

## → Income Statement

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## Income Statement

STATKRAFT AS GROUP

NOK million	Note	2009	2008
Sales revenues	7	24 715	24 205
Other operating revenues	8	960	856
<b>Gross operating revenues</b>	6	<b>25 675</b>	25 061
Energy purchases	9	-4 825	-4 416
Transmission costs		-1 054	-1 326
Unrealised changes in the value of energy contracts	10	-2 813	4 282
<b>Net operating revenues</b>		<b>16 983</b>	23 601
Salaries and payroll costs	11	-2 517	-1 853
Depreciation, amortisation and impairments	6, 17, 18	-2 743	-1 553
Property tax and licence fees	13	-1 166	-1 077
Other operating expenses	14	-3 530	-2 500
<b>Operating expenses</b>		<b>-9 956</b>	-6 983
<b>Operating profit</b>	6	<b>7 027</b>	16 618
<b>Share of profit from associates and joint ventures</b>	6, 19	<b>1 179</b>	935
Financial income	15	2 060	26 435
Financial expenses	15	-3 756	-3 066
Unrealised changes in value financial items	15	5 977	-3 102
<b>Net financial items</b>		<b>4 281</b>	20 267
<b>Profit before tax</b>		<b>12 487</b>	37 820
Tax expense	16	-4 771	-4 558
<b>Net profit</b>		<b>7 716</b>	33 262
Of which minority interest		184	250
Of which majority interest		7 532	33 012

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## Balance Sheet

### STATKRAFT AS GROUP

NOK million	Note	31.12.09	31.12.08	31.12.07
<b>ASSETS</b>				
Intangible assets	17	2 277	2 481	1 589
Property, plant and equipment	18	78 239	74 553	56 228
Investments in associates and joint ventures	6, 19	16 509	14 387	32 131
Other non-current financial assets	20	21 939	25 169	2 944
Derivatives	24	3 358	5 716	2 096
<b>Non-current assets</b>		<b>122 322</b>	<b>122 306</b>	<b>94 988</b>
Inventories	21	1 247	699	303
Receivables	22	8 707	11 646	5 094
Short-term financial investments	23	421	349	347
Derivatives	24	4 645	7 090	6 230
Cash and cash equivalents	25	6 663	2 209	3 150
<b>Current assets</b>		<b>21 683</b>	<b>21 993</b>	<b>15 124</b>
<b>Assets</b>		<b>144 005</b>	<b>144 299</b>	<b>110 112</b>
<b>EQUITY AND LIABILITIES</b>				
Paid-in capital		31 569	31 569	31 569
Retained earnings		26 065	37 983	10 032
Minority interests		7 267	2 772	2 817
<b>Equity</b>		<b>64 901</b>	<b>72 324</b>	<b>44 418</b>
Provisions	12, 26	13 653	11 327	10 831
Long-term interest-bearing liabilities	27	36 342	30 639	30 361
Derivatives	24	4 016	3 612	5 625
<b>Long-term liabilities</b>		<b>54 011</b>	<b>45 578</b>	<b>46 817</b>
Short-term interest-bearing liabilities	28	9 318	10 152	6 923
Taxes payable	16	2 372	2 735	1 583
Other interest-free liabilities	28	9 336	5 823	3 542
Derivatives	24	4 067	7 687	6 829
<b>Current liabilities</b>		<b>25 093</b>	<b>26 397</b>	<b>18 877</b>
<b>Equity and liabilities</b>		<b>144 005</b>	<b>144 299</b>	<b>110 112</b>

The Board of Directors of Statkraft AS  
Oslo, 17 March 2010



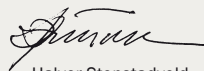
Arvid Grundekjøn  
Chair



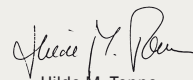
Berit Rødseth  
Board member



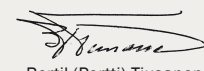
Ellen Stensrud  
Deputy chair



Halvor Stenstadvold  
Board member



Hilde M. Tønne  
Board member



Bertil (Pertti) Tiusanen  
Board member



Thorbjørn Holøs  
Board member



Odd Vanvik  
Board member



Astri Botten Larsen  
Board member



Bård Mikkelsen  
President and CEO

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## Statement of Cash Flow

STATKRAFT AS GROUP

NOK million	2009	2008
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	12 487	37 820
Profit/loss on sale of non-current assets	13	-12
Depreciation, amortisation and impairments	2 743	1 553
Profit from the sale of shares	-	-25 591
Share of profit from associates and joint ventures	-1 179	-935
Unrealised changes in value	-3 164	-1 180
Taxes	-3 119	-1 775
Cash flow from operating activities	7 781	9 880
Changes in long-term items	-305	2 159
Changes in short-term items <sup>1</sup>	4 155	-3 119
Dividend from associates	1 083	2 579
<b>Net cash flow from operating activities</b>	<b>A</b>	<b>12 714</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in property, plant and equipment, maintenance	-1 308	-796
Investments in property, plant and equipment, new capacity	-2 447	-1 196
Proceeds from sale of non-current assets	158	13
Capital reduction in associates and joint ventures	1 320	-
Business combinations, net liquidity accruing to the Group	-417	-
Loans to third parties	-1 410	-486
Repayment of loans	161	-
Investments in other companies	-735	-581
<b>Net cash flow from investing activities</b>	<b>B</b>	<b>-4 678</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
New debt	15 377	6 525
Repayment of debt	-9 378	-7 551
Dividend and Group contribution paid	-10 260	-8 396
Share issue to minority	928	-
<b>Net cash flow from financing activities</b>	<b>C</b>	<b>-9 422</b>
<b>Net change in cash and cash equivalents during the year</b>	<b>A+B+C</b>	<b>4 703</b>
Currency effect on cash flows	-249	28
Cash and cash equivalents 01.01.	2 209	3 150
Cash and cash equivalents 31.12.	6 663	2 209
Unused committed credit lines	8 054	8 000
Unused overdraft facilities	731	400

<sup>1</sup> Changes in short-term items include a movement in receivables in connection with the swap agreement with E.ON AG of NOK 3250 million, changes in receivables and liabilities related to cash collateral of NOK 1832 million, changes in E.ON shares (net movement in currency and market price) of NOK 2976 million, as well as changes in currency of NOK -5822 million. Other effects include changes in working capital and derivative positions.

## Statement of Changes in Equity

STATKRAFT AS GROUP

### STATEMENT OF TOTAL COMPREHENSIVE INCOME

NOK million	2009	2008
Net profit	7 716	33 262
Changes in the fair value of financial instruments	463	-
Estimate deviation pensions	81	-517
Translation differences	-8 304	3 335
Translation differences included in profit calculations	-	-931
<b>Total comprehensive income</b>	<b>-44</b>	<b>35 149</b>
Total comprehensive income attributable to:		
Shareholders of the parent	647	35 016
Minority interests	-691	133

### STATEMENT OF CHANGES IN EQUITY

NOK million	Paid-in capital	Other equity	Accumulated translation differences	Retained earnings	Total majority interests	Minority interests	Total equity
<b>Balance as of 01.01.2008</b>	<b>31 569</b>	10 078	-46	10 032	<b>41 601</b>	2 817	<b>44 418</b>
Total comprehensive income for the period	-	35 595	2 421	35 016	<b>35 016</b>	133	<b>35 149</b>
Dividend and group contribution	-	-6 836	-	-6 836	<b>-6 836</b>	-198	<b>-7 034</b>
Equity holdings in associates and joint ventures	-	-229	-	-229	<b>-229</b>	-	<b>-229</b>
Capital increase	-	-	-	-	-	20	<b>20</b>
<b>Balance as of 31.12.2008</b>	<b>31 569</b>	35 608	2 375	37 983	<b>69 552</b>	2 772	<b>72 324</b>
Total comprehensive income of the period	-	8 048	-7 401	647	<b>647</b>	-691	<b>-44</b>
Dividend and group contribution	-	-10 000	-	-10 000	<b>-10 000</b>	-260	<b>-10 260</b>
Business combinations incl. liability of the option to increase shareholding in subsidiary	-	-2 561	-	-2 561	<b>-2 561</b>	4 475	<b>1 914</b>
Equity holdings in associates and joint ventures	-	-4	-	-4	<b>-4</b>	-	<b>-4</b>
Capital increase	-	-	-	-	-	971	<b>971</b>
<b>Balance as of 31.12.2009</b>	<b>31 569</b>	31 091	-5 026	26 065	<b>57 634</b>	7 267	<b>64 901</b>

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## 01 → ACCOUNTING POLICIES

#### GENERAL INFORMATION

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.

**Basis of preparation of the financial statements** Statkraft's consolidated financial statements for 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU. The Group has listed debt instruments and is therefore required to report its consolidated financial statements in accordance with IFRS.

**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 adopted in 2009:

- IFRS 8 – Operating Segments. The standard requires segment allocation to be based on management reporting. The standard came into effect on 1 January 2009. However, Statkraft used the opportunity to implement the standard early in connection with an internal reorganisation effective from 1 July 2008.
- IAS 1 – Presentation of financial statements. The standard has been updated, and from 1 January 2009 requires a presentation of total comprehensive income. Furthermore, the standard requires companies that reclassify or retroactively apply an accounting principle to also show the opening balance for the comparative period. Through the improvement project from 2008, the standard has also required classification of derivatives as both short-term and long-term items.
- IFRS 7 – Financial instruments – information. The standard

has been updated, and from 1 January 2009 requires more information relating to assets and liabilities measured at fair value. Changes have also been made to the requirements for information concerning liquidity risk.

The following standards have been updated effective 1 January 2009, but are not assumed to have any significant impact on Statkraft:

- IAS 23 – Borrowing costs. The standard has been updated and, prescribes the mandatory capitalisation of construction-related borrowing costs effective from 1 January 2009. Statkraft is already applying this policy.
- IAS 16 – Property, plants and equipment.
- IAS 19 – Employee benefits
- IAS 36 – Impairment of assets.
- IAS 40 – Investment property.

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

- IFRS 3 – Business combinations. This standard has been updated and will, from the first accounting period starting after 1 July 2009, effect the way in which acquisitions are recognised. 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 standard has been updated and applies from the first accounting period starting after 1 July 2009. The standard requires that the effects of transactions with non-controlling interests (formerly minority interests) are 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.

- IFRIC 12 – Service concession arrangements. The interpretation provides guidance on the recognition of private companies' involvement in public infrastructures.
- IFRIC 16 – Hedges of a net investment in a foreign operation. The interpretation has been updated and will impact how the hedging of net investments in foreign operations can be treated as hedge accounting due to the fact that the hedging instrument is a financial instrument held by the same foreign operation that is identified as a hedged item.
- IFRIC 18 – Transfers of assets from customers. The interpretation will impact the manner in which assets transferred from customers are recognised.
- Supplement to IAS 27 – Consolidated and separate financial statements. The amendment to the standard addresses the presentation of the parent company financial statements as compared to the consolidated financial statements.

Other new standards and interpretations are not expected to have any significant consequences for Statkraft.

**Comparative figures** All amounts in the income statement, statement of total comprehensive income, statement of equity, cash flow and additional information have been given with comparative figures from the previous year. For the balance sheet, all amounts are given with comparative figures from the previous two years as a result of changes in the classification of derivatives. Any associated notes also give comparative figures from the two previous years.

#### SUMMARY OF IMPORTANT ACCOUNTING POLICIES

**Consolidation and the consolidated financial statements** The consolidated financial statements show the overall financial results and the overall financial situation for the parent company Statkraft AS and its controlling shareholdings in other companies presented as though they were a single financial entity. Intercompany sales and balances and gains and losses on intercompany transactions have been eliminated.

The consolidated financial statements include companies in which Statkraft has a direct or indirect controlling interest. A controlling interest normally exists when the shareholding, either directly or via other controlled units, exceeds 50%. Subsidiaries that are acquired or established during the year are included with effect from the date of acquisition or establishment.

**Acquisitions** In the case of acquisitions, the transaction date forms the basis for determining the cost price and assessments of excess value. The transaction date is deemed to be the time when risk and control has been transferred and normally coincides with the completion date. The cost price of shares in subsidiaries is eliminated against equity at the date of acquisition. Identifiable assets, liabilities and contingent liabilities are recognised at fair value. 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.

**Associates and joint ventures** Shares in companies in which Statkraft exercises a significant, but not controlling influence, and shares in companies with joint control (not partly owned power plants) are treated in accordance with the equity method. 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 accounting policies applied for the acquisition of associates and joint ventures 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 accounted for in accordance with IAS 31. These power plants are recognised as joint ventures with Statkraft's share of income, expenses, assets and liabilities.

**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 from trading portfolios are recognised on a net basis 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. Revenue surpluses and shortfalls are not recognised in the balance sheet and are disclosed 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. Subsequent depreciation and impairments on such investments are also recognised net in the income statement.

**Foreign currency** The consolidated financial statements are presented in NOK, which is also the parent company's functional currency. The Group has subsidiaries, associates and joint ventures that have other functional currencies. These are translated to NOK using the spot 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 are recognised in equity and included in the income statement on disposal of the unit.

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Transactions denominated in foreign currency are converted using the transaction date exchange rate. Balance sheet items in foreign currencies are valued at the exchange rate in effect at the balance sheet date. Currency effects are recognised under financial items. Gains and losses resulting from changes in exchange rates on borrowings intended to hedge net investments in a foreign unit are recognised directly in equity.

### Financial instruments

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

#### Measurement of different categories of financial instruments

##### 1) Instruments valued at fair value through profit or loss

**Instruments compulsorily valued at fair value through profit or loss** Derivatives are financial instruments that are compulsorily valued 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 equity. 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.

**At voluntary fair value through profit or loss** In certain cases, financial assets and liabilities can be designated at fair value through profit or loss. The use of the fair value 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 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) **Available-for-sale assets** are assets that are designated as available for sale, or which are not included in any of the above categories.
- 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.

##### Instruments compulsorily valued 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 CO<sub>2</sub> quotas must always be designated as derivatives. Physical contracts for the purchase and sale of energy and CO<sub>2</sub> 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 must be compulsorily measured at fair value through profit or loss. Physical contracts for the purchase and sale of energy, CO<sub>2</sub> 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. Contracts entered into for different purposes are recorded in clearly separate books.

**At voluntary fair value through profit or loss** Financial instruments can be designated "at fair value through profit or loss" on initial recognition when these are included in a group of financial assets or liabilities that are managed on a fair-value basis. Statkraft's guidelines for the voluntary designation of financial instruments at fair value through profit or loss prescribe that all instruments that are treated within the mandates of short-term financial investments, within the placement of liquid assets (excluding bank deposits) and within equity instruments connected to CO<sub>2</sub> fund investments are to be automatically designated as such. Statkraft will normally not designate financial liabilities at fair value through profit or loss. Any such designation of financial liabilities must, if applicable, only be based on a concrete assessment of whether this type of designation would result in a more accurate presentation of the instrument.

**Held-to-maturity assets** Statkraft will not normally have any investments that qualify for designation in the held-to-maturity category. Designating an instrument in this category must, where applicable, only be made following a closer assessment of whether the criteria for such a classification are satisfied on the basis of an intention to hold the asset until maturity.

**Financial instruments used in hedge accounting** Financial instruments intended for use as hedging instruments or hedged items in hedge accounting are identified by reference to the purchaser's intention at the time of the acquisition of the financial instrument. If financial instruments acquired for financing purposes are acquired with the intention of achieving a financial hedging effect, a more detailed assessment of alternatives should be made in order to be able to document hedge accounting. Such assessments are not normally performed on an ongoing basis within energy trading even if the intention at the time of the procurement of the instrument was to use the instrument for hedging purposes. 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 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. 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 net resource rent revenue 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 normative interest rate for 2009 has been set at 2%. The regulations for establishing resource rent revenue were changed with effect from the 2007 fiscal year. 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 previous years are treated in accordance with the old rules, and can therefore be carried forward with interest and offset against future positive resource rent revenues from the same power plant. Deferred tax assets linked to loss carryforwards and deferred tax linked to other temporary differences are calculated by 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. Provision for deferred resource rent tax is made at 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. Loan costs in connection with major investments are calculated and recognised in the balance sheet. 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, with the balancing entry to increase the recognised value of the relevant investment, which is subsequently depreciated over the licence period.

Costs incurred for own plant investments in the Statkraft Group are recognised in the balance sheet as facilities under construction. The cost consists solely of directly attributable costs. Indirect costs are not recognised in the balance sheet.

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 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. 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.

Investment property is recognised in the balance sheet at historic cost.

**Leases** A lease is recognised as a finance lease when the risks and returns incidental to ownership have been substantially transferred to Statkraft. In other cases leases are recognised on an ongoing basis on payment of the lease.

**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.

**Inventories** CO<sub>2</sub> 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 CO<sub>2</sub>

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quotas are deemed to be held for trading purposes and are recognised as inventories. Inventories of CO<sub>2</sub> 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.

No contingent assets or contingent liabilities are recognised.

**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. The accounting treatment adopted within the industry for concessionary power contracts with financial settlement differs. Statkraft has elected not to include such concessionary contracts 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. 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. Dividends paid to the owner and to minority 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 in the following areas of material importance with regard to the amounts that have been recognised in the consolidated income statement and balance sheet. These 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. There are no clear guidelines stipulating when such contracts shall be deemed to be net financially settled. 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 being recognised through the income statement, while those contracts that are not covered by the definition are mainly recognised on delivery.

**Concessionary power contracts** Recognition of concessionary power contracts with financial settlement would, in accordance with IAS 39, result in such contracts being recognised at fair value in the balance sheet with changes in fair value being recognised in the income statement. At the end of 2009 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. On the basis of these assumptions, the estimated fair value as of 31 December 2009 would have been around NOK -5300 million, while the change in fair value recognised in 2009 would have been around NOK 1400 million.

### ESTIMATES AND ASSUMPTIONS

The most important assumptions regarding future events and other significant sources of uncertainty in relation to the estimates at the balance sheet date that can have a significant risk of material changes to the amounts recognised in future accounting periods are discussed below:

**Property, plant and equipment** Property, plant and equipment is depreciated over its expected useful life, which in turn forms the basis for annual depreciation in the income statement. Expected useful life is estimated based on experience, historical data and accounting judgements, and is adjusted in the event of any changes to such estimates. 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 is subjected to annual impairment tests. 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** Deferred tax assets associated with negative resource rent revenues carried forward are recognised in the balance sheet. Deferred tax assets are recognised in the balance sheet where it is expected that negative resource rent revenue will be utilised within a period of ten years. The period over which negative resource rent revenues can be carried forward depends on assumptions regarding future revenues, and in particular expectations of future power prices. Management has used its best judgement in making assessments relating to future power prices and other conditions that determine future resource rent revenues.

**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 → IMPORTANT EVENTS AND EVENTS SINCE THE BALANCE SHEET DATE

### 2009

**Hydropower** In January, Statkraft increased its shareholding in Statkraft Norfund Power Invest AS (SN Power) from 50 to 60 per cent through a combination of a purchase of shares from Norfund and a private placement in SN Power amounting to NOK 2 billion. The transaction increased the Statkraft Group's production capacity by 621 MW, primarily within hydropower.

In June, Statkraft acquired 95 per cent of the shares in Yesil Enerji Üretim Sanayi ve Ticaret A. Ş. (Yesil Enerji) from the Turkish company Global Investment Holdings A.Ş. The acquisition gives Statkraft the rights to six hydropower projects in Turkey with a production potential of about 2 TWh annually.

Three new hydropower plants came online in 2009, Rødberg, Sylsjø and Håvardvatn, with an annual total mean production of 44 GWh.

Småkraft commissioned eight new power plants in 2009, with a total annual mean production of 106 GWh.

**Wind Power** The Forewind consortium, consisting of the partners Statkraft, Statoil ASA (Statoil), RWE npower plc and Scottish and Southern Energy plc., was awarded the Dogger Bank zone by the

UK authorities in January 2010. The zone is located in the North Sea, between 125 and 195 kilometres off the coast of Yorkshire, and is the largest zone awarded in the third licensing round for development of offshore wind farms in the UK. The development potential is 9 GW. Statkraft owns 25 per cent of the consortium.

In March, Statkraft purchased 50 per cent of the shares in Statoil's project for the construction of the Sheringham Shoal Offshore Wind Farm off the Norfolk coast in the UK. The wind farm, which will be completed in 2011, will comprise 88 turbines and have a total installed capacity of 315 MW. The expected annual production for the project is 1.1 TWh.

The Alltwalis Wind Farm in the UK came online in December. The wind farm in Wales has a total of ten turbines and an installed capacity of 23 MW.

In the fourth quarter, Statkraft SCA Vind AB in northern Sweden was granted licenses for the construction of six wind farms with a total installed capacity of 1140 MW. These licenses have been appealed.

In August, Statkraft and the Swedish forestry company Södra

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signed a letter of intent relating to renewable energy. In October, the companies entered into a cooperation agreement, which includes Statkraft buying 90.1 per cent of Södra's wind power development company in southern Sweden. The portfolio contains projects in various stages of development, with an overall potential of about 634 MW of installed capacity. The first project was granted a license in October, but the license has been appealed.

**Power agreements** Statkraft and Boliden Odda AS (Boliden) entered into a comprehensive agreement that was finalised in the second quarter and became effective as of 1 July. As part of this agreement, Statkraft and Boliden Odda signed two long-term industrial power agreements for the period 2009–2030. The agreement, for the delivery of around 20 TWh, is the largest industrial power agreement Statkraft has entered into since 1998. Statkraft SF owns the power facilities in Tyssedal, but the waterfall rights and power plants are leased out to AS Tyssefaldene on terms set by the authorities. In line with the agreement, Statkraft acquired Boliden's 39.88 per cent shareholding in Tyssefaldene, which increased Statkraft's shareholding to 60.17 per cent. The remaining shares are owned by Eramet SA through the company DNN Industrier AS.

In 2007, Statkraft and the Swedish paper producer SCA entered into an agreement which includes a ten-year power delivery of 500 GWh per year to the paper mill Ortvikens Pappersbruk. This power delivery started in June 2009.

## 2008

**Asset swap** On 31 December, Statkraft AS and E.ON AG completed an agreed asset swap. The swap deal involved E.ON AG acquiring Statkraft's 44.6% shareholding in E.ON Sverige AB together with a hydropower plant in Sweden in exchange for 40 hydropower plants and five district heating plants in Sweden, two gas-fired power plants and eleven hydropower plants in Germany, three hydropower plants in the UK along with a gas storage contract and a power delivery contract. The acquired production assets have an installed capacity of about 2500 MW. In addition, Statkraft received a 4.17% shareholding in E.ON AG. The transaction had a total value of about EUR 4.5 billion. The fair value at the time of acquisition was NOK 45.6 billion and deviates somewhat from the previously stated amount due to currency exchange rates and estimates of pro and contra settlements, and resulted in a net recognised profit after tax for Statkraft of NOK 25.6 billion.

**Increased shareholding in SN Power** In November, Statkraft AS and Norfund agreed a new ownership structure for SN Power. The agreement was effective from 13 January 2009 and Statkraft increased its shareholding to 60% through the purchase of 10% of Norfund's shareholding. Statkraft was offered a further option to increase its shareholding to 67%, at market price, by no later than 2015. Norfund was granted an option to sell all or some of its shares during the same period. In parallel, a separate company was established to focus on initiatives in Africa and Central America, in which Norfund participates as a direct owner alongside SN Power.

**New industrial power agreement** In October, Statkraft and Boliden Odda signed two long-term, commercial industrial power contracts for the period 2009 to 2030. The agreement, for the delivery of around 20 TWh, is the largest industrial power agreement that Statkraft has entered into since 1998. As part of the agreement Statkraft will acquire Boliden Odda's shares in AS Tyssefaldene and Statkraft's shareholding in the company will increase to 60.17%. The agreement will be effective as soon as tax-related and other issues have been resolved.

**Hydropower** In October, Leirfossene power plant in Trondheim was opened. The new hydropower plant replaces two old power plants and will result in an increase in annual production from 150 GWh to 193 GWh.

Småkraft AS started the operation of five small-scale hydropower plants in 2008. At year-end, 12 small-scale power plants were in operation with an overall annual production of 129 GWh and 13

power plants were under construction. The company received nine new licenses in 2008 and now has eleven development licenses.

In December, Statkraft and the Austrian energy group EVN AG (Energie-Versorgung Niederösterreich AG) signed a license agreement for hydropower development in Albania. The construction of three power plants with a total installed capacity of 340 MW and an expected annual production of 1 TWh is planned to take place through a joint venture.

In 2008, Statkraft and local partner Aboitiz took over two hydropower plants totalling 175 MW in the Philippines.

On 18 March 2009, Statkraft entered into an agreement to buy 95 per cent of Yesil Enerji from the Turkish company Global Investment Holdings. Yesil Enerji has a portfolio totalling seven hydropower projects. The entire project portfolio has a planned total installed capacity of 633 MW and an annual average production capacity of 2.1 TWh. The transfer of shares is scheduled for June 2010. The agreement is contingent upon approval from the relevant authorities.

**Land-based wind power** In August, Statkraft and Agder Energi entered into an agreement to establish the company Statkraft Agder Energi Vind DA. The new company means that Statkraft and Agder Energi will join forces in to develop land-based wind power in Norway. The collaboration includes all new projects within the development, construction, operation and maintenance of wind farms in Norway, as well as the trading of the power from the wind farms. The wind farms currently in operation will not be included in the joint venture. The establishment of the company Statkraft Agder Energi Vind DA is contingent upon approval from the competition authorities.

In March, Statkraft decided to build the wind farm Blaengwen in Wales, with an installed capacity of 23 MW. The construction work started in the autumn 2008 and is expected to be completed in 2010. The wind farm was originally a 50/50 joint venture with the US company Catamount Energy Corporation, but Statkraft acquired Catamount's shareholding in March 2009 and now wholly owns the wind farm.

In June, Statkraft, along with its partner GreenPower, was awarded a license to build and operate a wind farm on the west coast of Scotland.

In December, Statkraft SCA Vind AB submitted an application for six wind farms in Sweden with a total installed capacity of about 1100 MW and an expected annual production of about 2.5 TWh. The development company is owned by Statkraft with 60% and the Swedish company SCA with 40%.

In May and October, Statkraft acquired a shareholding totalling 11.8% in Arise Windpower AB which develops land-based wind power projects in southern Sweden and owns a wind farm under construction.

In June, SN Power decided to start building the company's first wind farm. The farm, which will have a total effect of 46 MW, is under construction in Chile and is owned in combination with a local partner (SN Power 80%).

**Offshore wind power** Statkraft is part of a consortium with StatoilHydro, UK Airtricity and RWE npower Renewables which applied for zones for offshore wind power in the seas around the UK in March 2009. The application was in connection with the third round of license awards from the UK authorities.

**Solar power** In late March, Statkraft and its partner Norsk Solkraft won a license for a 3 MW photovoltaics solar cell plant in Italy.

**Innovation and new technologies** A marine energy program in cooperation with leading university institutions in Norway, Sweden and Denmark was continued with a committed amount of NOK 80 million over four years.

In March, Statkraft entered into a cooperation agreement with NorWind relating to offshore wind power under which NorWind will carry out a concept study for a large offshore wind power farm resting on the seabed.

In June, Statkraft and its partners established WindSea AS (49% shareholding), which develops a concept for offshore wind power based on a floating structure.

Along with two local partners, Statkraft has established Thetis Energy Ltd (51% shareholding) for the development of tidal power in Northern Ireland.

Statkraft started the building of the world's first osmotic power plant prototype at Hurum outside Oslo.

Statkraft has initiated a collaboration with several Norwegian industrial companies to achieve energy efficiency gains in the industry. A license application has been submitted for an energy recovery facility in cooperation with Eramet Sauda.

## 04 → BUSINESS COMBINATIONS

### 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 completion date of 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 purchase 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 of NOK 523 million and assumed receivables of NOK 188 million.

**Statkraft Södra Vindkraft AB** On 1 October 2009, Statkraft entered an agreement with Södra Skogsägarna ekonomiska 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 og Ra2 S.r.l** On 15 May 2009, Statkraft AS completed the acquisition of the remaining 50% of the shares in Ra1 and Ra2 from Norsk Solkraft AS. The purpose of the acquisition is to secure ownership of the Casale and Borgo solar parks in Italy.

**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 Fibernet acquired the remaining 66% of Larvik Fibernet through a merger of the two mentioned parties and Grenland Fibernet. On 31 March 2009, this new company was merged with Skagerak Fibernet Vestfold. The shareholding following this merger was 66%.

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#### Allocation of purchase price in connection with business combination 2009

	Statkraft Norfund Power Invest AS	Yesil Enerji Üretim Sanayi ve Ticaret A.S. <sup>1</sup>	Statkraft Södra Vindkraft AB <sup>1</sup>	Other acquisitions <sup>1</sup>	Total
Transaction date	13.01.09	23.06.09	01.10.09	-	
Voting right/shareholding acquired through the acquisition	10%	95%	90.1%	-	
Total voting right/shareholding following acquisition	60%	95%	90.1%	-	
<b>Consideration paid (NOK million)</b>					
Cash	1 077	518	140	102	1 837
Transaction costs	23	5	-	1	29
<b>Total acquisition cost</b>	<b>1 100</b>	<b>523</b>	<b>140</b>	<b>103</b>	<b>1 866</b>
<b>Book value of net acquired assets (see table below)</b>					
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
<b>Gross excess value</b>	<b>5 117</b>	<b>504</b>	<b>-</b>	<b>-</b>	<b>5 621</b>
Deferred tax on excess value	-543	-	-	-	-543
<b>Net excess value</b>	<b>4 574</b>	<b>504</b>	<b>-</b>	<b>-</b>	<b>5 078</b>
<b>Fair value of net acquired assets, excluding goodwill</b>	<b>10 364</b>	<b>551</b>	<b>1</b>	<b>70</b>	<b>10 987</b>
Fair value of net acquired assets, excluding goodwill, attributable to:					
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 owner through the transaction	1 037	523	1	47	1 609
Goodwill <sup>2</sup>	63	-	139	56	257
<sup>1</sup> The allocation of purchase price is deemed to be provisional pending the completion of the final valuation of the acquired assets and liabilities. <sup>2</sup> 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.					
<b>Book value of net acquired assets</b>					
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
<b>Non-current assets</b>	<b>6 793</b>	<b>310</b>	<b>1</b>	<b>216</b>	<b>7 321</b>
Cash and cash equivalents	1 372	4	-	19	1 394
Receivables	646	17	1	112	776
Inventories	5	-	-	3	8
<b>Current assets</b>	<b>2 023</b>	<b>21</b>	<b>1</b>	<b>134</b>	<b>2 178</b>
<b>Acquired assets</b>	<b>8 816</b>	<b>331</b>	<b>1</b>	<b>350</b>	<b>9 499</b>
Long-term interest-bearing liabilities	2 002	74	-	198	2 274
Short-term interest-bearing liabilities	219	-	-	-	219
Deferred tax	95	-	-	-	95
Other interest-free liabilities	344	210	-	82	636
Minority interests	366	-	-	-	366
<b>Liabilities</b>	<b>3 026</b>	<b>284</b>	<b>-</b>	<b>280</b>	<b>3 590</b>
<b>Net value of acquired assets</b>	<b>5 790</b>	<b>47</b>	<b>1</b>	<b>70</b>	<b>5 909</b>
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.

**BUSINESS COMBINATIONS 2008**

**Swap deal with E.ON** On 24 July 2008, Statkraft AS and E.ON AG entered into a swap deal. In exchange for shares in E.ON Sverige AB, Statkraft received renewable and flexible power production assets and shares in E.ON AG. The swap deal had a total value of NOK 45 635 million. On the completion date of 31 December 2008, Statkraft's shareholding in E.ON Sverige AB and a Swedish hydropower plant were exchanged for a third of E.ON Sverige's hydropower production capacity (40 hydropower plants), five Swedish district heating plants, two gas-fired power plants and 11 hydropower plants in Germany, three hydropower plants in the UK and shares in E.ON AG. Statkraft also received a structured gas storage contract and a power delivery agreement. Statkraft increased its total production capacity by around 2500 MW, and gained 217 new employees for the Group, primarily in connection with the acquired business in Germany and district heating business in Sweden.

Following the deal, Statkraft became one of the four largest power generators in Sweden. Increased flexible power production in Germany and the UK reinforces Statkraft's position as a significant player in Northern Europe and provides the company with a solid platform for future growth in these core markets.

Prior to the transaction, E.ON AG owned 55.365% of E.ON Sverige AB, while Statkraft AS owned 44.631% and other shareholders owned 0.004%. The transaction triggered a major increase in the value of Statkraft's investment in E.ON Sverige AB, and at the same time converted these values to a 100% shareholding in strategic assets in core markets. In addition, some of the value was transferred to shares in E.ON AG, corresponding to around EUR 2180 million. As a result of the transaction Statkraft acquired the following shareholdings: Statkraft Sverige Vattendel 3 AB (100%), Harrsele AB (50.57%), Statkraft Värme AB (100%), Statkraft Energy Ltd (100%), Emden Biofuel (30%), Landesbergen Biofuel (50%) and E.ON AG (4.17%).

The voting rights in the companies that were acquired correspond to the shareholdings.

The swap deal took place at fair value and cash was not included in the settlement with the exception of the final settlement of NOK 2602 million which was settled in 2009.

The purchase price allocation was made by the Group's own specialists and management, in collaboration with external experts.

The total value of the swap deal was NOK 45 635 million. The calculation of the fair value of assets and liabilities included in the swap deal was allocated as follows:

Assets	Balance sheet value on the acquisition date	Excess fair value	Recognised fair value - final	Recognised fair value - preliminary 31 Dec. 2008
NOK million				
Goodwill	235	151	386	425
Property, plant and equipment	4 859	12 273	17 132	17 132
Investments in associates and joint ventures	196	-	196	181
Other non-current financial assets	21 285	1 840	23 125	23 125
<b>Non-current assets</b>	<b>26 575</b>	<b>14 264</b>	<b>40 839</b>	<b>40 863</b>
Cash and cash equivalents	339	-	339	339
Receivables	3 464	-	3 464	2 883
Inventories	73	-	73	73
Derivatives	1 350	358	1 708	1 708
<b>Current assets</b>	<b>5 226</b>	<b>358</b>	<b>5 584</b>	<b>5 003</b>
<b>Acquired assets</b>	<b>31 802</b>	<b>14 622</b>	<b>46 424</b>	<b>45 866</b>
Other interest-free liabilities	555	-	555	405
Deferred tax	128	106	234	115
<b>Liabilities</b>	<b>683</b>	<b>106</b>	<b>789</b>	<b>520</b>
<b>Net value of acquired assets</b>	<b>31 119</b>	<b>14 516</b>	<b>45 635</b>	<b>45 346</b>

Costs in connection with the swap deal amounted to NOK 100 million, which were mainly expensed.

Goodwill arising on the purchase amounted to NOK 386 million with NOK 151 million derived from the district heating business in Sweden and NOK 235 million from the hydropower and gas power plants in Germany and the UK. Other goodwill was related to synergies and expected future earnings capacity that had 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.

If the swap deal with E.ON AG had been completed on 1 January 2008, the consolidated sales revenues would have been NOK 30 812 million, and the net profit NOK 7681 million. Management has adjusted for the following matters to arrive at these pro forma figures:

- added sales revenues and the result for the acquired entities in Sweden, Germany and the UK as well as estimated amortisation on the fair value adjustments
- added its share of the dividend from E.ON AG for 2008
- excluded the share of profit from the investment in E.ON Sverige AB
- excluded the profit from sale of shares under the terms of the swap deal with E.ON AG
- adjusted for costs in connection with the acquisition

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## 05 → CONSOLIDATED COMPANIES

### SHARES IN CONSOLIDATED COMPANIES

Name	Registered office	Country	Parent company	Shareholding and voting rights
Statkraft Energi AS	Oslo	Norway	Statkraft AS	100.00%
Baltic Cable AS	Malmö	Sweden	Statkraft Energi AS	66.67%
Statkraft Carbon Invest AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Financial Energy AB	Stockholm	Sweden	Statkraft AS	100.00%
Statkraft Germany GmbH	Düsseldorf	Germany	Statkraft AS	100.00%
Statkraft Markets GmbH	Düsseldorf	Germany	Statkraft Germany GmbH	100.00%
Statkraft Markets Hungary LLC	Budapest	Hungary	Statkraft Markets GmbH	100.00%
Statkraft South East Europe EOOD	Sofia	Bulgaria	Statkraft Markets GmbH	100.00%
Statkraft Markets GmbH Slovakian branch	Bratislava	Slovakia	Statkraft Markets GmbH	100.00%
Statkraft Romania SRL	Bucharest	Romania	Statkraft Markets GmbH	100.00%
Statkraft Energy Austria GmbH	Vienna	Austria	Statkraft Markets GmbH	100.00%
Statkraft Markets BV	Amsterdam	The Netherlands	Statkraft Markets GmbH	100.00%
Statkraft Markets Financial Services GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Holding Knapsack GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Knapsack Power GmbH & Co KG	Düsseldorf	Germany	Statkraft Holding Knapsack GmbH	100.00%
Knapsack Power Verwaltungs GmbH	Düsseldorf	Germany	Knapsack Power GmbH & Co KG	100.00%
Statkraft Holding Herdecke GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Trading GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Germany Drei GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Germany Vier GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Germany Fünf GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	Istanbul	Turkey	Statkraft AS	95.00%
Çakir Enerji A.Ş.	Istanbul	Turkey	Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	99.93%
Anadolu Elektrik üretim San. Tic. A.Ş.	Istanbul	Turkey	Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	99.00%
Akel Elektrik üretim San. Tic. A.Ş.	Istanbul	Turkey	Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	98.00%
Gümüşsan Enerji Elektronik Elektrik İnşaat San. Tic. Ltd. Şti	Istanbul	Turkey	Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	99.99%
Çetin Enerji A.Ş.	Istanbul	Turkey	Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	99.90%
Osmanlı Enerji A.Ş.	Istanbul	Turkey	Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	99.96%
Statkraft Suomi Oy	Kotka	Finland	Statkraft AS	100.00%
Ahviokoski Oy	Kotka	Finland	Statkraft Suomi Oy	100.00%
Statkraft Sverige AB	Stockholm	Sweden	Statkraft AS	100.00%
Grange AB	Stockholm	Sweden	Statkraft Sverige AB	100.00%
Gidekraft AB	Stockholm	Sweden	Statkraft Sverige AB	90.10%
Statkraft Sverige Vattendel 3 AB	Stockholm	Sweden	Statkraft Sverige AB	100.00%
Statkraft Sverige Vattendel 2 AB	Stockholm	Sweden	Statkraft Sverige AB	100.00%
Statkraft Södra Vindkraft AB	Stockholm	Sverige	Statkraft AS	90.10%
Statkraft Development AS	Oslo	Norway	Statkraft AS	100.00%
Smøla Vind AS	Oslo	Norway	Statkraft Development AS	100.00%
Hitra Vind AS	Oslo	Norway	Statkraft Development AS	100.00%
Kjøllefjord Vind AS	Oslo	Norway	Statkraft Development AS	100.00%
Statkraft UK Ltd	London	UK	Statkraft AS	100.00%
Statkraft Wind UK Ltd	London	UK	Statkraft UK Ltd	100.00%
Statkraft Energy Limited	London	UK	Statkraft UK Ltd	100.00%
Thetis Energy Limited	Belfast	UK	Statkraft UK Ltd	51.00%
Statkraft Western Balkans d.o.o.	Belgrade	Serbia	Statkraft AS	100.00%
Statkraft d.o.o. Banja Luka	Banja Luka	Republika Srpska	Statkraft AS	100.00%
Wind Power Bulgaria EOOD	Sofia	Bulgaria	Statkraft AS	60.00%
Statkraft Albania Shpk.	Tirana	Albania	Statkraft AS	100.00%
Statkraft Montenegro d.o.o.	Podgorica	Montenegro	Statkraft AS	100.00%
Statkraft Treasury Centre SA	Brussels	Belgium	Statkraft AS	100.00%
Statkraft SCA Vind AB	Stockholm	Sweden	Statkraft AS	60.00%
Renewable Energies and Photovoltaics Spain S.L.	Malaga	Spain	Statkraft AS	70.00%
Ra 1 S.r.l	Milan	Italy	Statkraft AS	100.00%
Ra 2 S.r.l	Milan	Italy	Statkraft AS	100.00%
Ra 3 S.r.l	Milan	Italy	Statkraft AS	100.00%
Statkraft Värme AB	Kungsbacka	Sweden	Statkraft AS	100.00%
Statkraft Industrial Holding AS	Oslo	Norway	Statkraft AS	100.00%
Skagerak Energi AS	Porsgrunn	Norway	Statkraft Industrial Holding AS	66.62%
Skagerak Kraft AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Nett AS	Sandefjord	Norway	Skagerak Energi AS	100.00%
Naturgass Grenland AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Elektro AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Varme AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Fibernett AS	Porsgrunn	Norway	Skagerak Energi AS	66.00%
Grenland Fibernett AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skien Fjernvarme AS	Skien	Norway	Skagerak Varme AS	51.00%
Grunnåi Kraftverk AS	Porsgrunn	Norway	Skagerak Energi AS	55.00%
Trondheim Energi AS	Trondheim	Norway	Statkraft Regional Holding AS	100.00%
Trondheim Energi Fjernvarme AS	Trondheim	Norway	Trondheim Energi AS	100.00%

Name	Registered office	Country	Parent company	Shareholding and voting rights
Trondheim Energi Kraft AS	Trondheim	Norway	Trondheim Energi AS	100.00%
Trondheim Energi Kraftsalg AS	Trondheim	Norway	Trondheim Energi AS	100.00%
Trondheim Energi Nett AS	Trondheim	Norway	Trondheim Energi AS	100.00%
Trondheim Energi Eiendom AS	Trondheim	Norway	Trondheim Energi AS	100.00%
Sluppen Eiendom AS	Trondheim	Norway	Trondheim Energi Eiendom AS	100.00%
Statkraft Forsikring AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Norfund Power Invest AS	Oslo	Norway	Statkraft AS	60.00%
SN Power Holding AS	Oslo	Norway	Statkraft Norfund Power Invest AS	100.00%
SN Power Holding Singapore Pte. Ltd	Singapore	Singapore	SN Power Holding AS	100.00%
SN Power Global Services Pte. Ltd	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd	100.00%
SN Power Holding Peru Pte. Ltd	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd	100.00%
SN Power Holding Chile Pte. Ltd	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd	100.00%
SN Power Holding Brazil Pte. Ltd	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd	100.00%
SN Power Energica do Brasil	Rio de Janeiro	Brazil	SN Power Holding Singapore Pte. Ltd	100.00%
SN Power Peru Holding S.R.L	Lima	Peru	SN Power Holding Singapore Pte. Ltd	100.00%
Empresa de Generacion Electrica Cahua S.A	Lima	Peru	SN Power Peru Holding S.R.L	99.99%
Empresa de Generacion Electrica Cheves S.A	Lima	Peru	SN Power Peru Holding S.R.L	100.00%
Inversiones Electricas de Los Andes S.A.C	Lima	Peru	SN Power Peru Holding S.R.L	100.00%
Electroandes S.A	Lima	Peru	Inversiones Electricas de Los Andes S.A.C	100.00%
SN Power Chile Inversiones Eléctricas Ltda	Santiago	Chile	SN Power Holding Chile Pte. Ltd	100.00%
SN Power Chile Tinguericica y Cia.	Santiago	Chile	SN Power Chile Inversiones Eléctricas Ltda	99.99%
SN Power Chile Valdivia y Cia.	Santiago	Chile	SN Power Chile Inversiones Eléctricas Ltda	99.99%
Hydroeléctrica Trayenko S.A	Santiago	Chile	SN Power Chile Valdivia y Cia.	80.00%
Norvind S.A	Santiago	Chile	SN Power Chile Valdivia y Cia.	80.00%
Himal Power Ltd	Kathmandu	Nepal	SN Power Holding Singapore Pte. Ltd	50.70%
SN Power AfriCA AS	Oslo	Norway	Statkraft Norfund Power Invest AS	51.00%
SN Power ACA Pte. Ltd	Singapore	Singapore	SN Power AfriCA AS	100.00%
Statkraft France SAS	Lyon	France	Statkraft AS	100.00%
Statkraft I AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft II AS	Oslo	Norway	Statkraft Industrial Holding AS	100.00%
Statkraft III AS	Oslo	Norway	Trondheim Energi AS	100.00%
Metor AS <sup>1</sup>	Porsgrunn	Norway	Skagerak Energi AS	60.00%
Fjordkraft AS <sup>2</sup>	Bergen	Norway		
Småkraft AS <sup>3</sup>	Bergen	Norway		

<sup>1</sup> Metor AS is owned by Skagerak Energi AS (60%) and Trondheim Energi AS (40%).

<sup>2</sup> Fjordkraft AS is owned by Statkraft Industrial Holding AS (3.15%), Skagerak Energi AS (48%) and Bergenshalvøens Kommunale Kraftselskap AS (48.85%). Fjordkraft AS has been consolidated since 1 January 2007

<sup>3</sup> Småkraft AS is jointly owned by Statkraft AS, Skagerak Kraft AS, Trondheim Energi Kraft AS, Agder Energi AS and Bergenshalvøens Kommunale Kraftselskap AS, which each have a 20% shareholding.

## 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 more 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.

**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. These business units are organised into one segment due to the close integration between operations, maintenance and energy optimisation.

**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** Customers comprises the distribution grid, district heating and power sales activities performed by Trondheim Energi.

**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.

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#### ACCOUNTING SPECIFICATION PER SEGMENT

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

Segments NOK million	Statkraft AS Group	Generation and markets	Wind power	Emerging markets	Skagerak Energi	Customers	Industrial ownership	Other
<b>2009</b>								
Operating revenues external	25 675	17 539	64	746	1 928	1 823	3 418	157
Operating revenues internal	-	1 000	197	1	798	-32	-	-1 965
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 profit from associates and joint ventures	1 179	-136	-15	91	-21	6	1 284	-30
Profit before financial items and tax	8 206	6 107	-78	272	1 170	86	1 380	-731
<b>Balance sheet 31.12.2009</b>								
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	2 792	15 136	3 913	2 767	30 493
Total assets	144 005	70 611	2 743	7 984	15 218	4 205	12 705	30 539
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
<b>2008</b>								
Operating revenues external	25 061	17 447	13	-	2 197	1 684	3 508	212
Operating revenues internal	-	804	235	-	1 037	47	2	-2 125
Gross operating revenues	25 061	18 251	248	-	3 234	1 731	3 510	-1 913
Operating profit/loss	16 618	15 570	276	-1	1 630	171	-78	-950
Share of profit from associates and joint ventures	935	-302	-38	87	-247	9	530	896
Profit before financial items and tax	17 553	15 268	238	86	1 383	180	452	-54
<b>Balance 31.12.08</b>								
Investments in associates and joint ventures	14 387	1 224	91	2 737	88	249	9 884	114
Other assets	129 912	74 936	1 512	200	14 955	4 612	1 604	32 093
Total assets	144 299	76 160	1 603	2 937	15 043	4 861	11 488	32 207
Depreciation, amortisation and impairments	-1 553	-1 069	233	-	-480	-155	-33	-49
Maintenance investments	796	490	-	-	202	84	-	20
Investments in new generating capacity	1 196	567	39	-	214	82	-	294
Investments in shares	581	26	178	200	26	3	-	148

#### 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.

Non-current assets exclude financial instruments, deferred tax and pension assets and are allocated on the basis of country of origin of generating assets or activities.

Geographical areas NOK million	Statkraft AS Group	Norway	Germany	Sweden	Finland	Other
<b>2009</b>						
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
<b>2008</b>						
Sales revenues external	24 205	19 424	2 900	551	165	1 165
Non-current assets as of 31.12.	75 515	48 804	6 387	18 769	911	644

The increase in Sweden is due to the acquired power plants following the asset swap with E.ON AG, while the increase in the Other segment is mainly due to the business combination with SN Power.

#### INFORMATION ON IMPORTANT CUSTOMERS

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

## 07 → SALES REVENUES

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. Purchasing positions are taken to adjust the hedging level if asTotalptions change and Statkraft considers its hedged position to be 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 (system price for financial contracts).

NOK million	2009	2008
Net physical spot sales, including green certificates	10 464	12 668
Concessionary sales at statutory prices	384	234
Industrial sales at statutory prices	1 671	1 624
Long-term commercial contracts	2 820	1 758
Dynamic hedging	1 654	1 221
Trading and origination	1 618	447
Distribution grid	1 485	1 426
End-users	4 285	4 305
District heating	505	370
Other/eliminations	-171	152
Sales revenues	24 715	24 205

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.

### Annual delivery volume for industrial and concessionary sales at statutory prices

TWh	Industrial power	Concessionary power	Total
2010	9.3	2.9	12.2
2011	1.5	2.9	4.4
2012	0.5	2.9	3.4
2013	0.5	2.9	3.4
2014	0.5	2.9	3.4
2015	0.5	2.9	3.4
2016	0.5	2.9	3.4
2017	0.5	2.9	3.4
2018	0.5	2.9	3.4
2019	0.5	2.9	3.4
Total	14.8	29.0	43.8

Price and volume for industrial and concessionary sales at statutory prices	2009	2008
Industrial power – Volume (TWh)	8.8	8.7
Industrial power – Price (NOK/MWh)	195	191
Concessionary power – Volume (TWh)	2.7	2.5
Concessionary power – Price (NOK/MWh)	95	94

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 other physical contractual obligations of varying duration to both Norwegian and international customers.

## 08 → OTHER OPERATING REVENUES

NOK million	2009	2008
Power plant leasing revenues	289	121
Other leasing and service revenues	477	493
Other	194	242
Total	960	856

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## 09 → ENERGY PURCHASES

NOK million	2009	2008
Gas purchases	2 225	2 053
End-user activities	2 600	2 363
Total	4 825	4 416

## 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	2009	2008
Nordic hydropower portfolio excluding industrial power	-240	382
Industrial power contracts in Nordic hydropower portfolio	-617	2 335
Trading and Origination	-128	312
Continental assets	-1 917	1 324
End-user portfolio	89	-71
Total	-2 813	4 282

The Group's contracts are, for example, indexed against various commodities, currencies and indices. The falling value of the US dollar and higher prices for petroleum-related products compared with gas prices contributed to unrealised losses.

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

NOK million	2009	2008
Salaries	1 699	1 331
Employer's national insurance contributions	264	200
Pension costs	342	236
Other benefits	212	86
Total	2 517	1 853

The Group employed an average of 3329 full-time equivalents in 2009. The corresponding figure for 2008 was 2460.

The increase in the number of employees is a result of the acquisition of SN Power as well as the fact that the Group is in a growth phase with many exploration, engineering and development projects. This, together with an increase in the number of employees following the swap deal with E.ON AG on 31 December 2008, explains the general increase in costs.

Pension costs are described in further detail in Note 12.

## 12 → PENSIONS

### DEFINED BENEFIT SCHEMES

**Occupational pension schemes in the Group** 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. 2641 employees and 1260 pensioners were covered by benefit schemes as of 31 December 2009. Skagerak Energi holds its pension plans in a separate pension fund. Fjordkraft AS employees are members of BKK's pension fund. With the exception of Småkraft AS, the rest of the Norwegian companies in the Group operate their pension plans through the Norwegian Public Service Pension Fund (SPK). SN Power has pension schemes in the SPK and in Nordea Liv.

Pension payments from the SPK are guaranteed by the Norwegian state (Section 1 of the Norwegian Pension Act). The occupational pension schemes cover retirement, disability, surviving spouse and child's pension. The retirement schemes provide pension benefits amounting to 66% of pensionable income, up to 12G (12 times the National Insurance Scheme's basic amount).

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.

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 government bonds. In this simulation it is assumed that the bonds are held to maturity. The pension assets are guaranteed by the Norwegian state. Up to 35% of the pension fund assets can be invested in the Norwegian Government Pension Fund, which is a real fund where yields are linked to the market situation.

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 Skagerak Energi's Pension Fund and for Fjordkraft AS in BKK's pension fund are carried forward as a pension fund liability.

There are separate fund-based benefit schemes for the employees in Germany and the UK who were transferred in connection with the swap deal with E.ON AG. The schemes include retirement, disability, spouse and children's pensions.

**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. Some members of the Group management have spouse and children's pension agreements. In addition, Statkraft has a survivor's pension scheme, which is a continuation of the Statkraft Pension Fund. This scheme ceased to exist in 2003. The pensions are funded out of the company's operations.

Employees who leave the company before pensionable age receive a deferred pension entitlement for the scheme above 12G.

**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 2009. Calculations are based on staff numbers and salary data at the end of the year.

Actuarial gains and losses in 2009 are mainly due to updated assumptions, membership, actual wage increases and return on assets.

**Explanation of the background for selected assumptions/risk table** The discount rate is set at 4.4% 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 2.25% 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). 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.

### DEFINED CONTRIBUTION SCHEMES

Group companies in Sweden, Finland, the Netherlands and Belgium operate defined contribution schemes in accordance with local legislation. Other employees in the UK, who are not covered by the defined benefit scheme mentioned above, also have defined contribution schemes.

#### The following assumptions are used

	31.12.09	01.01.09	31.12.08	01.01.08
Annual discount rate <sup>1</sup>	4.40–6.00%	3.70%	3.70%	4.60%
Salary adjustment	4.25–4.50%	4.00%	4.00%	4.00–4.50%
Adjustment of current pensions	2.10–4.00%	3.75%	3.75%	4.00%
Adjustment of the National Insurance Scheme's basic amount (G)	4.00%	3.75%	3.75%	4.00%
Forecast voluntary exit				
• Up to age 45	3.50%	2.50%	2.50%	2.50%
• Between ages 45 and 60	0.50%	0.50%	0.50%	0.50%
• Over age 60	0.00%	0.00%	0.00%	0.00%
Projected yield	4.40–6.00%	3.70%	3.70%	4.60–6.00%
Rate of inflation <sup>1</sup>	2.25–3.40%	2.00%	2.00%	2.25%
Tendency to take early retirement (AFP)	10.00–30.00%	20.00%	20.00%	20.00%

<sup>1</sup> Interval discount rate and inflation for foreign entities.

Assumptions as of 31 December are used to calculate net pension liabilities at the end of the year, while assumptions as of 1 January are applied to calculate pension costs for the year.

**Breakdown of net defined benefit pension liability**

NOK million	2009	2008
Present value of accrued pension entitlements for funded defined benefit schemes	4 540	4 267
Fair value of pension assets	3 062	2 525
Actual net pension liability for funded defined benefit schemes	1 478	1 742
Present value of accrued pension entitlements for unfunded defined benefit schemes	348	267
Employer's national insurance contributions	268	266
Net pension liabilities in the balance sheet (see Note 26)	2 094	2 275

**Movement in defined benefit pension liability during the year**

NOK million	2009	2008
Defined benefit pension liabilities 01.01.	4 534	3 743
Increase in liabilities for new subsidiary/new members	10	148
Reduction in liabilities as a result of transfer of employees	-	-12
Present value of accrued pension entitlements for the year	261	180
Interest expenses	165	169
Actuarial losses on liabilities	74	399
Paid benefits	-122	-93
Currency effects	-35	-
Gross defined benefit pension liabilities 31.12.	4 888	4 534

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

NOK million	2009	2008
Fair value of pension assets 01.01.	2 525	2 463
Projected yield on pension assets	111	129
Actuarial gains (+) / losses (-) on pension assets	178	-234
Total contributions	341	187
Increase in pension assets through new subsidiary	25	-
Reduction in assets as a result of transfer of employees	-	-4
Paid benefits	-106	-90
Change in the classification of pension assets	-	74
Currency effects	-12	-
Fair value of pension assets 31.12.	3 062	2 525

**Pension assets comprise**

	31.12.09		31.12.08	
Equity instruments	483	16%	248	10%
Interest-bearing instruments	2 281	74%	2 075	82%
Other	298	10%	202	8%
Fair value of pension assets	3 062	100%	2 525	100%

For pension schemes in the SPK, the pension assets comprise a fictitious fund that is invested in 1, 3, 5 or 10-year Norwegian government bonds or a combination of these. Some of the companies have in addition reinvested some of the pension assets in the Norwegian Government Pension Fund – Global.

Skagerak Energi has its own pension fund which has invested its pension assets in a diversified portfolio of Norwegian and foreign interest-bearing securities, beneficiary mortgages, shares (max. 25%), hedge funds (max. 7%) and property (max. 8%) through external managers. Fjordkraft AS, which is a member of BKK's Pension Fund, has invested the pension funds in Norwegian interest-bearing securities and Norwegian and foreign shares (max. 40%).

**Movement in actuarial gains and losses recognised directly in equity**

NOK million	2009	2008
Cumulative amount recognised directly in equity before tax 01.01.	1 959	1 241
Cumulative amount recognised directly in equity before tax new subsidiary/new members	-1	-4
Recognised in the period	-118	722
Cumulative amount recognised directly in equity before tax 31.12.	1 840	1 959
Deferred tax relating to actuarial gains (-) / losses (+) recognised directly in equity	516	548
Cumulative amount recognised directly in equity after tax 31.12.	1 324	1 411

**Pension cost recognised in the income statement**

NOK million	2009	2008
<b>Defined benefit schemes</b>		
Present value of accrued pension entitlements for the year	261	180
Interest expense	165	169
Projected yield on pension assets	-111	-129
Employee contributions	-24	-17
Employer's national insurance contributions	40	29
Pension cost defined benefit schemes	331	232

**Defined contribution schemes**

Employer payments	11	4
Total pension cost (see Note 11)	342	236

Sensitivity analysis regarding changes in asTotalptions	Discount rate		Annual salary increase	
	+1%	-1%	+1%	-1%
Increase (+)/decrease (-) in net pension cost for the period	-54	64	63	-64
Increase (+)/decrease (-) in net pension liability 31.12.	-839	952	446	-521

Sensitivity analysis regarding changes in asTotalptions	Increase in G		Staff turnover rate	
	+1%	-1%	+1%	-1%
Increase (+)/decrease (-) in net pension cost for the period	17	-28	-19	7
Increase (+)/decrease (-) in net pension liability 31.12.	276	-373	-141	44

### 13 → PROPERTY TAX AND LICENCE FEES

NOK million	2009	2008
Property tax	888	785
Licence fees	278	292
Total	1 166	1 077

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 7000 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 2008, this amounted to NOK 7300 million.

### 14 → OTHER OPERATING EXPENSES

NOK million	2009	2008
Purchase of third-party services	1 329	914
Materials	336	377
Costs of power plants operated by third parties	332	202
Compensation payments	50	53
Other	1 483	954
Total	3 530	2 500

The increase in other operating expenses from 2008 to 2009 is due to a general increase in activity as well as business combinations.

The largest items included in Other for 2009 are office rent NOK 260 million, IT costs NOK 150 million, marketing NOK 147 million, travel expenses NOK 159 million and insurance NOK 93 million.

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## 15 → FINANCIAL ITEMS

### 2009

NOK million	Assessment basis						Fees	Total
	Voluntarily designated at fair value through profit or loss	Compulsorily designated at fair value through profit or loss	Amortised cost	Available for sale	Held for sale			
<b>Financial income</b>								
Profit on the sale of shares <sup>1</sup>	-	-	-	-	149	-	149	
Interest income liquidity	281	-	-	-	-	-	281	
Interest income other	-	-	43	-	-	-	43	
Financial derivatives, realised currency gains/losses	-	-63	-	-	-	-	-63	
Bank accounts and loans, realised currency gains/losses	-	-	482	-	-	-	482	
Securities liquidity, gains/losses, realised	27	-	-	-	-	-	27	
Dividend	-	-	-	1 094	-	-	1 094	
Other financial income	-	32	15	-	-	-	47	
<b>Total</b>	<b>308</b>	<b>-31</b>	<b>540</b>	<b>1 094</b>	<b>149</b>	<b>-</b>	<b>2 060</b>	
<b>Financial expenses</b>								
Interest expenses	-	-	-1 794	-	-	-	-1 794	
Guarantee premiums	-	-	-	-	-	-38	-38	
Bank accounts and loans, realised currency gains/losses	-	-	-1 518	-	-	-	-1 518	
Securities liabilities, gains/losses, realised	-8	-	-	-	-	-	-8	
Other financial expenses	-	-204	-194	-	-	-	-398	
<b>Total</b>	<b>-8</b>	<b>-204</b>	<b>-3 506</b>	<b>-</b>	<b>-</b>	<b>-38</b>	<b>-3 756</b>	
<b>Unrealised changes in value</b>								
Financial interest rate swaps, unrealised change 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	
<b>Total</b>	<b>-</b>	<b>3 405</b>	<b>6 012</b>	<b>-3 440</b>	<b>-</b>	<b>-</b>	<b>5 977</b>	
<b>Total financial items</b>	<b>300</b>	<b>3 170</b>	<b>3 046</b>	<b>-2 346</b>	<b>149</b>	<b>-38</b>	<b>4 281</b>	

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

### 2008

NOK million	Assessment basis						Fees	Total
	Voluntarily designated at fair value through profit or loss	Compulsorily designated at fair value through profit or loss	Amortised cost	Available for sale	Held for sale			
<b>Financial income</b>								
Profit on the sale of shares	-	-	-	-	25 591	-	25 591	
Interest income liquidity	344	-	-	-	-	-	344	
Interest income other	-	-	116	-	-	-	116	
Bank accounts and loans, realised currency gains/losses	-	-	70	-	-	-	70	
Dividend	-	-	-	19	-	-	19	
Other financial income	-	-	11	284	-	-	295	
<b>Total</b>	<b>344</b>	<b>-</b>	<b>197</b>	<b>303</b>	<b>25 591</b>	<b>-</b>	<b>26 435</b>	
<b>Financial expenses</b>								
Interest expenses	-	-	-2 186	-	-	-	-2 186	
Guarantee premiums	-	-	-	-	-	-65	-65	
Financial derivatives, realised currency gains/losses	-	-776	-	-	-	-	-776	
Bank accounts and loans, realised currency gains/losses	-	-	-36	-	-	-	-36	
Securities liabilities, gains/losses, realised	29	-	-	-	-	-	29	
Other financial expenses	-	-	-32	-	-	-	-32	
<b>Total</b>	<b>29</b>	<b>-776</b>	<b>-2 254</b>	<b>-</b>	<b>-</b>	<b>-65</b>	<b>-3 066</b>	
<b>Unrealised changes in value</b>								
Financial interest rate swaps, unrealised change in value	-	298	-	-	-	-	298	
Financial currency and interest rate swaps, unrealised change in value	-	-229	-	-	-	-	-229	
Forward exchange contracts, unrealised change in value	-	-1 241	-	-	-	-	-1 241	
Foreign currency loans, unrealised change in value	-	-393	-1 548	-	-	-	-1 941	
Securities liquidity, gains/losses, unrealised	11	-	-	-	-	-	11	
<b>Total</b>	<b>11</b>	<b>-1 565</b>	<b>-1 548</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3 102</b>	
<b>Total financial items</b>	<b>384</b>	<b>-2 341</b>	<b>-3 605</b>	<b>303</b>	<b>25 591</b>	<b>-65</b>	<b>20 267</b>	

## 16 → TAX

**The tax expense comprises the following**

NOK million	2009	2008
Income tax	2 780	3 242
Resource rent tax	1 367	1708
Correction relating to tax assessment for previous years	8	31
Change in deferred tax	474	-423
Withholding tax	142	-
Tax cost in the income statement	4 771	4 558

**Income tax payable**

NOK million	2009	2008
Income taxes payable on the Group's profit for the year	2 534	3 116
Effect of Group contributions on tax liability	-1 522	-982
Reduction in prepaid natural resource tax relating to previous years	-	-1114
Income tax payable before offsetting against natural resource tax for the year	1 012	1020

**Tax payable in the balance sheet**

NOK million	2009	2008
Natural resource tax	493	570
Resource rent tax	1 367	1708
Income tax exceeding natural resource tax	519	450
Tax due from previous financial years	-7	7
Tax payable in the balance sheet	2 372	2 735

**Prepaid tax in the balance sheet**

NOK million	2009	2008
Prepaid correction tax	85	85

**Reconciliation of nominal tax rate and effective tax rate**

NOK million	2009	2008
Profit before tax	12 487	37 820
Expected tax expense at a nominal rate of 28%	3 496	10 590

**Effect on taxes of:**

Resource rent tax	1 428	1876
Differences in tax rates from Norway	-590	268
Share of profit from associates	-321	-262
Tax-free income	-270	-7930
Changes relating to previous years	28	31
Reduction in value E.ON AG shares	963	-
Other permanent differences, net	37	-15
Total tax expense	4 771	4 558
Effective tax rate	38.2%	12.1%

**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	01.01.08	Recognised in the period	Recognised in equity	Acquisitions		31.12.08
				and sales of companies	Other	
Current assets/current liabilities	400	99	-138	-	139	500
Property, plant and equipment	3 841	268	-102	32	-	4 039
Pension liabilities	-414	-40	-162	-	-	-616
Other long-term items	623	-253	-	-	-	370
Tax loss carryforward/compensation	-26	-653	-	-	-	-679
Deferred tax, resource rent tax	1 937	-21	-	-	-	1 916
Negative resource rent tax carryforward	-1 080	177	-	-	-	-903
Total net deferred tax liability	5 281	-423	-402	32	139	4 627
Of which presented as deferred tax asset, see Note 17	1 025	-	-	-	-	1 518
Of which presented as deferred liability, see Note 26	6 306	-	-	-	-	6 145

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NOK million	01.01.09	Recognised in the period	Recognised in equity	Acquisitions and sales of companies	Other	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 deferred tax liability	4 627	473	-276	788	1 589	7 202
Of which recognised 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

The item Other primarily relates to the effects of Group contributions.

#### Deferred tax recognised directly in equity

NOK million	2009	2008
Estimate deviation pension	33	-162
Hedging instruments	-	-261
Translation differences	-309	21
Total deferred tax recognised in equity	-276	-402

#### Tax rates used in the calculation of deferred tax:

26%	- Company tax rate in Finland
26.3%	- Company tax rate in Sweden (2008: 28%)
28%	- Company tax rate in Norway
28%	- Company tax rate in the UK
31.4%	- Company tax rate in Germany
30%	- Resource rent tax rate in Norway
58%	- Marginal tax rate in Norway (resource rent tax rate + company tax rate)

## 17 → INTANGIBLE ASSETS

NOK million	2009	2008
Deferred tax asset	1 163	1 518
Goodwill	648	632
Other	466	331
Total	2 277	2 481

Deferred tax is discussed in more detail in Note 16.

NOK million	Goodwill	Other
<b>2008</b>		
Cost as of 01.01.	365	617
Accumulated amortisation and impairments as of 01.01.	-158	-260
Book value 01.01.	207	357
Additions	-	7
Additions from business combinations	425	-
Currency effects	-	10
Amortisation and impairments	-	-43
Book value 31.12.	632	331
Cost 31.12.	757	683
Accumulated amortisation and impairment 31.12.	-125	-352
Book value 31.12.	632	331
<b>2009</b>		
Book value 01.01.	632	331
Additions	-	80
Additions from business combinations (see Note 4)	257	144
Changes to business combinations in previous years (see Note 4)	-39	-
Currency effects	-46	-36
Amortisation and impairments	-156	-53
Book value 01.01.	648	466
Cost 31.12.	929	872
Accumulated amortisation and impairments 31.12.	-281	-406
Book value 31.12.	648	466
Expected economic lifetime		10–15 years

### IMPAIRMENT GOODWILL

An impairment test carried out at the year-end resulted in an impairment of goodwill of NOK 156 million. The reason for the impairment is improved knowledge about recently acquired facilities and therefore a better basis for estimating future cash flows, as well as the still unsettled market conditions.

### 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 2009 and 2008 are expensed with NOK 173 million and NOK 157 million, respectively.

## 18 → PROPERTY, PLANT AND EQUIPMENT

NOK million	Water regulation facilities	Turbines, generators, etc.	Distribution grid facilities	Shares in power plants operated by other	Land, underground facilities, buildings, roads, bridges and quay facilities	Facilities under construction	Other <sup>1</sup>	Total
<b>2008</b>								
Book value 01.01.	22 009	12 503	5 137	2 208	10 289	1 664	2 418	56 228
Additions	157	217	186	29	78	961	357	1 985
Additions from business combinations	4 781	5 239	-	-	6 444	63	605	17 132
Transferred from facilities under construction	260	516	87	-	264	-1 127	-	-
Disposals	-3	-25	-1	-	-352	-38	-36	-455
Capitalised loan expenses	-	1	-	-	-	8	3	12
Currency effects	44	530	49	-	423	35	5	1 086
Depreciation/impairments	-294	-377	-334	-76	-108	-39	-282	-1 510
Accumulated depreciation/impairments on disposals	-	10	-	-	-	38	27	75
Book value 31.12.	26 954	18 614	5 124	2 161	17 038	1 565	3 097	74 553
Cost 31.12.2008	32 405	28 222	10 192	3 142	19 278	1 565	4 999	99 803
Accumulated depreciation and impairments 31.12.	-5 451	-9 608	-5 068	-981	-2 240	-	-1 902	-25 250
Balanseført verdi per 31.12.	26 954	18 614	5 124	2 161	17 038	1 565	3 097	74 553
<b>2009</b>								
Book value 01.01.	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.	21 275	17 753	5 272	2 197	27 926	2 944	872	78 239
Cost 31.12.	27 171	28 540	10 506	3 255	30 754	2 961	3 171	106 358
Accumulated depreciation and impairments 31.12.	-5 896	-10 787	-5 234	-1 058	-2 828	-17	-2 299	-28 119
Book value 31.12	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	

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

### 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 140 million. The reason for the impairment is improved knowledge about recently acquired facilities and therefore a better basis for estimating future cash flows, as well as the still unsettled market conditions.

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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

#### INVESTMENT PROPERTIES

The Group owns properties in Trondheim, which it intends to develop in order to sell or lease. The market value of these properties has been assessed at NOK 212 million, and the book value is NOK 16 million. Market value has been established on the basis of financial considerations in the form of cash flow analyses performed by an independent broker in 2009. This was primarily based on local market knowledge gained from reviewing the individual properties' abilities to generate current and future rental income, along with the properties' development potential, location, condition and knowledge of the buyers' required rate of return.

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.

## 19 → ASSOCIATES AND JOINT VENTURES

#### 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 rights
<b>Joint ventures::</b>			
Naturkraft AS	Bærum	50.0%	50.0%
Luster Småkraft AS	Gaupne	50.0%	50.0%
Viking Varme AS	Porsgrunn	50.0%	50.0%
Devoll Hydropower SHA	Tirana	50.0%	50.0%
Statkraft Agder Energi Vind DA	Kristiansand	62.0%	62.0%
Kraftwerksgesellschaft Herdecke. GmbH & Co. KG	Hagen	50.0%	50.0%
Biomassheizkraftwerk Landesbergen GmbH	Landesbergen	50.0%	50.0%
Catamount Energy Ltd	St. Albans	50.0%	50.0%
Greenpower Carraig Gheal Ltd	Sterling	50.0%	50.0%
Greenpower Little Law Ltd	Sterling	50.0%	50.0%
Scira Offshore Energy Ltd (Scira)	London	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%
Hidroeléctrica La Higuera S.A	Santiago	50.0%	50.0%
Hidroeléctrica La Confluencia S.A	Santiago	50.0%	50.0%
<b>Associates:</b>			
Baillie Wind Farm Ltd	Thurso	33.9%	33.9%
Forewind Ltd	London	25.0%	25.0%
Hydra Tidal Energy Technology AS	Oslo	28.3%	28.3%
Energy Future Invest AS	Oslo	34.0%	34.0%
Stiftelsen Norwegian Electricity Cooperation	Oslo	29.0%	29.0%
Midt Norge Kraft AS	Rissa	40.0%	40.0%
Cinclus Technology AS	Bærum	34.0%	34.0%
Censitel AS	Horten	40.0%	40.0%
Vestfold Trafo Energi AS	Stokke	34.0%	34.0%
Energi og Miljøkapital AS	Skien	35.0%	35.0%
Thermokraft AS	Porsgrunn	22.2%	22.2%
Biomassheizkraftwerk Emden GmbH	Emden	30.0%	30.0%
Rullestad og Skromme Energi AS	Etna	35.0%	35.0%

Name	Registered office	Shareholding	Voting rights
Bergenshalvøens Kommunale Kraftselskap AS (BKK)	Bergen	49.9%	49.9%
Agder Energi AS (Agder)	Kristiansand	45.5%	45.5%
Istad AS	Molde	49.0%	49.0%
Ecopro AS	Steinkjer	25.0%	25.0%
Södra Statkraft Vindkraft Utvekling AB	Stockholm	40.0%	40.0%
Nividhu (Pvt) Ltd	Colombo	30.0%	30.0%
Malana Power Company Ltd	New Dehli	49.0%	49.0%
Allain Duhangan Hydro Power Ltd	New Dehli	43.1%	43.1%
SN Aboitiz Power – Magat Inc	Manilla	40.0%	40.0%
SN Aboitiz Power Benguet Inc	Manilla	40.0%	40.0%
SN Aboitiz Power Hydro Inc	Manilla	40.0%	40.0%
Manila-Oslo Renewable Enterprise Inc	Manilla	16.7%	16.7%
SN Aboitiz Power Nueva Ecija Inc	Manilla	40.0%	40.0%
SN Aboitiz Power Pangasnan Inc	Manilla	40.0%	40.0%
SN Aboitiz Power Cordillera Inc	Manilla	40.0%	40.0%
SN Aboitiz Power RES Inc	Manilla	40.0%	40.0%

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

NOK million	BKK	Agder	Naturkraft AS	Istad AS	Scira	SN Power
Opening balance 01.01.09	6 015	3 869	744	246	-	2 739
Share of profit	638	726	51	23	11	-
Amortisation of excess value	-15	-66	-	-12	-	-
Impairment <sup>1</sup>	-	-	-213	-	-	-
Investment/sale <sup>2</sup>	-	5	-	-	471	-2 739
Dividend	-591	-436	-	-22	-	-
Currency effects	-	-	-	-	-	-
Change in hedging instruments	-	-	-	-	-	-
Equity transactions booked directly in the company	-50	45	-	-	-	-
Reduction of capital	-108	-	-1 014	-	-	-
Other <sup>3</sup>	-	-	432	-3	-	-
Closing balance 31.12.09	5 889	4 143	-	232	482	-
Excess value 31.12.09	2 347	2 395	-	73	-	-
Of which unamortised waterfall rights	1 818	333	-	-	-	-

NOK million	SN Aboitiz Power - Magat Inc	Hidroelectrica La Higuera S.A	Malana Power Company Ltd	Hidroelectrica La Confluencia S.A.	Other	Total
Opening balance 01.01.09	-	-	-	-	774	14 387
Share of profit	89	25	57	-	37	1 657
Amortisation of excess value	-	-	-	-	-1	-94
Impairment <sup>1</sup>	-	-98	-	-	-73	-384
Investment/sale <sup>2</sup>	928	1 213	794	765	1 401	2 838
Dividend	-	-	-	-	-34	-1 083
Currency effects	19	-	32	-	-67	-16
Change in hedging instruments	-	-	-	-	-	-
Equity transactions booked directly in the company	13	23	-7	108	-63	69
Reduction of capital	-	-	-	-	-198	-1 320
Other <sup>3</sup>	-	-	-	-	26	455
Closing balance 31.12.09	1 049	1 162	877	873	1 802	16 509
Excess value 31.12.09	393	863	292	542	754	7 658
Of which unamortised waterfall rights	-	-	-	-	-	2 151

<sup>1</sup> As a result of lower prices and currency effects, the investment in Naturkraft was written down by NOK 213 million in 2009.

<sup>2</sup> Investments/sale include increasing the shareholding in SN Power from 50 to 60%.

<sup>3</sup> Other mainly consists of transfer of a negative profit share from Naturkraft which reduces the book value of loans in other financial assets, see Note 20.

#### COMPANIES RECOGNISED IN ACCORDANCE WITH THE EQUITY METHOD – 100% BASIS

The statement below shows financial information in connection with Statkraft's largest investments in associates and joint ventures recognised on a 100 percent basis:

Income Statement (unaudited)	Agder		BKK	
	2009	2008	2009	2008
NOK million				
Operating revenues	8 278	7 211	3 188	4 121
Operating expenses	-5 983	-5 509	-1 742	-1 742
Operating profit	2 294	1 702	1 446	2 379
Profit before tax and minority interests	2 822	1 150	2 192	1 523
Net profit for the year	1 630	510	1 270	762

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Balance sheet (unaudited) NOK million	Agder		BKK	
	2009	2008	2009	2008
Non-current assets	12 514	11 906	16 795	14 813
Current assets	1 997	3 088	1 435	3 754
<b>Assets</b>	<b>14 510</b>	<b>14 994</b>	<b>18 230</b>	<b>18 567</b>
Equity	3 764	3 007	7 303	7 516
Minority interests	30	14	21	19
Long-term liabilities and obligations	6 333	6 616	5 777	3 183
Current liabilities	4 384	5 357	5 130	7 849
<b>Liabilities and equity</b>	<b>14 510</b>	<b>14 994</b>	<b>18 230</b>	<b>18 567</b>

Income statement (unaudited) Local currency million	SN Aboitiz Power - Magat Inc (figures in MPHP)	Hidroeléctrica La Higuera S.A (figures in MUSD)	Malana Power Company Ltd (figures in MINR)	Hidroeléctrica La Conflicencia S.A. (figures in MUSD)
2009	2009	2009	2009	2009
Operating revenues	3 971	8	1 643	-
Operating expenses	-1 350	-	-313	-
Operating profit	2 622	8	1 330	-
Profit before tax and minority interests	1 543	8	1 172	-
<b>Net profit for the year</b>	<b>1 426</b>	<b>9</b>	<b>985</b>	<b>-</b>

Balance sheet (unaudited) NOK million	2009	2009	2009	2009
Non-current assets	24 611	407	7 828	296
Current assets	2 878	38	4 535	61
<b>Assets</b>	<b>27 488</b>	<b>445</b>	<b>12 363</b>	<b>357</b>
Equity	11 953	102	8 608	115
Minority interests	-	-	-	-
Long-term liabilities and obligations	13 938	320	3 421	200
Current liabilities	1 597	23	335	42
<b>Liabilities and equity</b>	<b>27 488</b>	<b>445</b>	<b>12 363</b>	<b>357</b>

## 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 others.

Name	Shareholding
Grytten	88.00%
Vikfalli	88.00%
Følgefonn	85.06%
Kobbelv	82.50%
Ulla-Førre	72.00%
Svartisen	70.00%
Eidfjord	65.00%
Leirdøla	65.00%
Harrsele	50.57%
Järnvägsforsen	94.85%
Gäddede	70.00%
Volgsjöfors	73.10%
Stennäs	90.10%
Gammelby	90.10%
Björna	90.10%
Gideå	90.10%
Gidböle	90.10%
Gideåbacka	90.10%
Båtfors	6.64%
Forsmo	2.20%
Selfors	10.60%
Harjavalta	13.20%
Svorka	50.00%
Kraftverkene i Orkla	48.60%
Sira-Kvina Kraftselskap DA	46.70%
Mørkfoss-Solbergfoss	33.33%
Härsele AB	50.57%
Røldal-Suldal Kraft AS <sup>1</sup>	8.74%
Tyssefaldene <sup>2</sup>	60.17%
Aurlandsverkene	7.00%

<sup>1</sup> 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 plants is thus 4.79%

<sup>2</sup> Statkraft acquired 39.88% of the shares held by Boliden Odda in AS Tyssefaldene in accordance with the agreement which came into force on 1 July 2009. As a result, Statkraft's shareholding increased to 60.17%. For more detailed information, see Note 3 Important events, power agreements section.

## 20 → OTHER NON-CURRENT FINANCIAL ASSETS

NOK million	2009	2008
<b>Valued at amortised cost:</b>		
Receivables from Statkraft SF	-	1 049
Loans to associates <sup>1</sup>	899	481
Bonds and other long-term receivables	557	109
Total valued at amortised cost	1 456	1 639
<b>Voluntarily designated at fair value through profit or loss:</b>		
Equity investment CO <sub>2</sub> fund	101	127
Available for sale:		
Other shares and shareholdings	20 382	23 403
<b>Total</b>	<b>21 939</b>	<b>25 169</b>

<sup>1</sup> Loans to Naturkraft AS are impaired by NOK 432 million, which corresponds to the negative value of Statkraft's investment, see Note 19.

The Item Other shares and shareholdings includes the shares in E.ON AG of NOK 20 149 million in 2009 and NOK 23 125 million in 2008.

## 21 → INVENTORIES

NOK million	2009		2008	
	Recognised value	Cost price	Recognised value	Cost price
<b>Valued at net realisable value:</b>				
Green certificates	798	784	440	423
CO <sub>2</sub> quotas	295	324	117	74
Total inventory valued at net realisable value	1 093	1 108	557	497
<b>Valued at the lower of cost and net realisable value:</b>				
Spare parts	78		83	
Other	76		59	
Total inventories are valued at the lower of cost and net realisable value	154		142	
<b>Total</b>	<b>1 247</b>		<b>699</b>	

## 22 → RECEIVABLES

NOK million	2009	2008
Accounts receivable	2 746	2 649
Accrued revenues etc.	1 868	3 377
Receivables from Statkraft SF	1 049	-
Interest-bearing restricted funds	215	1 910
Other receivables	2 829	3 710
<b>Total</b>	<b>8 707</b>	<b>11 646</b>

Other receivables mainly comprises receivables from associates of NOK 987 million, prepaid expenses of NOK 626 million and value added tax owed to Statkraft of NOK 585 million.

### Maturity schedule, receivables

2009 NOK million	Non-impaired receivables, due			Receivables past due, impaired	Total
	Not yet due	Within 90 days	After 90 days		
Accounts receivable	2 373	306	66	1	2 746
Other receivables	5 912	46	3	-	5 961
<b>Total</b>	<b>8 285</b>	<b>352</b>	<b>69</b>	<b>1</b>	<b>8 707</b>

Recognised as loss for the year 12

2008 NOK million	Non-impaired receivables, due			Receivables past due, impaired	Total
	Not yet due	Within 90 days	After 90 days		
Accounts receivable	2 334	251	52	12	2 649
Other receivables	8 967	26	4	-	8 997
<b>Total</b>	<b>11 301</b>	<b>277</b>	<b>56</b>	<b>12</b>	<b>11 646</b>

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## 23 → SHORT-TERM FINANCIAL INVESTMENTS

NOK million	2009	2008
Bonds	206	175
Fixed income funds	126	109
Shares and other investments	89	65
Total	421	349

## 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

NOK million	2009	2008	2007
<b>Energy derivatives</b>			
Nordic hydropower portfolio excluding industrial power	-67	439	525
Industrial power contracts in Nordic hydropower portfolio	88	115	12
Trading and Origination	3 174	5 250	5 224
Continental assets	232	183	-
End-user portfolio	-	261	98
Total	3 427	6 248	5 860

### Currency and interest rate derivatives

Interest rate swaps	145	57	42
Forward exchange rate contracts	221	701	155
Combined interest rate and currency swaps	852	84	173
Total	1 218	842	370

**Total derivatives current assets** 4 645 7 090 6 230

### Derivatives – non-current assets

NOK million	2009	2008	2007
<b>Energy derivatives</b>			
Nordic hydropower portfolio excluding industrial power	125	147	422
Industrial power contracts in Nordic hydropower portfolio	936	1 515	761
Continental assets	1 568	2 101	-
Total	2 629	3 763	1 182

### Currency and interest rate derivatives

Interest rate swaps	552	570	451
Forward exchange rate contracts	169	53	61
Combined interest rate and currency swaps	8	1 330	402
Total	729	1 953	914

**Total derivatives – non-current assets** 3 358 5 716 2 096

### Derivatives – current liabilities

NOK million	2009	2008	2007
<b>Energy derivatives</b>			
Nordic hydropower portfolio excluding industrial power	182	-319	494
Industrial power contracts in Nordic hydropower portfolio	406	764	530
Trading and Origination	2 878	4 529	5 344
Continental assets	268	81	239
End-user portfolio	45	330	101
Total	3 779	5 385	6 708

### Currency and interest rate derivatives

Forward exchange rate contracts	165	2 302	-
Combined interest rate and currency swaps	123	-	121
Total	288	2 302	121

**Total derivatives – current liabilities** 4 067 7 687 6 829

**Derivatives – long-term liabilities**

NOK million	2009	2008	2007
<b>Energy derivatives</b>			
Nordic hydropower portfolio excluding industrial power	1 427	1 930	2 010
Industrial power contracts in Nordic hydropower portfolio	743	642	2 052
Trading and Origination	1 326	-	-
Continental assets	-	366	716
<b>Total</b>	<b>3 496</b>	<b>2 938</b>	<b>4 778</b>
<b>Currency and interest rate derivatives</b>			
Interest rate swaps	440	184	444
Forward exchange rate contracts	54	480	81
Combined interest rate and currency swaps	26	10	322
<b>Total</b>	<b>520</b>	<b>674</b>	<b>847</b>
<b>Total derivatives – long-term liabilities</b>	<b>4 016</b>	<b>3 612</b>	<b>5 625</b>

Forward exchange rate contracts for the sale of EUR against NOK have increased in value from 2008 to 2009 as a result of the appreciation of NOK against EUR.

## 25 → CASH AND CASH EQUIVALENTS

NOK million	2009	2008
Cash and bank deposits	5 629	2 199
Money market funds, certificates, promissory notes, bonds	1 034	10
<b>Total</b>	<b>6 663</b>	<b>2 209</b>

**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	2009	2008
Cash collateral for financial derivatives	-1 351	-534
Deposit account in connection with power sales on energy exchanges	40	494
<b>Total</b>	<b>-1 311</b>	<b>-40</b>

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

## 26 → PROVISIONS

NOK million	2009	2008
Deferred tax	8 365	6 145
Pension liabilities	2 094	2 275
Other provisions	3 194	2 907
<b>Total provisions</b>	<b>13 653</b>	<b>11 327</b>

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.

NOK million	Rana	Other	Total
Opening balance 01.01.08	1 759	1 305	3 064
New provisions in the period	-	128	128
Amount utilised in the period	-147	-164	-311
Currency effects	-	26	26
Closing balance 31.12.08	1 612	1 295	2 907
New provisions in the period	-	582	582
Amount utilised in the period	-147	-128	-275
Currency effects	-	-20	-20
Closing balance 31.12.09	1 465	1 729	3 194

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## 27 → LONG-TERM INTEREST-BEARING LIABILITIES

NOK million	2009	2008
Loan from Statkraft SF	1 053	5 165
Bond loans from the Norwegian market	15 605	14 256
Other loans raised from non-Norwegian markets	16 845	9 965
External loans in subsidiaries and other loans	2 839	1 253
Total	36 342	30 639

Total interest-bearing liabilities increased from NOK 41 billion in 2008 to NOK 46 billion in 2009, see Notes 27 and 28. The Group's net borrowing in 2009 amounted to NOK 6 billion. 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 → CURRENT LIABILITIES

### Short-term interest-bearing liabilities

NOK million	2009	2008
Certificate loans	1 114	4 509
First year's instalment on long-term liabilities	2 637	1 676
First year's instalment on long-term liabilities from Statkraft SF	3 483	2 023
Debt connected to cash collateral	1 522	1 385
Overdraft facilities	319	531
Other short-term loans	243	28
Total	9 318	10 152

See comments in Note 27.

### Other interest-free liabilities

NOK million	2009	2008
Trade payables	2 187	2 295
Indirect taxes payable	798	805
Other interest-free liabilities	6 249	2 260
Current liabilities due to Statkraft SF	102	463
Total	9 336	5 823

Other interest-free liabilities includes an equity instrument liability.

## 29 → USE OF FINANCIAL INSTRUMENTS

### THE EFFECT OF FINANCIAL INSTRUMENTS ON THE FINANCIAL POSITION AND RESULTS

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. Financial instruments used in financial activities primarily consist of loans, interest rate and currency swaps, forward interest agreements and forward exchange contracts. Financial instruments in energy trading mainly consist of financial and physical agreements relating to purchase and sale of power, gas, oil, coal, CO<sub>2</sub> quotas, contracts with volume options, as well as embedded derivatives in physical energy sales agreements. 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.

A range of financial instruments are used within the area of finance as part of a financial hedging strategy without, however, satisfying the formal requirements for hedge accounting contained in IAS 39. The hedged items are often assets in foreign currency, future cash flows or financial instruments valued at amortised cost with equal effective interest over the term of the instrument, while hedging instruments are recorded at fair value with changes in value recognised through profit or loss. Changes in the fair value of financial instruments will result in a significant degree of volatility in the income statement without fully reflecting the financial realities. Hedge accounting in accordance with IFRS has been used in certain cases. This applies to selected loan arrangements where the interest rate has been swapped from fixed to floating rates (fair value hedging), to the hedging of net investments in a foreign unit and to cash flow hedging. Financial derivatives and changes in value for these are presented in separate lines in the balance sheet and income statement.

Significant use is made of financial instruments in energy trading activities. A number of financial instruments are also in use as part of a financial strategy where the Group continuously optimises future income from parts of the expected production volume. Hedge accounting in accordance with IAS 39 is not used as this will not necessarily be able to show the underlying economic reality for the entire portfolio. Some energy derivatives are embedded derivatives that are components of physical contracts that are not as such covered by IAS 39. Energy derivatives are valued at fair value with changes in value being recognised through profit or loss. In light of the significant volumes associated with such contracts, changes in value of the contracts will result in major volatility in the balance sheet and income statement, without this fully reflecting the underlying business. Energy contracts and changes in value for these are presented in separate lines in the balance sheet and income statement.

## 30 → HEDGE ACCOUNTING

### GENERAL DESCRIPTION OF HEDGE ACCOUNTING AT STATKRAFT

**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 swap agreements have been designated as hedging instruments.

The opportunities for further hedge accounting through fair value hedging are assessed on an ongoing basis as new borrowings are taken out and hedging contracts are established, as well as by continuously assessing the hedging efficiency of the hedging relationships. When hedging efficiency can be documented, hedge accounting will normally be used.

**Hedging of net investments in foreign entities** Some investments in subsidiaries of SN Power have been subject to hedge accounting. One hedging relationship remains as of 31 December 2009.

**Cash flow hedging** Some of the project financing in foreign subsidiaries has been swapped from floating interest to fixed interest. The opportunities for other hedge accounting are assessed on an ongoing basis on the finance side. Hedge accounting will normally be used in cases where the efficiency of hedging can be documented. As regards energy production, Statkraft has concluded that hedge accounting does not necessarily provide sufficient equalisation in the recognised result. Consequently, no on-going assessment is made of opportunities to document hedge accounting connected to power production.

**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 swap agreements 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 6-month and 3-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 90–100% hedging efficiency is assumed. The inefficiency is recognised in the income statement.

#### Fair value of hedging instruments

NOK million	2009	2008
Hedging instruments used in fair value hedging	1 188	438
Hedging instruments in cash flow hedging	-2	-
Hedging instruments used to hedge net investments in a foreign operation	7	-
Total fair value of hedging instruments	1 193	438

#### Other information on fair value hedging

NOK million	2009	2008
Gains (+) and losses (-) on hedging instruments	1 188	438
Gains (+) and losses (-) on hedging objects, in relation to the hedged risk	-1 197	-438

## 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 using valuation techniques and discounting of 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 at the balance sheet date. The closing rates are discounted.

Other bilateral electricity contracts are valued on the basis of a market price curve. Closing rates on energy exchanges are used for contracts with terms between 0 and 5 years. For time horizons exceeding 5 years, the price is adjusted with expected inflation in line with the inflation target of the central banks.

Some contracts are linked to area prices. These contracts are valued using the official closing rates on energy exchanges. 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 gas contracts where the references for the contract price include the price development of gas, coal and oil products. Several energy contracts have contract prices which refer to the price development of various commodities. 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.

**CO<sub>2</sub>** CO<sub>2</sub> contracts are priced based on the forward price of EUA quotas and CER quotas. Statkraft uses the closing rate on commodity exchanges to price CO<sub>2</sub> contracts. 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. For these contracts, relevant market prices have been obtained from Reuters and major financial institutions. 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. This is obtained from major financial institutions. In cases where the credit risk is relevant, the interest rate curve is adjusted upwards. This applies to all external bilateral contracts classified as assets and liabilities.

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#### FAIR VALUE OF CURRENCY AND INTEREST RATE DERIVATIVES

The fair value of interest swap agreements, currency swap agreements and forward currency exchange contracts is determined using valuation techniques where expected future cash flows are discounted to present value. Expected cash flows are calculated and discounted using observed market interest rates for the various currencies (swap interest rate curve) and observed foreign currency 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** Equity investments 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 CO<sub>2</sub> FUND

Equity investments in the CO<sub>2</sub> fund are voluntarily designated "at fair value through profit or loss" and are valued using valuation techniques and 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 CO<sub>2</sub> 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	2009 Recognised value	2009 Fair value	2008 Recognised value	2008 Fair value
<b>Financial assets valued at amortised cost</b>					
Receivables from Statkraft SF	20	-	-	1 049	1 049
Loans to associates	20	899	952	481	480
Bonds and other long-term receivables	20	557	557	109	109
Accounts receivable	22	2 746	2 746	2 649	2 649
Accrued revenues etc.	22	1 868	1 868	3 377	3 377
Receivables from Statkraft SF	22	1 049	1 049	-	-
Interest-bearing restricted funds	22	215	215	1 910	1 910
Other receivables	22	2 829	2 829	3 710	3 710
Cash and bank deposits	25	5 629	5 629	2 199	2 199
<b>Total</b>		<b>15 792</b>	<b>15 845</b>	<b>15 484</b>	<b>15 483</b>
<b>Financial liabilities valued at amortised cost</b>					
Loans from Statkraft SF	27	-1 053	-1 142	-5 165	-5 408
Bond loans from the Norwegian market	27	-15 605	-16 031	-14 256	-15 652
Other loans raised from non-Norwegian markets	27	-16 845	-17 580	-9 965	-10 117
External loans in subsidiaries and other loans	27	-2 839	-2 711	-1 253	-240
Debt connected to cash collateral	28	-1 522	-1 522	-1 385	-1 385
Certificate loans	28	-1 114	-1 116	-4 509	-4 543
Overdraft facilities	28	-319	-319	-531	-531
First year's instalment on long-term liabilities	28	-6 120	-6 209	-3 699	-3 741
Other short-term loans	28	-243	-243	-28	-28
Trade payables	28	-2 187	-2 064	-2 295	-2 295
Indirect taxes payable	28	-798	-798	-805	-805
Other interest-free liabilities	28	-6 249	-6 372	-2 260	-2 260
Current liabilities due to Statkraft SF	28	-102	-102	-463	-463
<b>Total</b>		<b>-54 996</b>	<b>-56 209</b>	<b>-46 614</b>	<b>-47 468</b>

#### 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.

NOK million	Note	Fair-value measurement at period-end using			2009 Fair value	2008 Fair value
		Level 1	Level 2	Level 3		
<b>Financial assets at compulsory fair value</b>						
Energy derivatives	24	100	4 172	1 784	6 056	10 011
Currency and interest rate derivatives	24	-	1 947	-	1 947	2 795
<b>Total</b>		<b>100</b>	<b>6 119</b>	<b>1 784</b>	<b>8 003</b>	<b>12 806</b>
<b>Financial assets at voluntary fair value</b>						
Equity investment CO <sub>2</sub> fund	20	-	-	101	101	127
Bonds	23	206	-	-	206	175
Shares and other investments	23	89	-	-	89	65
Fixed income funds	23	126	-	-	126	109
Money market funds, certificates, promissory notes, bonds	25	1 034	-	-	1 034	10
<b>Total</b>		<b>1 455</b>	<b>-</b>	<b>101</b>	<b>1 556</b>	<b>486</b>
<b>Available-for-sale financial assets</b>						
Other shares and shareholdings	20	20 382	-	-	20 382	23 403
<b>Total</b>		<b>20 382</b>	<b>-</b>	<b>-</b>	<b>20 382</b>	<b>23 403</b>
<b>Financial liabilities at compulsory fair value</b>						
Energy derivatives	24	-235	-2 287	-4 753	-7 275	-8 323
Currency and interest rate derivatives	24	-	-808	-	-808	-2 976
<b>Total</b>		<b>-235</b>	<b>-3 095</b>	<b>-4 753</b>	<b>-8 083</b>	<b>-11 299</b>
<b>Total unrealised changes in value</b>						
NOK million	Note			2009		2008
Energy contracts	10			-2 813		4 282
Currency and interest contracts	15			5 977		-3 102
<b>Total</b>				<b>3 164</b>		<b>1 180</b>
<b>Assets and liabilities measured at fair value based on Level 3</b>						
NOK million		Financial assets at compulsory fair value	Financial liabilities at compulsory fair value	Financial assets at voluntary fair value		Total
Opening balance 01.01.09		3 233	-4 616	127		-1 256
Unrealised changes in value		-1 420	-181	-36		-1 637
Purchase		-	-	10		10
Moved from Level 3		-29	44	-		15
Closing balance 31.12.09		1 784	-4 753	101		-2 868
Net realised loss for 2009						-463
<b>Sensitivity analysis of factors classified to Level 3</b>						
NOK million			10% reduction		10% increase	
Net effect on energy prices			-65		73	
Net effect on post-Kyoto contracts			-3		3	

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## MARKET RISK IN THE GROUP

**RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY**

Statkraft'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 electricity price risk, CO<sub>2</sub> prices, gas price risk, interest rate risk and foreign currency risk.

Risk management at Statkraft focuses on portfolios of contracts rather than on 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.

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 its associated risk. All financial and some physical contracts are recognised at fair value. The physical contracts that are valued at fair value are contracts with volume options and embedded derivatives.

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

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

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expire prior to 2011. The long-term contracts have varying terms, but the longest runs until 2030. Concessionary power agreements run in perpetuity. For certain of these sales obligations, the price is indexed to other market risks such as metals and foreign currency (embedded derivatives).

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.

Statkraft is exposed to both price and volume risk, because both future price and water inflow are unknown. Mandates are based on annual volume thresholds and the ratio to 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.

**Continental assets** The assets in this portfolio are Baltic Cable AB, the gas power plants and other 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 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, CO<sub>2</sub>, 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 CO<sub>2</sub> therefore affect the earnings of the gas-fired power plants. Statkraft engages in trading in accordance with the applicable mandates by locking in earnings when electricity prices are attractive relative to gas prices plus CO<sub>2</sub> costs. In addition, Statkraft also engages in financial trading to maximise the revenues from Baltic Cable.

The market risk in the portfolio is derived from the future market prices for electricity, CO<sub>2</sub>, 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.

**Trading and origination** Statkraft has various portfolios for trading and origination that are managed independently of the company'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.

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

**The trading activities** involve buying and selling standardised and traded products. Electricity and CO<sub>2</sub> 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 portfolios** include 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 portfolio also trades in transport capacity across national boundaries and includes virtual power plant contracts. Quoted, traded contracts such as system price, regional prices and foreign currency are generally used to reduce the risk involved in trading in structured products and contracts. The majority of the contracts in the portfolio have a duration of up to five years, though some contracts run until 2018.

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.

#### FOREIGN EXCHANGE AND INTEREST RATE RISK

In relation to financial activities, Statkraft is exposed to two main types of market risk; foreign exchange risk and interest rate risk. 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 Group 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 is 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 Group management via the CFO.

**Use of interest rate and foreign currency instruments** 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, forward interest rate agreements and forward contracts are used to achieve the desired currency and interest rate structure for the company's loan portfolio. Forward currency contracts are also used to hedge cash flows denominated in foreign currency.

## 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. As regards the gas power business, Statkraft is exposed to the price difference between the gas price and CO<sub>2</sub> and energy price ("clean spark spread"). 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 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 Group 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 covariation, both within the individual areas and between the areas.

Total market risk as of 31 December 2009 was calculated at NOK 1213 million, where the main risk relates to energy optimisation. Reduced market risk for energy optimisation explains most of the change from 2008. 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 reduction in the risk for energy optimisation from 31 December 2008 to 31 December 2009 must be seen in the context of lower expected revenues and the fact that the downside risk has been reduced.

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	2009	2008
Market risk in energy optimisation (volume risk, spot price risk and hedging)	1 171	2 532
Market risk in portfolios for Trading and origination	276	237
Market risk in interest rates and currency	192	319
Market risk in distribution grid revenues	14	25
Market risk in end-user activities and district heating	50	30
Total market risk before diversification effects	1 703	3 143
Diversification effects	-490	-581
Total market risk	1 213	2 562
Diversification effect as a percentage	29%	19%

### Specification of loans by currency<sup>1</sup>

NOK million	2009	2008
Loans in NOK	22 221	23 206
Loans in SEK	3 183	5 408
Loans in EUR	15 760	8 734
Loans in USD	1 581	-
Loans in Peruvian Nuevo Sol	248	-
Total	42 993	37 348

<sup>1</sup> Includes long-term interest-bearing liabilities, first year's instalments on long-term interest-bearing liabilities, certificates, interest swap agreements and currency swap agreements

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Specification of loan interest by currency <sup>1</sup>	2009	2008
Nominal average interest, NOK	4.1%	6.7%
Nominal average interest, SEK	2.3%	4.9%
Nominal average interest rate, EUR	3.9%	5.3%
Nominal average interest, USD	4.8%	-
Nominal average interest, Peruvian Nuevo Sol	6.0%+VAC <sup>2</sup>	-

<sup>1</sup> Includes long-term interest-bearing liabilities, first year's instalments on long-term interest-bearing liabilities, certificates, interest swap agreements and currency swap agreements

<sup>2</sup> VAC = Valor Adquisitivo Constante - Inflation adjustment

#### Fixed interest rate loan portfolio<sup>1</sup>

NOK million	Future interest rate adjustments				Total
	2010	1-3 years	3-5 years	5 years and more	
Loans in NOK	13 683	541	1 477	6 519	22 221
Loans in SEK	3 183	-	-	-	3 183
Loan in EUR	10 952	65	-	4 743	15 760
Loans in USD	924	289	112	256	1 581
Loans in Peruvian Nuevo Sol	-	-	165	83	248
Total	28 742	894	1 755	11 601	42 993

<sup>1</sup> Includes long-term interest-bearing liabilities, first year's instalments on long-term interest-bearing liabilities, certificates, interest swap agreements and currency swap agreements

#### Short-term financial investments – bonds per debtor category

NOK million	2009		2008	
	2009	2008	Duration	Average interest (%)
Commercial and savings banks	81	67	3.50	1.76
Industry	32	23	4.64	3.54
Public sector	93	85	3.50	3.79
Total	206	175		

## 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.

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 instruments with most of 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	2009	2008
<b>Gross exposure credit risk:</b>			
Other non-current financial assets	20	21 939	25 169
Derivatives	24	8 003	12 806
Receivables	22	8 707	11 646
Short-term financial investments	23	421	349
Cash and cash equivalents	25	6 663	2 209
<b>Total</b>		<b>45 733</b>	<b>52 179</b>
<b>Exposure reduced by security (guarantees, cash collateral etc.):</b>			
Derivatives		-1 501	-1 334
<b>Net exposure credit risk</b>		<b>44 232</b>	<b>50 845</b>

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	2010	2011	2012	2013	2014	After 2014
Instalments on loans from Statkraft SF	3 483	653	-	-	-	400
Instalments on bond loans from the Norwegian market	1 500	2 020	699	-	3 974	8 912
Instalments on other loans raised from non-Norwegian markets	900	590	119	2 484	-	13 652
Instalments on external loans in subsidiaries	238	494	199	1 654	122	369
Interest payments	1 765	1 567	1 461	1 429	1 344	3 378
<b>Total</b>	<b>7 885</b>	<b>5 323</b>	<b>2 478</b>	<b>5 567</b>	<b>5 440</b>	<b>26 711</b>

#### Allocation of non-discounted value of derivatives per period

The Group has a significant number of financial instruments 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	2010	2011	2012	2013	2014	After 2014
Energy derivatives	1 711	852	551	419	443	1 636
Interest rate and foreign currency derivatives	265	49	5	-	20	454
<b>Total</b>	<b>1 976</b>	<b>901</b>	<b>556</b>	<b>419</b>	<b>463</b>	<b>2 091</b>

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## 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 primarily 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 2009.

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	2009	2008
Long-term interest-bearing liabilities	27	36 342	30 639
Short-term interest-bearing liabilities	28	9 318	10 152
Cash and cash equivalents and short-term financial investments	23, 25	-7 084	-2 558
Net liabilities		38 576	38 233

## 36 → BENEFITS PAID TO EXECUTIVE MANAGEMENT AND THE BOARD

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

### Salaries and other benefits – executive management

NOK	Salary	Bonus <sup>3</sup>	Benefits in kind	Salary and other benefits
Bård Mikkelsen, President and CEO <sup>1</sup>	3 503 646	-	246 582	3 750 228
Jørgen Kildahl, executive vice president	2 381 403	363 333	186 812	2 931 548
Jon G. Brandsar, executive vice president	1 958 897	363 333	166 096	2 488 326
Siri Hatlen, executive vice president <sup>2</sup>	1 513 398	463 333	8 591	1 985 292
Stein Dale, executive vice president	2 153 398	463 333	28 071	2 644 802
Ragnvald Nærø, executive vice president	1 931 863	418 333	183 517	2 533 713

<sup>1</sup> Bård Mikkelsen was a board member of E.ON AG until 6 May 2009, and has received a remuneration of NOK 617 412 for 2009.

<sup>2</sup> Siri Hatlen stepped down on 30 June 2009. Salary and other benefits reflects the period as executive vice president

<sup>3</sup> Bonus earned in 2008, but paid in 2009.

Each of the members of the Group 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 Group 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 total salaries and other benefits paid to executive management in 2008 amounted to NOK 15 859 085.

### Remuneration to the board, audit committee and compensation committee

NOK	Board remuneration	Audit committee	Compensation-committee
Arvid Grundekjøn, chair person	341 000	-	40 000
Ellen Stensrud, deputy chair person	284 000	-	-
Halvor Stenstadvold, board member	226 000	75 000	-
Astri Botten Larsen, employee-elected board member	226 000	55 000	-
Thorbjørn Holøs, employee-elected board member	226 000	-	-
Odd Vanvik, employee-elected board member	226 000	-	25 000
Egil Nordvik, board member <sup>1</sup>	113 000	-	-
Berit J. Rødseth, board member	226 000	55 000	-
Bertil (Pertti) Tiusanen, board member <sup>2</sup>	113 000	-	-
Aud Perdy Mork, board member <sup>1</sup>	113 000	-	12 500
Hilde M. Tonne, board member <sup>2</sup>	113 000	-	12 500

<sup>1</sup> Egil Nordvik and Aud Perdy Mork stepped down from the board on 30 June 2009

<sup>2</sup> Bertil (Pertti) Tiusanen and Hilde M. Tonne became board members on the same date

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 board members.

Total remuneration paid to the board, Audit Committee and Compensation Committee in 2008 was NOK 2 153 500, NOK 177 500 and NOK 90 000 respectively.

**Pension provisions – executive management**

NOK	Pensions <sup>2</sup>
Bård Mikkelsen, President and CEO	4 863 332
Jørgen Kildahl, executive vice president	1 794 181
Jon G. Brandsar, executive vice president	1 126 231
Stein Dale, executive vice president	1 060 561
Ragnvald Nærø, executive vice president	2 074 665
Siri Hatlen, executive vice president <sup>1</sup>	678 679

<sup>1</sup> Siri Hatlen stepped down on 30 June 2009. The pension provision reflects her time as an executive vice president.

<sup>2</sup> Pension scheme accounting cost for the year.

The President and CEO's retirement age is 65 with a pension amounting to 66% of annual salary. At age 62 the CEO may step down either voluntarily or at the request of the company. If this right is exercised, the CEO will be offered the position of consultant to the company with a 66% salary until the official retirement age.

Members of the Group management may retire at the age of 65 with a pension amounting to 66% of annual salary. During the period between 60 and 65, members of the Group management have agreements providing a mutual right to gradually scale back their workload and compensation.

The President and CEO and Group management do not have any severance pay agreements in addition to those mentioned above. Nor have any loans or pledges been granted to these parties.

The total pension provision for executive employees in 2008 was NOK 8 792 943.

## 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.

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

NOK	2009	2008
Statutory auditing	12 850 000	9 884 000
Other certification services	728 000	250 000
Tax consultancy services	2 064 000	1 129 000
Other services	2 539 000	292 000
<b>Total</b>	<b>18 181 000</b>	<b>11 555 000</b>

The increase in statutory auditing and tax consultancy expenses from 2008 to 2009 is mainly due to an increase in the number of entities as a result of business combinations.

The increase in other services is partly due to other assistance in connection with implementation of reporting systems in Skagerak Energi AS, assistance in connection with business combinations as well as other accounting issues.

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

NOK	2009	2008
Statutory auditing	2 163 760	-
Other certification services	44 030	-
Tax consultancy services	742 220	-
Other services	685 610	-
<b>Total</b>	<b>3 635 620</b>	<b>-</b>

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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 Group management or the board and are also related parties of Statkraft.

In accordance with IAS 24, Astri Botten Larsen 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 2009, Norsk Radiokommunikasjon AS sold goods and services to Statkraft worth NOK 1 056 990 at market terms and conditions.

Jørgen Kildahl is a board member of Multiconsult AS, which in 2009 sold services to Statkraft for NOK 11 425 944 at market terms and conditions.

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	2009	2008
Revenues	40	205
Expenses	272	1 422
Receivables at the end of the period	206	419
Liabilities at the end of the period	472	102

## 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 1627 million. In addition, other subsidiaries have a total of NOK 2260 million in pledged assets. As of 31 December 2009, the book value of the pledged assets in Statkraft Energi AS totalled NOK 6113 million. The book value of pledged assets in other subsidiaries amounts to NOK 3094 million.

### GUARANTEES

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

NOK million	2009
Parent company guarantees	7 952
Other	122
Total guarantees in Statkraft AS	8 074
Parent company guarantees	750
Guarantees in Nord Pool and other energy exchanges	3 617
Financial power exchange agreement	1 131
Other	866
Total guarantees in subsidiaries	6 364
Total	14 438

The Statkraft Group had off-balance-sheet obligations and guarantees totalling NOK 10 501 million in 2008.

### CONTRACT OBLIGATIONS

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

- Long-term agreement to purchase CO<sub>2</sub>-quotas.
- Agreements relating to purchase of gas equalling 90 TWh in the period to 2017.
- A license agreement relating to the development, construction and operation of three hydropower plants which involves a joint responsibility estimated at EUR 950 million.

## 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 of the end of the period	More than 5 years from the end of the period	Total
Property rental agreements	92	332	651	1 075
Other leases	9	19	6	34
<b>Total</b>	<b>101</b>	<b>351</b>	<b>657</b>	<b>1 109</b>

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	82	-	15
Other leases	13	-	-
<b>Total</b>	<b>95</b>	<b>-</b>	<b>15</b>

There are no other material operating or financial leases.

## 41 → CONTINGENCIES, DISPUTES ETC

### EXCESS/SHORTFALL OF REVENUE

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

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

### Excess/shortfall of revenue distribution grid operations, closing balance

NOK million	2009	2008
Cumulative excess revenue transferred to subsequent years	255	137
Cumulative revenue shortfall transferred to subsequent years	-36	-8
<b>Net excess/shortfall of revenue</b>	<b>219</b>	<b>129</b>

### DISPUTES

Statkraft has extensive business activities and is consequently likely to be involved in disputes of varying magnitude at any one time. At the time of the approval of the financial statements, there were no disputes that could have a material effect on Statkraft's result or liquidity.

## 42 → SHARES AND SHAREHOLDER INFORMATION

The parent company has a share capital of NOK 20 billion, divided into 200 million shares with a par value of NOK 100 each. All shares have the same voting rights and are owned by Statkraft SF, which is a Norwegian state-owned company, established and domiciled in Norway. Statkraft SF is wholly owned by the Norwegian state, through the Ministry of Trade and Industry.

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## Income Statement

STATKRAFT AS

NOK million	Note	2009	2008
<b>Operating revenues</b>	1	433	1 324
Salaries and payroll costs	2, 3	-331	-264
Other operating expenses	4, 5	-597	-419
Depreciation and impairments	8	-40	-43
<b>Operating expenses</b>		-968	-726
<b>Operating profit/loss</b>		-535	598
Financial income	6	7 344	36 591
Financial expenses	6	-1 856	-8 054
<b>Net financial items</b>		5 488	28 537
Profit before tax		4 953	29 135
Tax expense	7	-1 477	586
<b>Net profit</b>		3 476	29 721
<b>Disposal of profit for the year</b>			
Group contribution payable	13	7 420	10 000
Transfer to (+)/from (-) other equity	13	-3 944	19 721

## Balance Sheet


STATKRAFT AS


NOK million	Note	31.12.09	31.12.08
<b>ASSETS</b>			
Deferred tax asset	7	-	670
Property, plant and equipment	8	118	155
Investments in subsidiaries and associates	9	93 791	54 386
Other non-current financial assets	10	177	1 344
<b>Non-current assets</b>		<b>94 086</b>	<b>56 555</b>
Receivables	11	9 782	50 516
Cash and cash equivalents	12	5 149	241
<b>Current assets</b>		<b>14 931</b>	<b>50 757</b>
<b>Assets</b>		<b>109 017</b>	<b>107 312</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital	13	31 569	31 569
Retained earnings	13	16 554	20 500
<b>Equity</b>		<b>48 123</b>	<b>52 069</b>
Deferred tax	7	365	-
Provisions	14	562	532
Long-term interest-bearing liabilities	15, 17	32 987	28 043
<b>Long-term liabilities</b>		<b>33 914</b>	<b>28 575</b>
Short-term interest-bearing liabilities	16, 17	17 827	11 922
Other interest-free liabilities	18	9 153	14 746
<b>Current liabilities</b>		<b>26 980</b>	<b>26 668</b>
<b>Equity and liabilities</b>		<b>109 017</b>	<b>107 312</b>

The Board of Directors of Statkraft AS  
 Oslo, 17 March 2010

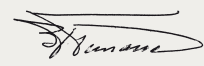
  
 Arvid Grundekjøn  
 Chair

  
 Berit Rødseth  
 Board member

  
 Ellen Stensrud  
 Deputy chair

  
 Halvor Stenstadvold  
 Board member

  
 Hilde M. Tonne  
 Board member

  
 Bertil (Pertti) Tiusanen  
 Board member

  
 Thorbjørn Holøs  
 Board member

  
 Odd Vanvik  
 Board member

  
 Astri Botten Larsen  
 Board member

  
 Bård Mikkelsen  
 President and CEO

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## Statement of Cash Flow

STATKRAFT AS

NOK million	2009	2008
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	4 953	29 135
Depreciation and impairments	40	43
Profit on the sale of shares	-149	-31 816
Cash flow from operating activities	4 844	-2 638
Change in long-term items	31	77
Changes in other short-term items	6 318	10 684
<b>Net cash flow from operating activities</b>	<b>A</b>	<b>11 193</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in property, plant and equipment	-104	-109
Proceeds from sale of non-current assets	101	1
Loans to third parties	23	-771
Investments in other companies	-2 356	-403
<b>Net cash flow from investing activities</b>	<b>B</b>	<b>-2 336</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
New debt	14 753	6 525
Repayment of debt	-8 702	-7 551
Dividend and group contribution paid	-10 000	-8 198
<b>Net cash flow from financing activities</b>	<b>C</b>	<b>-9 224</b>
<b>Net change in cash and cash equivalents during the year</b>	<b>A+B+C</b>	<b>-2 383</b>
Cash and cash equivalents 01.01	241	2 624
Cash and cash equivalents 31.12	5 149	241

## Accounting policies

### STATKRAFT AS

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway (Norwegian GAAP).

#### SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Shares in subsidiaries, associates and joint ventures are recognised in accordance with the cost method in Statkraft AS's financial statements. Group contributions received are recognised under dividends from subsidiaries.

#### 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.

#### Recognition of revenues and

**expenses** Revenues derived from the sale of goods and services are recognised when they are earned, while expenses are recognised in accordance with the matching principle. Dividends and Group contributions from subsidiaries are recognised in income in the year they are earned, while dividends from other companies are recognised in accordance with the cash principle. Profits/losses on the sale of ordinary non-current assets are treated as operating revenues or expenses.

**Pension costs** Statkraft AS's pension schemes are defined benefit plans. The net pension cost for the period is included under salaries and other payroll costs, and comprises the pension benefits accrued during the period, the interest on the estimated liability and the projected yield on pension fund assets. The effect of plan changes that are made retroactively, i.e. where the earning of pension rights is not dependent on continued service time, is recognised directly in the income statement. The effect of plan changes that are not made retroactively is spread over the remaining service life. Deviations in estimates are recognised directly in 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 provisions under long-term liabilities.

**Taxes** Statkraft AS is subject to income tax, which is calculated in accordance with ordinary taxation 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 liabilities

Assets intended for permanent ownership or long-term use are classified as non-current 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 loans.

Non-current assets are recognised at cost and are written down to fair value when any impairment in value is not considered to be temporary in nature. Impairments are reversed when the basis for the impairment no longer exists. Non-current assets with a limited useful economic life are depreciated or amortised. Long-term liabilities are recognised in the balance sheet at their nominal value, adjusted for any unamortised premium or discount. Current assets are valued at the lower of cost or fair value. Current liabilities are recognised in the balance sheet at the nominal amount received at the time the liability was incurred.

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

**Property, plant and equipment** Property, plant and equipment is recognised in the balance sheet and depreciated on a straight-line basis over the expected useful economic life of the assets from the date on which the asset went into ordinary operation. The cost consists solely of directly attributable costs. Indirect administration costs are excluded when recognising own hours in the balance sheet.

**Subsidiaries/associates** Subsidiaries are companies where the Group has a 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. Investments are recognised at the cost of the shares and are adjusted for any impairment where necessary. Investments are written down to fair value when the reduction in value is due to causes which cannot be considered transitory. Impairments are reversed when the basis for the impairment no longer exists. Dividends and other distributions are recognised in income the same year they are proposed in the subsidiary. 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 AS has significant influence. Significant influence is normally considered to exist where the company owns or controls 20 to 50 per cent of the voting shares.

**Long-term shareholdings** All long-term investments are accounted for using the cost method in the single entity financial statements. Dividends received are treated as financial income.

**Accounts receivable** 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 Cash and cash equivalents also includes certificates and bonds with short residual terms. The market settlement of derivatives connected with financial activities (cash collateral) is recognised in the balance sheet.

**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).

**Hedging** The accounting treatment of financial instruments depends on the reason for entering into the specific agreement. Each agreement is defined either as a hedging transaction or a trading transaction when it is entered into.

Where agreements are treated as hedging transactions in the financial statements, revenues and costs are accrued and classified in the same way as the underlying position. In connection with value hedging, the hedging instrument is recognised in the balance sheet at fair value. In connection with cash flow hedging, unrealised gains and losses on the hedging instrument are not recognised in the balance sheet.

**Foreign currency** Balance sheet items denominated in foreign currency are valued at the exchange rate in force on the balance sheet date. Currency effects are recognised as financial expenses or income. Gains and losses in connection with currency rate changes for liabilities denominated in foreign currency designated as a hedging instrument for investments in foreign units are recognised in the accounts as adjustment of the book value of the investment. Transactions denominated in foreign currency are converted using the transaction date exchange rate.

**Interest** Interest instruments defined as hedging instruments are accrued in the same manner as the interest on the hedged interest-bearing liabilities and receivables. Unrealised losses or gains in connection with fixed-interest positions that are part of the hedging operation are not recognised in the accounts.

In the event that loans are repaid before the end of their fixed term (buyback), the gain/loss is recognised in the income statement. Swaps associated with repaid loans are normally terminated. Gains/losses on such swaps are recognised together with the underlying loan.

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

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STATKRAFT AS

### 01 → OPERATING REVENUES

Operating revenues mainly consist of intra-group service revenues, including property rental revenues. The cause of the large decline when compared with 2008 is related to the gain from the sale of Statkraft Markets GmbH to Statkraft Germany GmbH for NOK 905 million.

### 02 → SALARIES AND OTHER PAYROLL COSTS

NOK million	2009	2008
Salaries	212	168
Employer's national insurance contributions	36	30
Pension costs	66	53
Other benefits	17	13
Total	331	264

The average number of full-time equivalents for 2009 was 245 for the parent company, compared with 213 in 2008.

Pension costs are described in further details in Note 3.

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

### 03 → 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 include 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 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. Agreements have also been entered into that provide some members of Group management with a surviving relative and child pension. In addition, Statkraft AS has a surviving relative scheme, which is a continuation of the Statkraft Pension Fund. This scheme ceased to exist in 2003. These pensions are funded out of the company's operations.

#### Breakdown of pension costs for the period

NOK million	2009	2008
Present value of accrued pension entitlements for the year	54	36
Interest costs on pension liabilities	18	23
Projected yield on pension assets	-6	-6
Net pension costs	66	53

#### Reconciliation of pension liabilities and pension fund assets

NOK million	2009	2008
Gross pension liabilities	552	499
Pension assets in the Norwegian Public Service Pension Fund	-183	-166
Employer's national insurance contributions	52	44
Net pension liabilities	421	377

**Movement in estimate deviations recognised directly in equity**

NOK million	<b>2009</b>	2008
Cumulative amount recognised directly in equity before tax 01.01.	159	103
Estimate deviations recognised in equity during the year	4	56
Cumulative amount recognised directly in equity before tax 31.12.	163	159
Of which recognised against equity	146	143
Of which recognised in deferred tax	17	16

<b>Economic assumptions</b>	31.12.09	01.01.09	31.12.08
Discount rate	4.40%	3.70%	3.70%
Salary adjustment	4.25%	4.00%	4.00%
Adjustment of current pensions	4.00%	3.75%	3.75%
Adjustment of National Insurance Scheme's basic amount (G)	4.00%	3.75%	3.75%
Projected yield on fund assets	4.40%	3.70%	3.70%
Forecast annual exit			
– Up to age 45	3.50%	2.50%	2.50%
– Between ages 45 and 60	0.50%	0.50%	0.50%
– Over age 60	0.00%	0.00%	0.00%
Rate of inflation	2.25%	2.00%	2.00%
Tendency to take early retirement (AFP)	10.00%	20.00%	20.00%

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 2009 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.

## 04 → OTHER OPERATING EXPENSES

NOK million	<b>2009</b>	2008
Materials	15	55
Purchase of third-party services	317	196
Other	265	168
Total	597	419

## 05 → 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. The total fees paid for auditing and other services for Statkraft AS for 2009 are broken down as follows:

NOK	<b>2009</b>	2008
Statutory auditing	2 694 000	2 560 000
Other certification services	245 000	121 000
Tax consultancy services	1 267 000	240 000
Other services	1 198 000	125 000
Total	5 404 000	3 046 000

## 06 → FINANCIAL INCOME AND EXPENSES

**Financial income**

NOK million	<b>2009</b>	2008
Interest income from Group companies	414	1 418
Interest income	204	243
Other financial income	6 726	34 930
Total	7 344	36 591

Other financial income in 2009 consists mainly of dividends and group contributions from subsidiaries totalling NOK 5208 million. Currency gains from hedging of power sales revenues and currency liabilities as well as a currency loss on loans to subsidiaries amounts to NOK 1348 million.

**Financial expenses**

NOK million	2009	2008
Interest expenses paid to Group companies	537	909
Interest expenses	1 297	1 542
Other financial expenses	22	5 603
Total	1 856	8 054

Other financial expenses in 2009 consists of losses on securities and other financial expenses. The changes in other financial expenses is due to the net currency gain being classified as other financial income in 2009 compared to a net currency loss in 2008.

**07 → TAXES****The total tax expense is calculated as follows**

NOK million	2009	2008
Income tax	443	-
Change in deferred tax	1 034	-586
Total tax expense in the income statement	1 477	-586

**Income tax payable**

NOK million	2009	2008
Income taxes payable on the profit for the year	443	-
Effect of group contributions on tax liability	-443	-
Income tax payable	-	-

**Tax payable in the balance sheet**

NOK million	2009	2008
Correction tax	-	-
Tax payable in the balance sheet	-	-

**Reconciliation of nominal tax rate and effective tax rate**

NOK million	2009	2008
Profit before tax	4 953	29 135
Expected tax expense at a nominal rate of 28%	1 387	8 158
Effect on taxes of:		
Tax-free income	-25	-9 036
Changes concerning previous years	19	-
Other permanent differences, net	96	292
Total tax expense	1 477	-586
Effective tax rate	30%	-2%

**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	2009	2008
Current assets/current liabilities	1 783	-25
Property, plant and equipment	-60	-54
Pension liabilities	-421	-379
Loss carryforwards	-	-1 936
Total temporary differences and tax loss carry forwards	1 302	-2 394
Total deferred tax (+)/deferred tax asset (-)	365	-670
Applied tax rate	28%	28%

**08 → PROPERTY, PLANT AND EQUIPMENT**

NOK million	Other	Facilities under construction	Total
Cost 01.01.09	290	82	372
Additions	44	59	103
Disposals	-2	-100	-102
Transferred from facilities under construction	-	-	-
Cost 31.12.09	332	41	373
Accumulated depreciation and impairments 31.12.09	-255	-	-255
Book value 31.12.09	77	41	118
Depreciation for the year	-40	-	-40
Depreciation period	3-40 years		

## 09 → SHARES IN SUBSIDIARIES AND ASSOCIATES

NOK million	Registered office	Shareholding and voting rights	Book value
<b>Subsidiaries</b>			
Statkraft Energi AS	Oslo	100%	10 062
Statkraft Carbon Invest AS	Oslo	100%	4
Statkraft Germany GmbH	Düsseldorf	100%	3 608
Statkraft Suomi Oy	Kotka	100%	911
Statkraft Financial Energy AB	Stockholm	100%	-
Statkraft Sverige AB	Stockholm	100%	6 053
Statkraft UK Ltd.	London	100%	827
Statkraft Development AS	Oslo	100%	366
Statkraft Industrial Holding AS	Oslo	100%	13 951
Statkraft Forsikring AS	Oslo	100%	80
Småkraft AS <sup>1</sup>	Bergen	20%	71
Statkraft Western Balkans d.o.o.	Belgrade	100%	24
Renewable Energies and Photovoltaics Spain S.L.	Malaga	70%	4
Statkraft SCA Vind AB	Stockholm	60%	5
Statkraft Värme AB	Kungsbacka	100%	642
Statkraft Treasury Centre SA	Brussels	100%	51 208
Wind Power Bulgaria EOOD	Sofia	60%	12
Statkraft d.o.o.Banja Luka	Banja Luka	100%	-
Statkraft Albania LLC	Tirana	100%	3
Statkraft Norfund Power Invest AS	Oslo	60%	4 553
Statkraft Montenegro d.o.o.	Podgorica	100%	3
Yeşil Enerji Üretim Sanayi ve Ticaret A.Ş.	Istanbul	95%	710
Ra 1 S.r.l.	Milan	100%	63
Ra 2 S.r.l.	Milan	100%	2
Ra 3 S.r.l.	Milan	100%	59
Statkraft Södra Vindkraft AB	Stockholm	90.1%	147
Statkraft France SAS	Lyon	100%	27
<b>Total subsidiaries</b>			<b>93 395</b>
<b>Associates and joint ventures</b>			
Naturkraft AS	Bærum	50%	76
Devoll Hydropower SHA	Tirana	50%	34
Hydra Tidal Energy Technology AS	Oslo	28%	8
Statkraft Agder Energi Vind DA	Kristiansand	62%	130
Energy Future Invest AS	Oslo	34%	148
HPC Ammerån AB	Stockholm	50%	-
HPC Byske AB	Stockholm	50%	-
HPC Edsox AB	Stockholm	50%	-
HPC Röan AB	Stockholm	50%	-
<b>Total associates and joint ventures</b>			<b>396</b>
<b>Total</b>			<b>93 791</b>

<sup>1</sup> Småkraft AS is jointly owned by Statkraft AS, Skagerak Kraft AS, Trondheim Energi Kraft AS, Agder Energi AS and Bergenshalvøens Kommunale Kraftselskap AS, which each have a 20% shareholding.

## 10 → OTHER NON-CURRENT FINANCIAL ASSETS

NOK million	2009	2008
Loans to Group companies	13	1 049
Other shares and loans	164	295
<b>Total</b>	<b>177</b>	<b>1 344</b>

**11** → **RECEIVABLES**

NOK million	<b>2009</b>	2008
Interest-bearing restricted funds	<b>215</b>	1 910
Other receivables	<b>1 527</b>	3 702
Current receivables from Group companies	<b>8 040</b>	44 904
Total	<b>9 782</b>	50 516

As of 31 December 2009, no need to recognise a provision for bad debts had been identified.

Other receivables consist of collateral pledged in respect of the negative market value of derivative contracts.

Interest-bearing restricted funds from Group companies comprises dividends and group contribution from subsidiaries totalling NOK 5363 million, as well as intra-group receivables of NOK 2677 million.

**12** → **CASH AND CASH EQUIVALENTS**

NOK million	<b>2009</b>	2008
Certificates and promissory notes	<b>1 023</b>	-
Cash and bank deposits	<b>4 126</b>	241
Total	<b>5 149</b>	241

Cash and bank deposits for 2009 includes NOK 1351 million (-534) relating to cash collateral. Cash collateral represents payments made to/by counterparties as security for net unrealised gains/losses Statkraft has on interest rate and currency swaps. As such gains/losses are not recognised in income, a contra entry amounting to NOK 1522 million (1385) has been recorded under other interest-free liabilities, while NOK 215 million (1910) has been recognised under receivables.

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 2009.

Figures in parentheses apply to 2008.

**13** → **EQUITY**

NOK million	Paid-in capital			Retained earnings	Paid-in capital
	Share capital	Share premium account	Other paid-in capital		
Equity as of 31.12.07	20 000	11 553	16	819	32 388
Profit for 2008	-	-	-	29 721	29 721
Estimate deviation pensions	-	-	-	-40	-40
Group contribution paid	-	-	-	-10 000	-10 000
Equity as of 31.12.07	20 000	11 553	16	20 500	52 069
Profit for 2009	-	-	-	3 476	3 476
Estimate deviation pensions	-	-	-	-2	-2
Group contribution paid	-	-	-	-7 420	-7 420
Equity as of 31.12.09	20 000	11 553	16	16 554	48 123

The company has a share capital of NOK 20 billion, divided into 200 million shares with a par value of NOK 100. All shares are owned by Statkraft SF.

**14** → **PROVISIONS**

NOK million	<b>2009</b>	2008
Pension liabilities	<b>421</b>	377
Other provisions	<b>141</b>	155
Total	<b>562</b>	532

Pension liabilities are described in further details in Note 3.

## 15 → LONG TERM INTEREST-BEARING LIABILITIES

NOK million	2009	2008
Loan from Statkraft SF (back-to-back agreement)	1 053	5 165
Bond loans in the Norwegian market	15 605	14 406
Other	-	14
Other loans raised from non-Norwegian markets	16 329	8 458
<b>Total</b>	<b>32 987</b>	<b>28 043</b>

All currency swaps are recognised in Other loans raised from non-Norwegian markets. See Note 20

## 16 → SHORT-TERM INTEREST-BEARING LIABILITIES

NOK million	2009	2008
First year's instalment of liabilities	5 882	3 651
Group cash pooling liability	8 960	2 377
Certificate loans	1 114	4 509
Cash collateral (see Note 12)	1 522	1 385
Current liabilities to Group companies	349	-
<b>Total</b>	<b>17 827</b>	<b>11 922</b>

## 17 → MARKET AND LIQUIDITY RISK ANALYSIS

### Specification of loans by currency

NOK million	2009	2008
Loans in NOK	21 110	22 062
Loans in SEK	3 183	5 408
Loans in EUR	15 691	8 733
<b>Total</b>	<b>39 984</b>	<b>36 203</b>

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

Nominal average interest rate NOK	4.1%	6.7%
Nominal average interest rate SEK	2.3%	4.9%
Nominal average interest rate EUR	3.9%	5.3%

### Fixed interest rate loan portfolio

NOK million	Future interest rate adjustments				Total
	2010	1- 3 years	3-5 years	5 years and more	
Loans in NOK	13 212	302	1 077	6 519	21 110
Loans in SEK	3 183	-	-	-	3 183
Loans in EUR	10 948	-	-	4 743	15 691
<b>Total</b>	<b>27 343</b>	<b>302</b>	<b>1 077</b>	<b>11 262</b>	<b>39 984</b>

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

### Repayment schedule

NOK million	2010	2011	2012	2013	2014	After 2014	Total
Loan from Statkraft SF (back-to-back agreement)	3 483	653	-	-	-	400	4 536
Bond loans in the Norwegian market	1 500	2 020	699	-	3 974	8 912	17 105
Other loans raised from non-Norwegian markets	899	638	71	2 484	-	13 652	17 744
Certificate loans in the Norwegian market	1 114	-	-	-	-	-	1 114
Other	69	-	-	-	-	-	69
Currency exchange rate adjustments for currency and interest swap agreements	-769	132	53	-	-	-	-584
<b>Total</b>	<b>6 296</b>	<b>3 443</b>	<b>823</b>	<b>2 484</b>	<b>3 974</b>	<b>22 964</b>	<b>39 984</b>

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

Recognised effects of currency and interest swap agreements in connection with the loans have been allocated to the respective due dates.

## 18 → OTHER INTEREST-FREE LIABILITIES

NOK million	2009	2008
Other interest-free liabilities	816	3 707
Current liabilities to Group companies	8 337	11 039
Total	9 153	14 746

Current liabilities to Group companies primarily comprise the Group contribution to the parent company Statkraft SF amounting to about NOK 7863 million. In 2008, the amount was NOK 10 000 million.

## 19 → OBLIGATIONS AND GUARANTEES

Statkraft AS has off-balance-sheet obligations and guarantees totalling NOK 8074 million. Of this, an amount of NOK 7952 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 12.5 years with an option to renew for a further ten years. The annual rent totals NOK 61.4 million.

## 20 → DERIVATIVES

Statkraft trades in financial instruments 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 instruments:

NOK million	31.12.09		31.12.08	
	Book value	Fair value	Book value	Fair value
Interest rate swaps	-	223	-	469
Forward interest rate agreements	-	-	-	2
Combined interest rate and currency swaps	584	629	980	1 146
Forward currency exchange contracts	203	203	-2 103	-2 103
Total	787	1 055	-1 123	-486

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

Interest rate derivatives, including the interest portion of interest rate and currency swaps, are used to manage the company's interest rate risk and are recognised as hedging instruments. These are recognised at cost, which is zero, in the balance sheet. Unrealised losses on the part of the loan contract that is swapped are offset against non-recognised, unrealised gains on fixed-interest loans. The fair value stated in the table does not include accrued interest.

The currency component of the 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

## 21 → RELATED PARTIES

Statkraft AS owns shareholdings in a number of companies. For further details, see Note 9. 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

### AUDITOR'S REPORT FOR 2009

We have audited the annual financial statements of Statkraft AS as of 31 December 2009, showing a net profit of NOK 3,476 million for the parent company and a net profit of NOK 7,716 million for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the net profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway have been applied to prepare the parent company's financial statements. The group accounts comprise the income statement, the balance sheet, the statement of recognised income and expenses, the statement of changes in equity, the cash flow statement and the accompanying notes. International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We have conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and generally accepted auditing practice, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the parent company's financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as of 31 December 2009, and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting practice in Norway
- the group accounts are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Group as of 31 December 2009, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the Company's management has fulfilled its duty to see to proper and well arranged recording and documentation of accounting information in accordance with law and generally accepted bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the net profit, is consistent with the financial statements and complies with law and regulations.

Oslo, 17 March 2010  
Deloitte AS



Aase Aa. Lundgaard  
State Authorised Public Accountant (Norway)

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