



Annual Report **2012**
Statkraft Energi AS



Report from the Board of Directors

Statkraft Energi's activities

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

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

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

Strategy, ambitions and important events in 2012

The resource situation in the Nordic region was robust in 2012. High reservoir water levels and high Nordic hydropower production resulted in low Nordic power prices. Accumulated production for Statkraft Energi in 2012 was 40.6 TWh, 28% higher than in 2011.

The increased need for clean energy creates business opportunities for Statkraft Energi. The Statkraft Group's strategic platform is geared towards growth in European flexible power production and market operations.

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

Major upgrades to hydropower plants are underway in Norway. The expansion of Svartisen power plant in Nordland

County was completed with a new 250 MW unit in 2012. In Sogn og Fjordane County, the hydropower plants Eiriksdal and Makkoren are under construction to replace three old power plants which will be shut down, and in Nordland County the power plants Nedre Røssåga and Kjensvatn are being modernised and expanded by 100 and 12 MW, respectively. The development of Eiriksdal and Makkoren, as well as Kjensvatn, is scheduled for completion in 2014, while Nedre Røssåga is scheduled for completion in 2016. A comprehensive maintenance project at the Kvilldal hydropower plant was delivered on time and budget.

Statkraft Energi took over operation of Bardufoss power plant (44 MW) from Troms Kraft, following the Norwegian Competition Authority's approval of the takeover.

In the court case filed by eight municipalities against Statkraft Energi, concerning concessionary power, the court found in favour of Statkraft Energi in the second quarter. The case was raised as a result of the claim for a financial settlement made by Statkraft Energi against the municipalities in connection with Saurdal power plant, with retroactive effect from and including 1996. Both parties have appealed to the Court of Appeal, and the judgment is not yet legally binding. Statkraft Energi has so far not recorded any effects from the case in the accounts.

Baltic Cable has been out of operation from mid-August to late September due to a fault on the cable, and from early November to early December following a damage. Claims have been made against the owners of the vessel which, in the Statkraft Group's opinion, caused the cable damage.

Statkraft SF owns power plants which have been leased to Aktieselskabet Tyssefaldene, Svelgen Kraft AS and Aktieselskabet Saudefaldene, respectively, in line with Proposition to the Storting No. 52 (1998-99). Following an application from Statkraft, the Ministry of Petroleum and Energy decided to grant an exemption on 1 February 2013 from the licence and right of pre-emption requirements for the transfer of the leased power plants from Statkraft SF to Statkraft Energi AS. The lease agreements and all other agreements which Statkraft SF is party to in relation to the leased plants, will be taken over by Statkraft Energi AS.

Financial performance

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

The good resource situation throughout the year resulted in Statkraft Energi being able to maintain high Nordic hydropower production in 2012. This offset the relatively low Nordic power prices. Net operating revenues increased by 3% from 2011, to NOK 11 219 million, while the operating profit increased by 7% to NOK 7236 million.

As a result, the company's recorded profit before tax amounted to NOK 6837 million, up 7% from 2011, and the net profit amounted to NOK 2980 million, down 7% from 2011. The increase in tax expense is mainly due to higher profit before tax and higher provisions for deferred resource rent tax.

The power market

Statkraft Energi's production takes place in Norway.

Power prices in the Nordic region in 2012 were characterised by high reservoir water levels at the beginning of the year and high inflow throughout the year. The average system price at Nord Pool ended at 31.3 EUR/MWh, 34% lower than in 2011 and the lowest since 2007. Compared with the average prices for the years 2007-2011, the decline was 25% in the Nordic region.

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

Production

The Company's power production totalled 40.6 TWh, an increase of 28% compared with 2011.

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

Sales revenues

Gross operating revenues increased by 3% to NOK 13 239 million, while net operating revenues increased by 3% to NOK 11 219 million.

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

Long-term agreements with industry

Statkraft Energi is a major supplier to the power-intensive industry. In 2012, the volume delivered under long-term contracts to the industry in the Nordic region amounted to 17.2 TWh.

In December, Sør-Norge Aluminium (Søral) signed power delivery agreements with Statkraft Energi, Agder Energi, Lyse and Hydro for annual deliveries from 2013 up to and including 2020. Statkraft Energi's share of this is about 0.5 TWh per year. The agreement with Peterson Paper has lapsed following the company being declared bankrupt on 11 April, resulting in a loss on accounts receivable of NOK 17 million.

In 2012, Statkraft Energi started deliveries under the long-term power agreement signed with RHI Normag's new plant on Herøya in the fourth quarter of 2011.

The contract coverage stabilises revenues, and earnings in 2012 were relatively good compared with the spot market prices. Most of the contract volume to Nordic industry runs until 2020.

Concessionary sales at statutory prices

Statkraft Energi is required to cede a share of the power production to municipalities and county authorities where the power is produced, so-called concessionary power. The price for this power corresponds to the average production cost, which is substantially lower than the power market price. In 2012, the revenues from concessionary sales amounted to NOK 265 million (NOK 273 million).

Portfolio management

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

Statkraft's analysis activities occupy a key position in all trading activities. The analysis activities are based on collection and processing of hydrological data and other market data. The data are used to estimate market prices and optimise the flexible production. In 2012, the profit from the Nordic and Continental management portfolio was NOK 526 million (NOK 1114 million).

A dynamic management portfolio is important to optimise future revenues, and the Statkraft Group measures the performance through the target figure «Added value from the management portfolios» for both the Nordic and the Continental portfolio. Both portfolios outperformed the Group's added value goals in 2012. In connection with internal contract restructuring in the Statkraft Group, the Continental management portfolio was transferred to Statkraft Markets GmbH, effective as of 1 January 2013.

An internal power purchase agreement with Herdecke KG was transferred to Statkraft Markets GmbH in February 2013.

Trading and origination

Statkraft Energi is also engaged in relatively short-term positioning with financial standard contracts (trading) and trading with structured products and customised agreements for businesses (origination). The revenues can vary substantially from period to period and year to year. In 2012, revenues from trading and origination amounted to NOK 257 million (NOK -295 million).

Other operating revenues amounted to NOK 549 million (NOK 351 million). These revenues include rental income, gains from sale of fixed assets and sale of internal services. The increase from 2011 is mainly due to subsequent settlement of an internal contract.

Energy purchases amounted to NOK 1340 million (NOK 1394 million), and are related to purchase of gas for gas power production.

Transmission costs associated with the transport of power totalled NOK 680 million, an increase of 20%. The increase mainly relates to higher production.

Operating expenses

Operating expenses for 2012 amounted to NOK 3983 million, a decline of 3% from 2011.

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

Depreciation increased by 3% from 2011. The increase is primarily due to new assets.

Property tax and licence fees increased by 10% from 2011. The increase relates mainly to higher Norwegian property tax.

Other operating expenses primarily include purchase of third-party services, materials and costs of power plants operated by third parties. In addition come e.g. compensation payments, rent, ICT expenses, marketing, travel expenses and insurances. These costs were reduced by 17%. The tolling agreement with Naturkraft was written down by another NOK 198 million in 2012 due to negative spark spread development.

Expenses in connection with R&D activities are recognised as they are incurred. The expensed amount in 2012 was NOK 13 million. The company's research activities are related to development of new methods within hydrology, power optimisation and maintenance activities.

Financial items

Net financial items amounted to NOK -399 million (NOK -351 million).

Financial income amounted to NOK 184 million (NOK 216 million). The decline is mainly due to lower receivables in the Group's cash pool scheme. Financial expenses amounted to NOK 583 million, which entails an increase of 3% from 2011. This is mainly due to somewhat higher average interest rates in 2012.

Taxes

The recorded tax expense was NOK 685 million higher than in 2011, and amounted to NOK 3857 million. The increase in tax expenses is primarily due to higher profit before tax

as a result of higher production compared with 2011, in spite of lower prices having the opposite effect. This has resulted in higher payable tax both in regular tax on profits and in the resource rent taxation. In addition, the tax expense has increased as a result of higher provisions for deferred resource rent tax, which has also contributed to increase the effective tax rate from 50% in 2011 to 56% in 2012.

Cash flow and capital structure

The operating activities generated a cash flow of NOK 6098 million in 2012 (NOK 4884 million). Long and short-term items experienced a positive change of NOK 830 million (negative change of NOK 3746 million). Dividend received from associated companies amounted to NOK 72 million (NOK 9 million). Net liquidity change from operations amounted to NOK 7000 million (NOK 8639 million).

For the year as a whole, a gross total of NOK 1778 million was invested (NOK 1301 million). The largest investment items in 2012 were in connection with hydropower plant upgrades.

Net liquidity change from financing activities was NOK -5185 million, a decrease of NOK 1627 million from 2011. New borrowing totalled NOK 582 million (NOK 145 million), while downpayment of debt amounted to NOK 0 (NOK 525 million). Disbursement of dividend and group contribution amounted to NOK 5767 million (NOK 6433 million).

The net liquidity change in 2011 was NOK 37 million (NOK -49 million). The company's cash and cash equivalents totalled NOK 258 million, compared with NOK 221 million at the beginning of the year.

At the end of 2012, interest-bearing short-term and long-term debt amounted to NOK 7920 million, compared with NOK 7962 million at the beginning of the year. The interest-bearing debt-equity ratio was 20.8%, approximately unchanged from the previous year.

At the end of 2012, current assets, except cash and cash equivalents, totalled NOK 3221 million and current interest-free debt amounted to NOK 6715 million.

At the end of 2012, Statkraft Energi's equity totalled NOK 12 844 million, compared with NOK 12 905 million at the start of the year. This corresponds to 33.9% of total assets.

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.

Risk management

Statkraft Energi is exposed to different risks throughout its value chain. Risk management is an integrated part of all activities in the Statkraft Group, and managers at all levels of the organisation are responsible in this regard, including subsidiaries, joint ventures and contractors.

Risk assessments are incorporated in the decision-making process, and help decision-makers prioritise and evaluate actions. Risk management is regulated by mandates, specification documents and guidelines. Follow-up of risk

and risk handling are incorporated in the day-to-day business operations.

The Group's investment committee ensures independent risk assessments prior to making investment decisions and assessments across project portfolios.

Market risk and financial risk

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

Statkraft Energi manages market risk in the energy markets by trading physical and financial instruments in multiple markets. Increased integration of the energy markets is of great significance for the chosen business models and risk management. Consequently, emphasis is placed on the interrelationship between the various markets.

The risks associated with currencies, interest rates and liquidity, including refinancing and new borrowing are coordinated and managed at corporate level. Statkraft Energi is exposed to interest risk through external financing. Statkraft Energi is exposed to currency risk through energy markets integration, power trading in EUR, financing and other cash flows associated with the Group's foreign companies.

Currency and interest risk are regulated by means of mandates. Forward currency contracts and interest rate swaps are the most important instruments used.

Counterparty risk and liquidity risk

Statkraft Energi is exposed to counterparty risk through energy trading and investment of surplus liquidity. The credit rating of all counterparties is evaluated before contracts are signed, and exposure to individual counterparties is limited by mandates based on their credit rating.

The liquidity risk in Statkraft is related to the deviation between the maturity profile of financial liabilities and the cash flows generated by the assets, as well as demand for higher margin requirements in connection with financial and energy derivatives. The liquidity risk is mainly handled through good borrowing sources, drawing rights and minimum requirements for the Group's cash and cash equivalents.

Operational risk and project execution risk

All processes in the value chain are exposed to operational risk. Project execution and operations are particularly exposed to operational risks such as injuries or fatal accidents, harm to the environment, reputational impact and financial loss.

Safety and security for employees, suppliers, partners and affected third parties are decisive factors and subject to a strong focus.

Measures to avoid irregularities and fraud, for instance leaking inside information, are implemented and integrated in the Group's business processes.

The risk of natural disasters that can harm the activities is increasing. Power plants in the Nordic countries are exposed to more extreme weather due to climate change. Measures have been implemented in order to reduce the risk in connection with such incidents, including reassessment of classification and upgrading of dams as necessary.

Regulatory and political risk

The risks related to subsidy schemes are whether/how the schemes will be maintained in the long run. This is subject to both political decisions and developments in the energy market.

Power prices depend on carbon prices. The price development of carbon is uncertain, and any changes in this market will have a substantial impact on Statkraft Energi's earnings and financial strength.

The Group has a common approach to handling regulatory factors and issues in relation to public authorities. Statkraft Energi monitors regulatory processes which can harm the business or create new business opportunities, developing new positions for the Group on priority issues.

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

Internal control

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

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

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

Environmental impact

No serious environmental incidents were registered in 2012. Some less serious environmental incidents have been registered, most of which concerned short-time breaches of the river management regulations, minor chemical discharges and non-conformities in connection with waste handling. These incidents had little or no impact on the environment.

Employees and organisation

Statkraft Energi had 883 full-time equivalents in 2012 (855).

The Statkraft Group strives to attain an even gender distribution in the Group, and more women in managerial positions. In 2012, 19.7% (21.7%) of Statkraft Energi's employees were women and the percentage of women in managerial positions was 20.7 (20.2). 29% of the board members were women.

The Statkraft Group and also Statkraft Energi strive to achieve a diverse working environment and emphasise equal treatment in its recruitment and HR policy.

Health and safety

The Statkraft Group emphasises learning from injuries, near-misses and unsafe conditions. Statkraft Energi has held investigation courses for all managers and safety delegates, aiming to raise the expertise as regards investigations, and thereby also the effect of the investigations held.

The indicator for lost-time injuries, H1, was 4.7 (2.0) among the company's employees in 2012, while the indicator for all types of injuries, H2, was 11.1 (15.5). In total, 6 (3) lost-time injuries and 13 (20) injuries without absence were registered among own employees. A total of 5 (5) lost-time injuries and 12 (7) injuries without absence were registered among contractor employees.

Absence due to illness in Statkraft was 3.3% in 2012 (3.6%), which is within the goal of an absence due to illness lower than 3.5%. All Norwegian companies in the Group have entered into Inclusive Workplace (IA) agreements, with active follow-up of absence and close cooperation with the company health service.

Profit allocation

The net profit for the year is NOK 2980 million. The board of directors proposes the following allocation of the annual profit for Statkraft Energi :

Profit allocation

Amounts in NOK million	
Group contribution payable	2 257
Dividend payable	1 092
Transferred from other equity	-369
Total allocated	2 980

Statkraft Energi had a distributable equity of NOK 921 million at year-end.

Outlook

Nordic power prices are expected to be somewhat lower than in previous years. At the same time, Statkraft Energi has a lot of flexibility as the water levels in the reservoirs were high at the beginning of 2013. Plenty of water, combined with Statkraft Energi's large reservoir capacity, makes it possible to increase or reduce production in periods with high or low power prices. Long-term power contracts contribute to stabilise earnings.

The board of Statkraft Energi AS
Oslo, 7 March 2013

Christian Rynning-Tønnesen
Chair

Steinar Bysveen
Board member

Kristin Steinfeldt-Foss
Board member

Arne Einungbrekke
Board member

Olav Rabbe
Board member

Øyvind Riber
Board member

Torgunn Oldeide
Board member

Asbjørn Grundt
Chief executive

Statkraft Energi Financial Statements



Income Statement

Statkraft Energi

NOK million	Note	2012	2011
Sales revenues	3	12 690	12 450
Other operating revenues	5	549	351
Gross operating revenues		13 239	12 801
Energy purchases	6	-1 340	-1 394
Transmission costs		-680	-565
Net operating revenues		11 219	10 842
Salaries and payroll costs	7,8	812	741
Depreciation	14	789	768
Property tax and licence fees	9	933	846
Other operating expenses	10	1 449	1 747
Operating expenses		3 983	4 102
Operating profit		7 236	6 740
Financial income	12	184	216
Financial expenses	12	-583	-567
Net financial items		-399	-351
Profit before tax		6 837	6 389
Tax expense	13	3 857	3 172
Net profit		2 980	3 217
Allocation of net profit for the year			
Group contribution payable		2 257	2 698
Dividends payable		1 092	1 994
Transferred from/to other equity		-369	-1 475
Total allocated		2 980	3 217

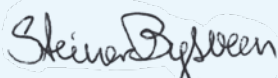
Balance Sheet

Statkraft Energi

NOK million	Note	31.12.2012	31.12.2011
ASSETS			
Deferred tax asset	13	664	1 182
Property, plant and equipment	14	30 817	30 274
Investments in subsidiaries and associates	15	1 873	1 873
Other non-current financial assets	16	1 166	1 291
Non-current assets		34 520	34 620
Inventories	17	828	561
Receivables	18	2 393	2 830
Cash and cash equivalents	19	258	221
Current assets		3 479	3 612
Assets		37 999	38 232
EQUITY AND LIABILITIES			
Paid-in capital	20	12 197	12 197
Retained earnings	20	687	708
Equity		12 884	12 905
Provisions	21	7 624	7 954
Deferred tax	13	435	218
Long-term interest-bearing liabilities	22	7 520	6 938
Long-term liabilities		15 579	15 110
Short-term interest-bearing liabilities	23	400	1 024
Taxes payable	13	2 525	1 688
Dividends payable		1 092	1 994
Other interest-free liabilities	24	5 518	5 511
Current liabilities		9 535	10 217
Equity and liabilities		37 999	38 232

The board of Directors of Statkraft Energi AS
Oslo, 7 March 2013

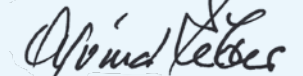

Christian Rynning-Tønnesen
Chair


Steinar Bysveen
Board member


Kristin Steinfeldt-Foss
Board member


Arne Einungbrekke
Board member


Olav Rabbe
Board member


Øyvind Riber
Board member


Torgunn Oldeide
Board member


Asbjørn Grundt
Chief executive

Cash Flow Statement

Statkraft Energi

NOK million	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	6 837	6 389
Profit/loss on sale of non-current assets	18	30
Depreciation	789	768
Taxes paid	-1 546	-2 304
Cash flow from operating activities	6 098	4 884
Changes in long-term items	125	1 138
Changes in short-term items	705	2 608
Dividend from subsidiaries	72	9
Net cash flow from operating activities	A 7 000	8 639
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment	-1 778	-1 301
Proceeds from sale of non-current assets	-	5
Business combinations, net liquidity	-	-579
Net cash flow from investing activities	B -1 778	-1 875
CASH FLOW FROM FINANCING ACTIVITIES		
New interest-bearing debt	582	145
Repayment of long-term debt and subordinated loans	-	-525
Dividend and Group contribution paid	-5 767	-6 433
Net cash flow from financing activities	C -5 185	-6 812
Net change in cash and cash equivalents during the year	A+B+C 37	-49
Cash and cash equivalents 1 Jan.	221	270
Cash and cash equivalents 31 Dec.	258	221

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

General information and summary of significant accounting principles

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

VALUATION AND CLASSIFICATION PRINCIPLES

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

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

RECOGNITION OF SALES REVENUES

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

Concessionary power Each year concessionary sales are made to local authorities at regulated prices stipulated by the Norwegian Storting (parliament). In the case of certain concessionary power contracts, agreements have been made regarding financial settlement in which Statkraft is invoiced for the difference between the spot price and the concessionary price. Delivery and financial settlement of concessionary power are classified as sales revenues at delivery.

Portfolio management Statkraft Energi AS is entering into physical and financial contracts to optimize future power sales revenues and to reduce risk. The portfolio management is recognised in accordance with the lower value principle at a portfolio level. Forward currency exchange contracts in the portfolio are valued at fair value. The portfolio is further described in note 27. Net realised income and losses on financial energy trading are included in revenues.

Trading and origination The company has separate portfolios for trading and origination that are managed independently of the company's expected power production. The portfolios are recognised at fair value under which the criteria in Section 5-8 of the Accounting Act is fulfilled. One of the trading portfolios trades in contracts which are not traded in a marketplace, and is therefore recognised in accordance with the lower value principle. The origination portfolio does not meet the terms for accounting at fair value in accordance with Norwegian GAAP and the portfolio is therefore recognised in accordance with the lower value principle at a portfolio level. The portfolios are further described in note 27.

PENSIONS

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

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

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

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

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

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

RESEARCH AND DEVELOPMENT EXPENSES

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

PUBLIC SUBSIDIES

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

COMPENSATION PAYMENTS

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

LICENCE FEES

Licence fees are paid annually to central and local government authorities for the increase in generating capacity that is obtained from regulated watercourses and catchment transfers. These licence fees are recognised as expenses as incurred. The present value of future licence fees is not recognised in the balance sheet, but is calculated and presented in Note 9.

PROPERTY TAX

Property tax for power plants is calculated on the basis of actual production, with deductions for actual operating expenses and resource rent tax paid for the individual power plant. 0.2 to 0.7% property tax is calculated to the individual municipality from the property tax basis. Property tax is presented as an operating expense.

TAXES

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

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

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. Actual operating expenses, depreciation and a tax-free allowance are deducted from the calculated revenue in order to arrive at the net resource rent revenue tax base. Negative and positive resource rent tax from different power plants are presented net as far as the tax rules allow pooling of the positions for tax purposes. Deferred tax assets linked to loss carryforwards and deferred tax linked to other temporary differences are calculated per power plant on the basis of whether it is probable that the deferred tax asset will be realised within a time horizon of ten years. Provisions for deferred resource rent tax are made at a nominal tax rate of 30%. The tax-free allowance is treated as a permanent difference in the year it is calculated, and therefore does not affect the calculation of deferred tax in connection with resource rent.

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

CLASSIFICATION AND EVALUATION OF ASSETS AND LIABILITIES

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

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

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

Depreciation is calculated on a straight-line basis over asset's useful economic lifetime. Residual values are taken into account in the calculation of annual depreciation. Land is not depreciated. Waterfall rights are classified as land and are not depreciated, since there is no right of reversion to state ownership and the assets are deemed to have perpetual life. Compensation payments to landowners are recognised in the balance sheet as land, see description under compensation payments. Investments in plants not operated by Statkraft are depreciated similarly, using an average depreciation rate. Periodic

maintenance is recognised in the balance sheet over the period until the time when the next maintenance round is expected to be performed. Estimated useful lives, depreciation methods and residual values are assessed annually.

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

Impairments Property, plant and equipment that are depreciated are assessed for impairment when there is any indication that future earnings do not justify the book value. Impairments are recognised as the difference between book value and recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

In assessing impairments, non-current assets are grouped into the lowest level of identifiable assets that can generate independent cash flows (cash-generating units). The possibility of reversing earlier impairments is considered at each reporting date.

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

Associates are companies where Statkraft Energi AS has significant influence. Significant influence is normally considered to exist where the company owns or controls 20 to 50% of the voting shares.

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

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

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

Water in reservoirs Water in reservoirs is not recognised in the balance sheet. Information relating to the amount of water in the reservoirs is provided in note 4.

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

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

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

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

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

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

Currency and forward currency exchange contracts Cash items in foreign currencies are valued at the exchange rate in effect at the balance sheet date. Transactions denominated in foreign currency are converted using the transaction date exchange rate. Currency effects are recognised as financial expenses or income. Forward currency exchange contracts are valued at fair value at the balance sheet date.

CASH FLOW STATEMENT PRINCIPLES

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

Note 1 Important events

2012

Major upgrades to hydropower plants are underway in Norway. The expansion of Svartisen power plant in Nordland County was completed with a new 250 MW unit in 2012. In Sogn og Fjordane County, the hydropower plants Eiriksdal and Makkoren are under construction to replace three old power plants which will be shut down, and in Nordland County the power plants Nedre Røssåga and Kjensvatn are being modernised and expanded by 100 and 12 MW, respectively. The development of Eiriksdal and Makkoren, as well as Kjensvatn, is scheduled for completion in 2014, while Nedre Røssåga is scheduled for completion in 2016. A comprehensive maintenance project at the Kvilldal hydropower plant was delivered on time and budget.

Statkraft Energi took over operation of Bardufoss power plant (44 MW) from Troms Kraft, following the Norwegian Competition Authority's approval of the takeover.

In the court case filed by eight municipalities against Statkraft Energi, concerning concessionary power, the court found in favour of Statkraft Energi in the second quarter. The case was raised as a result of the claim for a financial settlement made by Statkraft Energi against the municipalities in connection with Saurdal power plant, with retroactive effect from and including 1996. Both parties have appealed to the Court of Appeal, and the judgment is not yet legally binding. Statkraft Energi has so far not recorded any effects from the case in the accounts.

Baltic Cable has been out of operation from mid-August to late September due to a fault on the cable, and from early November to early December following a damage.

Events since the balance sheet date

On 4 February 2013, Statkraft Energi received a resolution from the Ministry of Petroleum and Energy for a licence exemption for the transfer for the leased power plants (Sauda I-IV, Svelgen I-II and Tysso II) including tenants developments from Statkraft SF to Statkraft Energi.

2011

Statkraft Energi AS increased the volume of long-term power contracts and several new contracts were entered into in 2011. The new power sales contracts with delivery start in 2011/12 amounts to a yearly delivery volume of 6,6 TWh, and the company's total long-term contract volume now is at approximately 20 TWh per year. The contracts are mainly entered into with counterparties within Norwegian industry.

In Norway hydro power installations are upgraded for an amount exceeding NOK 1 billion. In the county of Sogn og Fjordane the hydro power plants Eiriksdal and Makkoren are built as replacements for three old power plants being shut down, and in the county of Nordland the power plant Nedre Røssåga is being modernized. The constructions of Eiriksdal and Makkoren are expected to be completed in 2014, where as the modernization of Nedre Røssåga is expected to be completed in 2015. In addition there is an ongoing project on expanding the Svartisen hydro power plant in the county of Nordland with an additional aggregate. The project is delayed by 15 months due to technical problems and is expected to be back in operation by the end of 2012. Total investments in the Svartisen upgrade amounts to almost NOK 400 million.

The Leiro hydro power plant went into operation in June 2011. This is a small scale power plant with an expected average yearly production of 8,9 GWh. There is made a decision to build a new hydro power plant as replacement for the existing Haukeli power plant. The power plant is expected to have an average yearly production of 38 GWh. The power plant will be ready for operations as from May 2013.

Statkraft Energi AS and Troms Kraft Produksjon AS has agreed upon the terms and conditions for the redemption of the Bardufoss hydro power plant. Statkraft Energi AS redeems properties and plants related to the Bardufoss power plant from Troms Kraft Produksjon AS. The agreed upon price is NOK 450 million. The Bardufoss power plant has a normal yearly production of 225 GWh. The Norwegian Competition supervising authorities has issued an unfounded notice of intervention, where as a founded notice of intervention will be issued by May 2012 if applicable. The reason for the issuance of an unfounded notice is that the authorities need more time to analyse the competition consequences of the redemption.

Eight municipalities have made a collective lawsuit against Statkraft Energi AS. The case is related to a claim from Statkraft Energi AS against the municipalities of economic compensation as a consequence of a resolution made by the Ministry of petroleum and energy at the 8th of January 2010. The resolution implies that according to the Ministry's view, the municipalities throughout a period of 14 years have received duties and power on the basis of an overestimated volume of power production for the Saurdal power plant.

Note 2 Segment information

Statkraft Energi's business activities lie within the Statkraft Group's segments Nordic Hydropower and Continental Energy and Trading. The majority of the company's operating revenues are generated in Norway.

Note 3 Sales revenues

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

the form of purchase and sales positions. Short positions are taken to hedge the price of a specific share of the planned future output. Long positions are taken to adjust the hedging level if assumptions change and Statkraft Energi is considering its hedged position as too high. All contracts are recognised as adjustments to the underlying revenue from production based on the margin between the contract price and the spot price.

NOK million	2012	2011
Net physical spot sales	6 049	5 670
Concessionary sales at statutory prices	265	273
Industrial sales at statutory prices	-	130
Long-term sales contracts	5 373	5 235
Dynamic hedging	526	1 114
Trading and origination	257	-295
Other	220	323
Total	12 690	12 450

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

Price and volume for industrial and concessionary power at statutory prices	2012	2011
Industrial power – Volume (TWh)	-	1.0
Industrial power – Price (NOK/MWh)	-	13.3
Concessionary power – Volume (TWh)	2.5	2.5
Concessionary power – Price (NOK/MWh)	10.8	10.3

Annual delivery volume for concessionary sales at statutory prices:

TWh	2012	2011
Concessionary power	2.6	2.6
Total fixed sales agreements	2.6	2.6

Note 4 Reservoir levels and production (unaudited)

Total i. TWh	Reservoir levels as of 31 Dec.		Reservoir capacity	Production ¹⁾		
	2012	2011		2012	2011	Mean
Statkraft Energi	26.1	28.5	33.8	40.6	31.7	31.7

¹⁾ After loss.

In Norway, inflow was as normal in 2012. Statkraft's Norwegian reservoirs ended the year at 114% of normal level.

Note 5 Other operating revenues

NOK million	2012	2011
Power plant leasing revenues	6	10
Other leasing and service revenues	320	180
Other operating revenues	223	161
Total	549	351

Note 6 Energy purchases

Energy purchases are mainly related to purchase of gas as input in the gas fired power plants.

Note 7 Salaries and payroll costs

NOK million	2012	2011
Salaries	516	492
Employer's national insurance contributions	86	69
Pension costs	178	148
Other benefits	32	32
Total	812	741

Pension costs are presented in further detail in note 8.

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

Members of the board elected by employees received NOK 60 000 in fees (per board member). No other fees were paid to members of the board in 2012. Nor were any loans or pledges granted with respect to board members.

On average, the company had the equivalent of 883 full-time employees in 2012. The corresponding figure for 2011 was 855.

Note 8 Pensions

FUNDED DEFINED BENEFIT SCHEMES

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

Statkraft Energi pays an annual premium to the Norwegian Public Service Pension Fund and is responsible for the financing of the scheme. The Norwegian Public Service Pension Fund scheme is, however, not asset-based. Management of the pension fund assets (fictive assets) is simulated as though the assets were invested in long-term government bonds. In this simulation it is assumed that the bonds are held to maturity. 911 employees and 420 pensioners were covered by benefit schemes as of 31 December 2012.

Breakdown of pension costs for the period

NOK million	2012	2011
Present value of accrued pension entitlements for the year	131	106
Interest expenses	65	69
Projected yield on pension assets	-29	-36
Employee contributions	-11	-10
Employer's national insurance contributions	22	19
Pension cost defined benefit schemes	178	148

Reconciliation of pension liabilities and pension fund assets

NOK million	2012	2011
Gross pension liabilities	1 979	2 294
Pension assets in the Norwegian Public Service Pension Fund	-1 175	-1 110
Net pension liabilities in defined benefit schemes, asset-based	804	1 184
Pension liabilities in defined benefit schemes, not asset-based	63	68
Employer's national insurance contributions	122	177
Net pension liabilities	989	1 429

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

NOK million	2012	2011
Cumulative amount recognised directly in equity before tax as of 1 Jan.	1 205	812
Recognised during the period	-510	393
Cumulative amount recognised directly in equity before tax as of 31 Dec.	695	1 205
Recognised in equity after tax	501	868
Recognised in deferred tax	194	337

The following assumptions are used

	31.12.2012	01.01.2012	31.12.2011
Annual discount rate	3.80%	2.80%	2.80%
Salary adjustment	3.75%	4.00%	4.00%
Adjustment of current pensions	2.75%	3.00%	3.00%
Adjustment of the National Insurance Scheme's basic amount (G)	3.50%	3.80%	3.75%
Forecast voluntary exit			
• Up to age 45	3.50%	3.50%	3.50%
• Between ages 45 and 60	0.50%	0.50%	0.50%
• Over age 60	0.00%	0.00%	0.00%
Projected yield	3.80%	2.80%	2.80%
Rate of inflation	1.75%	2.00%	2.00%
Tendency to take early retirement (AFP)	10.00%	10.00%	30.00%

For demographic factors, the K2005 and IR73 tariffs are used to establish mortality and disability risks.

Pensions under accrual are adjusted by wage growth in the community. Current pensions are adjusted by wage growth minus a fixed factor of 0.75%.

The discount rate is set at 3.8% for Norwegian pension schemes, and is based on high quality corporate bonds (OMF). This is a change from previous years, in which government bonds have been the base for setting the discount rate.

UNFUNDED DEFINED BENEFIT SCHEMES

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

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

A pension scheme has been introduced for operations and professional workers that will provide additional benefits to the AFP from 62-65 years. The scheme compensates for previous agreements on special retirement ages in relation to the Norwegian Public Service Pension Fund.

Note 9 Property tax and licence fees

NOK million	2012	2011
Property tax	655	603
Licence fees	278	243
Total	933	846

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 5055 million, discounted at an interest rate of 5,5% in accordance with the regulations relating to the adjustment of licence fees, annual compensation and funds, etc. With basis in a riskfree interest rate, we have added a premium for risk, reflecting an "eternal" obligation. In 2011, the amount was NOK 6075 million (interest rate 4%).

Note 10 Other operating expenses

NOK million	2012	2011
Materials	95	106
Purchase of third-party services	481	480
Costs of power plants operated by third parties	434	504
Compensation payments	54	51
Other operating expenses	385	606
Total	1 449	1 747

R&D activities are expensed on an ongoing basis. An amount of NOK 13 million was recognised in 2012 (NOK 38 million in 2011). The company's research activities are intended to provide further knowledge and develop new methods within hydrology, energy optimisation and maintenance activities.

Annual compensation obligations are estimated at NOK 488 million, see note 21. Costs of power plants operated by third parties include the tolling agreement with Naturkraft AS. The item Other operating expenses includes write-down of the tolling agreement amounting to NOK 198 million in 2012, the corresponding figure for 2011 was NOK 447 million.

Note 11 Fees paid to external auditor

Deloitte AS is the elected auditor of Statkraft Energi.
Deloitte also audits the subsidiaries Baltic Cable AB and Trondheim Energi Kraft AS.

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

NOK thousands *	2012	2011
Statutory auditing	1 476	1 177
Other certification services	100	448
Tax consultancy services	145	-
Total	1 722	1 624

* The amounts are exclusive of VAT

Note 12 Financial items

Financial income

NOK million	2012	2011
Interest income from Group companies	75	152
Interest income other	9	6
Dividends	100	62
Other financial income	-	-4
Total	184	216

Financial expenses

NOK million	2012	2011
Interest expenses paid to Group companies	340	371
Net currency losses	96	5
Imputed interests long-term energy contracts	170	170
Other financial expenses	2	41
Capitalised borrowing costs	-25	-21
Total	583	567

Note 13 Taxes

The tax expense comprises the following

NOK million	2012	2011
Income tax	1 784	1 565
Resource rent tax	1 438	1 172
Correction relating to previous years	43	25
Change in deferred tax, resource rent	518	170
Change in deferred tax	75	240
Tax expense in the income statement	3 857	3 172

Income tax payable

Income taxes payable on the profit for the year	1 784	1 560
Effect of Group contributions on tax liability	-878	-1 049
Income tax payable	906	511

Payable tax in the balance sheet

Natural resource tax	498	499
Resource rent tax	1 438	1 172
Income tax exceeding natural resource tax	1 287	1 066
Effect of Group contributions on tax liability	-878	-1 049
Tax due from previous financial years	180	-
Tax payable in the balance sheet	2 525	1 688

Reconciliation of nominal tax rate and effective tax rate

NOK million	2012	2011
Profit before tax	6 837	6 389
Expected tax expense at a nominal rate of 28%	1 914	1 789
Effect on taxes of		
Resource rent tax including change in deferred tax	1 956	1342
Tax-free income	-46	-25
Changes relating to previous years	33	49
Other permanent differences, net	1	17
Tax expense	3 857	3 172
Effective tax rate	56%	50%

Breakdown of temporary differences and tax loss carryforwards

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

NOK million	2012	2011
Current assets/current liabilities	48	12
Long-term items	875	882
Property, plant and equipment	-1 635	-1 511
Pension liabilities	277	400
Total deferred tax liability	-435	-218

NOK million	2012	2011
Temporary differences, resource rent tax	-1 696	-1 663
Resource rent carryforwards ¹⁾	2 360	2 845
Total deferred tax asset	664	1 182

¹⁾ Tax assets related to negative resource rent tax carryforward that are estimated used within the next ten years, are recognised in the balance sheet. Normal production and price curve expectations for the next ten years form the basis for the calculation of expected future taxable profit. Off-balance sheet deferred tax assets related to negative resource rent tax carryforward amounted to NOK 1180 million in 2012 (NOK 925 million in 2011).

Note 14 Property, plant and equipment

	Regulation facilities	Turbines, generators etc.	Shares in power plants operated by other	Land, underground facilities, buildings, road, bridge and quay facilities	Facilities under construction	Other ²⁾	Total
2012							
NOK million							
Cost 01.01	19 692	9 326	2 610	10 471	2 166	1 634	45 899
Additions	42	239	31	87	910	41	1 350
Transferred from facilities under construction	278	285	-2	123	-278	-406	-
Disposals	-	-28	-1	-4	-	-11	-44
Accumulated depreciation/impairments	-6 505	-5 541	-1 121	-2 236	-	-985	-16 388
Book value 31.12	13 507	4 281	1 517	8 441	2 798	273	30 817
Ordinary depreciation for the year	-301	-258	-51	-113	-	-66	-789

	Regulation facilities	Turbines, generators etc.	Shares in power plants operated by other	Land, underground facilities, buildings, road, bridge and quay facilities	Facilities under construction	Other ²⁾	Total
2011							
NOK million							
Cost 01.01	19 582	9 197	2 590	10 186	1 486	1 167	44 208
Additions ¹⁾	58	34	46	255	1 314	22	1 729
Transferred from facilities under construction	52	96	-	32	-203	23	-
Disposals	-	-	-26	-2	-3	-7	-38
Accumulated depreciation/impairments	-6 171	-5 331	-1 072	-2 201	-	-850	-15 625
Book value 31.12	13 521	3 996	1 538	8 270	2 594	355	30 274
Ordinary depreciation for the year	-291	-244	-56	-107	-	-70	-768

Depreciation period	30–75 years	15–40 years	5–50 years	0–75 years	3–40 years
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¹⁾ Capitalised borrowing costs make a total of NOK 18 million.

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

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

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

Note 14 continued

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

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

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

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

Specification of balance sheet items as of 31.12.2012:

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

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

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

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

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

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

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

AS Tyssefaldene, jointly controlled assets

AS Tyssefaldene produces and distributes hydropower. The power production of AS Tyssefaldene is based on the leased power stations Tyso II from Statkraft SF, and Håvardsvann. Statkraft Energi and Eramet have appropriation rights to the production output and also have an agreement regarding allocation of costs and financing. The offices of AS Tyssefaldene are located in Tyssedal in the municipality of Odda.

As of 1 January 2009, AS Tyssefaldene has been classified as a jointly controlled asset and is consolidated in accordance with the proportionate consolidation method.

Statkraft Energi recognises its share of revenues, costs, assets and liabilities in accordance with the proportionate consolidation method. The specification in the accounts takes place by specifying the share as a separate item for each main group. Internal transactions are eliminated.

Specification of result items	AS Tyssefaldene	Shareholding	Shareholding Statkraft Energi AS
Operating revenues	31	60.17%	18.5
Operating expenses	-24	60.17%	-14.4
Finance	-1	60.17%	-0.7
Taxes	-2	60.17%	-0.9
Profit/loss	4		2.5

Note 14 continued

Specification of balance sheet items as of 31.12.2012:	AS Tyssefaldene	Shareholding	Shareholding Statkraft Energi AS
Non-current assets	82	60.17%	49
Current assets	46	60.17%	28
Long-term liabilities	52	60.17%	31
Current liabilities	13	60.17%	8
Equity	63	60.17%	38
Cost price for shares			52
Reserve for valuation variances (cf. Note 20)			10

Note 15 Shares in subsidiaries and associates

Shares in subsidiaries

NOK million		Shareholding				
Company name	Registered office	and voting rights	Share capital	Book value	Equity	Profit for 2012
Baltic Cable AB ¹⁾	Malmö	100.00%	3	1 350	85	82
Trondheim Energi Kraft AS	Trondheim	100.00%	220	522	742	77
Total				1 873		

¹⁾ Baltic Cable AB owns and operates a subsea power transmission cable between Sweden and Germany. The company European Market Coupling Company (EMCC) has been responsible for the market coupling of the cable.

Shares in associates

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

Note 16 Other non-current financial assets

NOK million	2012	2011
Long-term receivables	282	262
Long-term power agreement	878	1 023
Other shares and ownership interests	6	6
Total	1 166	1 291

Note 17 Inventories

NOK million	2012	2011
Spare parts	37	38
CO ₂ quotes held for trading purposes	87	26
Green certificates held for trading purposes	653	447
Gas inventories	52	50
Total	828	561

Note 18 Receivables

NOK million	2012	2011
Accounts receivable – external	1 440	1 407
Accounts receivable – Group	-	438
Accrued revenues etc.	773	219
Other receivables	25	69
Current receivables from Group companies	155	697
Total	2 393	2 830

Note 19 Cash and cash equivalents

The company's liquidity is organised in a group account scheme. This means that the subsidiaries' cash holdings formally are considered to be receivables due from the parent company, and all Group companies are jointly and severally liable for the Group's drawdowns.

Withholding taxes for employees are secured by guarantee, see note 25.

Note 20 Equity

NOK million	Paid-in capital			Retained earnings		Total equity
	Share capital	Share premium reserve	Other paid-in capital	Reserve for valuation variances	Other retained earnings	
Equity as of 31.12.2010	5 500	6 224	473	8	2 475	14 679
Profit for the year	-	-	-	-	3 217	3 217
Estimate deviation pensions	-	-	-	-	-283	-283
Equity transactions in associated companies	-	-	-	-	-19	-19
Recognised directly in equity AS Tyssefaldene	-	-	-	2	-	2
Group contribution paid	-	-	-	-	-2 698	-2 698
Allocation of profit of the year	-	-	-	-	-1 994	-1 994
Equity as of 31.12.2011	5 500	6 224	473	10	698	12 905
Profit for the year	-	-	-	-	2 980	2 980
Estimate deviation pensions	-	-	-	-	368	368
Recognised directly in equity AS Tyssefaldene	-	-	-	-	-20	-20
Group contribution paid	-	-	-	-	-2 257	-2 257
Allocation of profit for the year	-	-	-	-	-1 092	-1 092
Equity as of 31.12.2012	5 500	6 224	473	10	677	12 884

The company has a share capital of NOK 5.5 billion, divided on 55 million shares, each with a par value of NOK 100. All shares have the same voting rights and all are owned by Statkraft AS. The company's registered office is in Oslo, Norway (PO. Box 200 Lilleaker).

Note 21 Provisions

NOK million	2012	2011
Pension liabilities	989	1 429
Provisions for annual compensation payments	488	488
Provision for loss contracts	3 127	2 845
Other provisions	3 020	3 192
Total	7 624	7 954

Pension liabilities are described in further details in note 8.

The item Other provisions includes prepayments of NOK 2517 million received in connection with future power sales agreements (NOK 2740 million). The largest of these are the agreement with Elsam and the contract related to the Rana plant.

Note 22 Long-term interest-bearing liabilities

NOK million	2012	2011
Loans from Group companies	7 520	6 938
Total	7 520	6 938

Nominal average interest rate NOK	4.14%	3.86%
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All loans are denominated in NOK.

	2013	2014	2015	2016	Etter 2016
Maturity schedule, long-term liabilities	-	-	2 849	-	4 671

Note 23 Short-term interest-bearing liabilities

NOK million	2012	2011
Loans from Group companies	400	600
Interest-bearing loan Troms Kraft	-	424
Total	400	1 024

Note 24 Other interest-free liabilities

NOK million	2012	2011
Accounts payable – external	532	568
Accounts payable – Group	181	-29
Indirect taxes payable	356	444
Other interest-free liabilities	478	451
Current liabilities to Group companies	3 971	3 774
Provision for unrealised loss in accordance with the lower value principle	-	303
Total	5 518	5 511

Of short-term liabilities to Group companies for 2012, NOK 3134 million relate to accrued group contributions for 2012. In 2011, accrued group contributions amounted to NOK 3747 million. Current liabilities to Group companies also include net liabilities to the Group account scheme, see note 19.

Note 25 Pledges, contractual obligations and guarantees

PLEDGES

Under certain circumstances, county authorities and publicly owned energy utilities are entitled to a share of the output from power plants belonging to Statkraft Energi in return of paying a share of the construction costs, cf. note 14. To finance the acquisition of such rights, the county authorities/companies have been granted permission to pledge the power plant as security. The mortgage debt raised by the local authorities under this scheme totals NOK 1289 million. As of 31 December 2012, the book value of the pledged assets in Statkraft Energi AS totalled NOK 5477 million.

CONTRACTUAL OBLIGATIONS

Statkraft Energi has an obligation concerning the Elsam agreement (Dong) amounting to NOK 838 million.

GUARANTEES

Statkraft Energi has total off-balance-sheet guarantees amounting to NOK 822 million. Of this, NOK 735 million relates to Nasdaq and NOK 87 million to other guarantees.

Note 26 Derivatives

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

	31.12.12		31.12.11	
NOK million	Book value	Fair value	Book value	Fair value
Total	28	28	34	34

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

Energy trading

Commodity derivatives valued at fair value

	Fair value	Recognised changes in	Fair value
NOK million	2012	2012	2011
Trading portfolio (external)	-17	12	-29

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

Contracts in the trading portfolios are traded with a short time horizon. As of 31.12.2012, fair value is distributed as follows per future time period:

NOK million	2011
2013	-9
2014	-10
2015	-
2016	1
2017	2
Total fair value 31.12.2012	-17

Note 26 continue

Commodity derivatives not measured at fair value:

Nordic hydropower
Continental Assets
Origination
Statkraft Financial Energy

Statkraft Energi has five portfolios that are measured in accordance with the lower value principle at a portfolio level. Forward currency exchange contracts in the portfolios are measured at fair value. See note regarding accounting policies for further description of the policies. Provision for loss contracts is specified in detail in note 21.

Note 27 Market risk

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY

Statkraft Energi's financial instruments are exposed to market risk. Market risk is the risk that a financial instrument's fair value or future cash flows will fluctuate as a result of changes in market prices. Market risk primarily relates to risk in connection with electricity prices, CO₂ prices, gas prices, interest rates and currency exchange rates.

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

The following section contains a more detailed account of the various types of market risk, and how these are managed.

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

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

Net exposure in this portfolio is derived from updated production forecasts, buying and selling commitments under long-term physical contracts, as well as contracts traded via energy exchanges and bilateral financial contracts.

Statkraft Energi is exposed to both price and volume risk, because both future price and 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 reduce risk. The risk is quantified using simulations of various scenarios for relevant risk factors.

Continental Assets The assets in the portfolio are Baltic Cable AB, long-term power purchase agreement, gas agreements and tolling agreements. The purpose of the portfolio is to handle energy production in continental Europe, including the gas power plant at Kårstø as well as associated risk. The contract portfolio consists of financial and physical contracts relating to the assets.

The market risk in the portfolio is made up by the future market prices for power, 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 reduce the risk. The risk is quantified using simulations of various scenarios for relevant risk factors.

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

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

FOREIGN EXCHANGE AND INTEREST RATE RISK

Currency risk Statkraft Energi incurs currency risk in the form of transaction risk, mainly in connection with power sales revenues and investments.

The operational currency for trading on the energy exchange in Norway is EUR, which means that all contracts that are entered into via energy exchange are denoted in EUR and are thus exposed to EUR. Corresponding currency exposure arises from energy trading on other exchanges.

Currency exposure related to cash flows is hedged in accordance with the Group's financial strategy.

Interest risk The main part of Statkraft Energi's interest rate exposure is related to a long-term floating-rate loan from Group companies.

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

NOTE 28 Credit risk, liquidity risk and insurance risk**CREDIT RISK**

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

It is assumed that no counterparty risk exists for financial energy contracts which are cleared through an energy exchange. For all other energy contracts entered into, the limits are stipulated for the individual counterparty using an internal credit rating. In order to reduce credit risk, bank guarantees are used in some cases when entering into agreements. Parent company guarantees are also used. Statkraft Energi has netting agreements with several of its energy trading counterparties. Statkraft Energi has good follow-up routines for ensuring that outstanding receivables are paid as agreed.

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

The individual counterparty exposure limits are monitored continuously and reported regularly. In addition, the counterparty risk is quantified by combining exposure with the probability of defaulting for the individual counterparty. The overall counterparty risk is calculated and reported for all relevant units.

LIQUIDITY RISK

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

INSURANCE

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

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

Note 29 Related parties

Operations, production management, power optimisation and management of green certificates of the Group's power plants in Sweden, Finland and Norway are coordinated through operating agreements with Statkraft Energi. This applies to both hydro- and wind power production.

The management of the Statkraft Financial Energy portfolio and the Continental Assets portfolio are handled by Statkraft Financial Energy AB and Statkraft Markets GmbH, respectively.

Portfolio management for Fjordkraft AS and Trondheim Energi Kraft AS is handled by Statkraft Energi. Statkraft Energi also has specific agreements relating to the sale of energy and related services with Skagerak Energi.

Purchase and sale of natural gas in the European market are handled in cooperation with the German sister company Statkraft Markets GmbH, governed by a separate agreement.

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

The administration of Statkraft Carbon Invest AS is handled by Statkraft AS and Statkraft Energi.

Statkraft Energi constitutes the Group's professional expertise regarding the analysis and forecasting within the energy area. General and specific analyses are made available for Statkraft AS and other group companies with a need for this through commercial agreements.

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

Statkraft Energi has entered into agreements relating to power purchase from the Group company Kraftwerkgesellschaft Herdecke GmbH & Co. Statkraft Markets GmbH resell physical power from power plants in the German market.

The agreements have been entered into at market terms.

The company's transactions with related parties:

NOK million	2012	2011
a) Sales of goods and services		
Sales revenues with related parties	1 987	3 340
Sale of services:		
To related parties	146	154
To parent company (Statkraft AS)	220	32
Total sales of goods and services	2 353	3 526
b) Purchase of goods and services		
Purchase of goods:		
From related parties	22	99
From associates	603	714
Purchase of services:		
From related parties	69	92
From parent company (Statkraft AS)	313	341
Total purchase of goods and services	1 007	1 246



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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Statkraft Energi AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Statkraft Energi AS, which comprise the balance sheet as at December 31, 2012, and the income statement, showing a profit of NOK 2,980 million and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Statkraft Energi AS as at December 31, 2012, and of its



financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, March 7, 2013
Deloitte AS

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

[Translation has been made for information purposes only]



Annual Report 2012 Statkraft Energi AS

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