reporting, including ISAE 3000, issued by the International Auditing and Assurance Standards Board as well as on the principles of AA1000 Assurance Standard issued by AccountAbility. The objective and scope of the engagement were agreed with the management of the Company and included in the subject matters on which we provide our conclusions below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters. We have performed interviews with management responsible for sustainability aspects at corporate and at selected reporting units represented by the head office of Statkraft Sweden – Hydropower and the head offices of the Company's subsidiaries Skagerak Energi and SN Power.

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than if an audit-level engagement had been performed. Separate from, and not impacting, our conclusions stated below we have provided "Auditor's commentary and recommendations", presented in the Report.

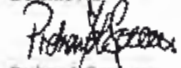
Conclusions

In conclusion, in all material respects, nothing has come to our attention causing us not to believe that:

- Statkraft has established systems to identify, manage and to involve stakeholders on material aspects related to sustainable value creation, as described in the Report, in accordance with the principles of AA1000 Accountability Principles Standard.
- Statkraft applies procedures to identify, collect, compile and validate data and information for 2010 to be included in the Report, as described in the Report. Data presented for 2010 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- The management systems referred to above have been implemented and locally adopted as necessary at the reporting units that we have visited, as specified above. Data for 2010 from these units has been reported according to the procedures noted above and is consistent with source documentation presented to us.
- Statkraft applies a reporting practice for its sustainability reporting aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines reporting principles and the reporting fulfils Application Level B+ according to the GRI guidelines. The GRI Index presented in the Report appropriately reflects where information on each of the elements and indicators of the GRI guidelines is to be found within the Statkraft Annual Report and Sustainability Report 2010 on the Internet.

Oslo, Norway, 16 March 2011

Deloitte AS


Preben J. Sørensen
State Authorised Public Accountant
(Corporate Responsibility)

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