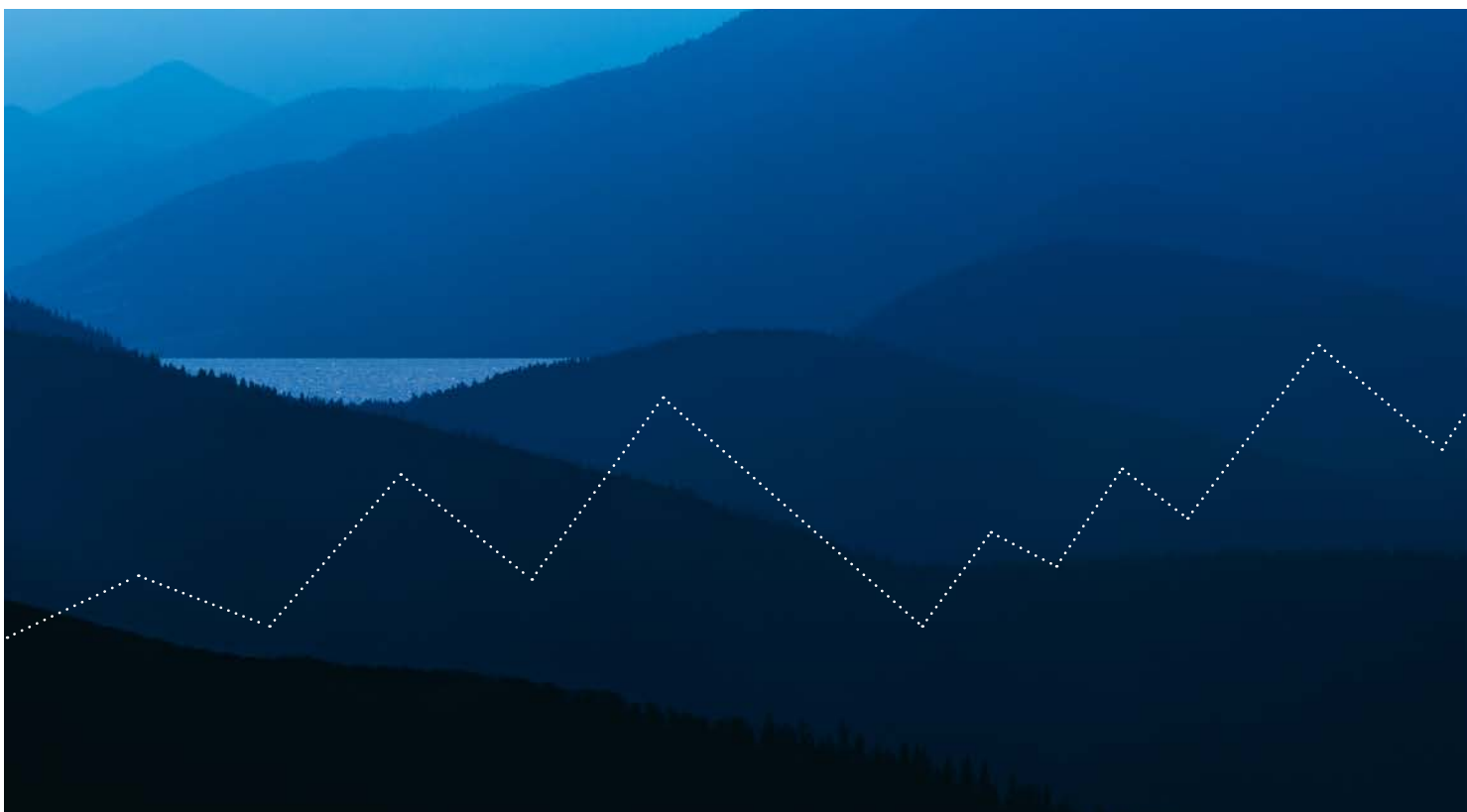




Annual Report **2013**





Key figures 2013 ►

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Read the full report at:
annualreport2013.statkraft.com

Financial key figures

Statkraft AS Group	Unit	2013	2012 (restated)	2011	2010	2009
From the income statement						
Gross operating revenues*****	NOK mill	49 564	37 550	22 449	29 252	25 675
Net operating revenues	NOK mill	24 246	18 352	17 161	23 176	16 983
EBITDA	NOK mill	16 047	10 492	9 795	15 955	9 769
Operating profit	NOK mill	13 002	5 559	6 218	12 750	7 027
Share of profit from associates	NOK mill	1 101	871	898	766	1 179
Net financial items	NOK mill	-11 592	2 341	-3 642	-917	4 281
Profit before tax	NOK mill	2 511	8 771	3 466	12 599	12 487
Net profit	NOK mill	208	4 551	40	7 451	7 716
Items excluded from underlying business**						
Unrealised changes in value energy contracts	NOK mill	3 288	-1 030	-1 152	62	-2 182
Non-recurring items	NOK mill	125	-2 224	-1 035	70	-108
Underlying business**						
Gross operating revenues	NOK mill	47 458	38 910	22 377	28 990	25 044
Net operating revenues	NOK mill	20 545	19 207	18 187	22 721	19 165
EBITDA	NOK mill	12 444	11 347	10 880	15 161	11 951
Operating profit	NOK mill	9 589	8 813	8 405	12 618	9 316
From the balance sheet						
Property, plant & equipment and intangible assets	NOK mill	104 779	91 788	88 331	80 772	80 516
Investments in associates	NOK mill	16 002	15 924	15 080	17 090	16 509
Other assets	NOK mill	32 906	38 195	41 514	58 105	46 980
Total assets	NOK mill	153 687	145 907	144 925	155 967	144 005
Total equity	NOK mill	71 107	62 350	65 655	75 302	64 901
Interest-bearing debt	NOK mill	40 377	40 625	37 287	40 486	45 660
Capital employed, basic ¹⁾	NOK mill	82 985	71 282	62 546	66 722	65 486
Cash flow						
Net change in cash flow from operating activities	NOK mill	8 106	10 290	9 521	13 577	12 714
Dividend for the year to owner (incl. minority interests)	NOK mill	3 094	4 293	9 400	7 964	10 260
Depreciation	NOK mill	3 045	4 933	3 564	3 205	2 743
Maintenance investments ²⁾	NOK mill	1 980	1 811	1 129	1 000	1 308
Expansion investments in new generating capacity ³⁾	NOK mill	11 303	7 327	5 217	1 852	2 447
Investments in shareholdings ⁴⁾	NOK mill	62	2 583	1 923	888	1 152
Cash and cash equivalents	NOK mill	7 685	5 440	8 605	20 052	6 663
Unused drawing rights	NOK mill	14 200	14 205	14 200	9 074	8 785
Financial variables						
FFO/net debt ⁵⁾	%	31.1	24.5	33.1	72.0	21.9
Interest-bearing debt ratio ⁶⁾	%	36.2	39.5	36.2	35.0	41.3
Equity ratio ⁷⁾	%	46.3	42.7	45.3	48.3	45.1
Long-term rating - Standard & Poor's		A-	A-	A-	A-	A-
Long-term rating - Moody's		Baa1	Baa1	Baa1	Baa1	Baa1
Key figures, accounts						
EBITDA-margin, accounts ⁸⁾	%	32.4	27.9	43.6	55	38
EBITDA-margin, underlying ⁹⁾	%	26.2	29.2	48.6	52	48
ROACE before tax ⁹⁾	%	12.5	13.0	13.9	19.7	14.2
Net return on investments in associated companies ¹⁰⁾	%	6.9	5.5	5.6	4.5	7.1
Return on total assets after tax ¹¹⁾	%	0.8	3.8	0.8	6.0	7.0
Return on total assets after tax ¹²⁾	%	0.3	7.0	0.1	11.8	11.9
Tax rate ¹³⁾	%	91.7	48.1	98.8	40.9	38.2
Key figures, upstream business*						
Production cost/MWh ¹⁴⁾	Øre/kWh	8.0	7.8	7.3	7.1	7.0
Production capacity***	TWh	51.2	50.4	50.1	49.8	49.9
Production, actual	TWh	55.9	60.0	51.5	57.4	57.0
Installed capacity*****	MW	16 630	16 055	15 800	15 510	14 942
Key figures, downstream business*						
Energy supplied	TWh	6.0	7.1	7.1	7.8	10.0
Distribution grid capital (NVE capital) ¹⁵⁾	NOK mill	2 743	2 685	2 690	2 782	3 627
Total volume supplied	TWh	13.0	13.2	11.9	13.0	11.6
District heating supplied	TWh	1.1	1.1	0.8	1.0	0.9
Market variables*						
System price, Nord Pool	EUR/MWh	38.1	31.3	47.2	53.1	35.0
Spotprice, European Energy Exchange	EUR/MWh	37.8	42.6	51.1	44.6	38.9
Electricity consumption in the Nordic market	TWh	382	385	376	393	381
Electricity generated in the Nordic market, actual	TWh	380	399	371	374	372
Statkraft's share of Nordic electricity production	%	13.3	15.0	13.9	15.3	15.3

The financial statements for 2012 have been restated following the change of accounting policies. For 2011, only the balance sheet figures have been restated.

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

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

*** Exclusive trading and origination

**** Exclusive of gas power and district heating

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

***** Includes the share of consolidated companies

- | | | | |
|--|---|--|--|
| 1) Property, plant & equipment
+ intangible assets
+ receivables
+ inventories
- provisions for liabilities
- taxes payable
- other interest-free liabilities
+ provisions for dividend payable (NGAAP) | 4) Purchase of shares as well as equity increase in other companies | 8) $\frac{\text{Operating profit before depreciation} * 100}{\text{Gross operating revenues}}$ | 12) $\frac{\text{Net profit} * 100}{\text{Average total assets}}$ |
| 2) Book value of maintenance investments to sustain current generating capacity | 5) $\frac{\text{Net change in cash flow from operating activities} + \text{changes in short-term items}}{\text{Net interest-bearing debt}}$ | 9) $\frac{\text{Operating profit} * 100}{\text{Average capital employed, basic}}$ | 13) $\frac{\text{Taxes expense} * 100}{\text{Profit before tax}}$ |
| 3) Book value of investments to expand generating capacity | 6) $\frac{\text{Interest-bearing debt} * 100}{\text{Interest-bearing debt} + \text{equity}}$ | 10) $\frac{\text{Share of profit from associates} * 100}{\text{Investments in associates}}$ | 14) Production cost, incl. property tax and depreciation, excl. sales costs, overhead, net financial items and tax
Normal output from power plants under own management |
| | 7) $\frac{\text{Total equity} * 100}{\text{Total assets}}$ | 11) $\frac{(\text{Net profit} + \text{financial expenses} * 0.72) * 100}{\text{Average total equity}}$ | 15) Key figures used to calculate the revenue ceiling.
Published at www.nve.no |

Non-financial key figures

The following tables present Statkraft's most significant results within the areas environmental impact, health and safety, society and employees for the period 2009-2013. More detailed results can be found in the corporate responsibility statement.

Power generation and district heating production

	Unit	2013	2012	2011	2010	2009
Installed capacity ¹⁾	MW	16 715	16 967	16 430	16 010	15 806
Of which hydropower	MW	12 886	13 522	13 249	12 969	12 774
Of which wind power ²⁾	MW	514	528	321	304	305
Of which gas power ²⁾	MW	2 600	2 178	2 178	2 178	2 160
Of which biofuel	MW	40	29	16	16	16
Of which district heating	MW	674	710	666	544	548
Capacity under development ^{3), 4)}	MW	1 681	1 792	1 923	-	-
Of which hydropower	MW	1 172	910	1 037	-	-
Of which wind power ²⁾	MW	500	361	344	-	-
Of which gas power ²⁾	MW	0	430	430	-	-
Of which district heating	MW	8	91	112	-	-
Power generation, actual ⁴⁾	TWh	55.9	60.0	51.5	57.4	56.9
Of which hydropower	TWh	52.6	57.6	46.0	50.1	50.1
Of which wind power ²⁾	TWh	1.4	0.8	0.8	0.6	0.6
Of which gas power ²⁾	TWh	1.5	1.5	4.6	6.6	6.1
Of which biofuel	TWh	0.3	0.1	0.1	0.1	0.1
District heating	TWh	1.1	1.1	0.9	1.1	0.9
Proportion of renewable power production ⁴⁾	%	97.0	97.2	90.8	88.1	89.1

¹⁾ Includes Statkraft's shareholdings in subsidiaries where Statkraft has a majority interest.

²⁾ Includes the jointly controlled Herdecke (Germany), Kårstø (Norway) and Scira (United Kingdom) power plants.

³⁾ Includes projects where an investment decision has been made.

⁴⁾ Non-renewable production includes gas power and district heating based on fossil fuels.

Emissions and environmental incidents

	Unit	2013	2012	2011	2010	2009
Emission of CO₂ equivalents ¹⁾						
Total	Tonnes	460 900	483 900	1 161 900	1 693 400	1 600 100
In relation to total production	kg/MWh	9	11	34	44	42
Environmental incidents						
Serious environmental incidents	Number	0	0	0	0	0
Less serious environmental incidents	Number	127	128	185	92	118

¹⁾ Statkraft's ownership is >50%.

Health and safety

	Unit	2013	2011	2011	2010	2009
Fatalities, consolidated operations ¹⁾						
Employees	Number	0	0	0	0	0
Contractors	Number	1	2	1	0	1
Third parties	Number	1	2	0	0	1
Fatal accidents, associated activities ²⁾						
Employees	Number	0	0	1	0	0
Contractors	Number	0	0	3	1	6
Third parties	Number	0	0	0	4	0
Lost-time injury rate						
Employees	Frequency ³⁾	2.5	4.1	4.5 ⁵⁾	3.4	3.8
Contractors	Frequency ³⁾	4.4	3.6	3.4 ⁵⁾	13.6	8.0
Injury frequency						
Employees	Frequency ⁴⁾	7.1	10.1	10.0 ⁵⁾	6.8	8.4
Contractors	Frequency ⁴⁾	6.3	6.3	6.2 ⁵⁾	16.4	-
Absence due to illness	%	3.1	3.1	3.4	3.4	3.3

¹⁾ Activities where Statkraft has > 50% ownership.

²⁾ Activities where Statkraft has 20 - 50% ownership.

³⁾ Lost-time injuries per million hours worked.

⁴⁾ Injuries per million hours worked.

⁵⁾ From 2011, all businesses with a shareholding >20% are included in the results. Earlier, only businesses with a shareholding >50% were included.

Ethics

	Unit	2013	2012	2011	2010	2009
Whistleblower issues registered by the corporate audit	Number	2	0	0	2	0

Contributions to society

	Unit	2013	2012 ¹⁾	2011	2010	2009
Distribution of value created						
Owner ²⁾	NOK mill.	0	4 000	4 288	7 985	3 740
The Norwegian state and municipalities ³⁾	NOK mill.	4 291	5 891	4 987	6 679	6 202
Lenders	NOK mill.	11 830	3 123	1 630	1 607	3 756
Employees	NOK mill.	2 788	2 720	2 453	2 092	2 253
The company	NOK mill.	-274	321	-4 517	-891	3 792

¹⁾ As from 1 January 2013 Statkraft has implemented IFRS 11 Joint Arrangements. The effect of this is that some companies that prior were using the equity method now are using proportionate consolidation.

Figures for 2012 have been restated to reflect Statkraft's financial position and results based on IFRS 11.

²⁾ Includes dividend and Group contribution from Statkraft AS to Statkraft SF, and minority interests.

³⁾ Includes taxes, property tax, licence fees and employer's contribution.

Employees and recruitment

	Unit	2013	2012	2011	2010	2009
Employees 31 Dec.	Number	3 734	3 615	3 414	3 344	3 375
Percentage of women						
Total	%	23	24	23	23	22
In management positions	%	22	21	20	22	23
Among new employees	%	23	29	23	27	30
Preferred employer ¹⁾						
Economics students	Ranking	43	33	30	17	25
Engineering students	Ranking	7	7	7	5	5

¹⁾ Ranking among final-year students and professionals, as defined and measured in the annual Universum Graduate Survey for Norway and the Universum Professional Survey for Norway respectively.

Providing pure energy

In a world with considerable challenge related to climate change, Statkraft's core product is more sought after than ever. The need for clean energy has created significant opportunities for growth. Statkraft is in unique position to take part in this growth, and will develop renewable energy in a profitable way that supports a positive societal development.

*Penstock for Yaupi
hydropower plant in Peru*



Statkraft unites national and international perspectives

Over several years, Statkraft has demonstrated an ability to generate significant financial value. The underlying result for 2013 is sound. The changes in NOK against the euro have resulted in negative currency effects, but this is fully offset by positive effects which strengthens the equity. The Group has succeeded in meeting the owner's objectives for the development of the Statkraft Group, both in Norway and abroad. Statkraft's position as a leader in European renewable energy has been strengthened, reaffirming Norway's importance as an energy nation. Simultaneously, we will remain a good partner for the power-intensive industry.

Statkraft's most important mission is to be an efficient power producer and deliver a high rate of return to the owner through industrial activity. This requires continuous development. The Group has launched a number of development projects in Norway and other European countries, as well as elsewhere in the world. The expertise base Statkraft is developing at home and abroad also contributes to better management of our Norwegian power business. Closer integration of Statkraft's international activities will enable us to further exploit the economies of scale and the expertise in the Group going forward. This will generate positive synergies, reduce risk and contribute to higher profitability.

Statkraft's development has considerable external industrial ripple effects. The internationalisation of Statkraft contributes to development of energy services and a supplier industry based in Norway.

The world needs more clean energy

Through many years, the Statkraft Group has been patiently building its business, one step at a time. We are now very well positioned for further profitable growth with leading expertise in a number of fields, a solid strategic position and documented ability to deliver high value creation.

Climate challenges make the development of more renewable energy more important than ever. Statkraft's development projects provide access to clean energy and therefore higher standard of living for people in a number of countries. Statkraft combines expertise and extensive experience with the ability to recognise new solutions. We are taking the Norwegian energy industry forward and will deliver what the world needs – more clean energy.




Christian Rynning-Tønnesen

Christian Rynning-Tønnesen
President and CEO, Statkraft

Statkraft in facts and figures

Statkraft in facts and figures shows that the Group in 2013 delivered according to the strategy. Statkraft's profit in 2013 was characterised by solid operations, new production capacity and higher Nordic power prices than in 2012. Project activity levels were high, and development projects within all technology areas the Group is engaged in were completed in 2013. For more than 100 years, Statkraft has been developing and managing Norwegian hydropower. The Group is now Europe's largest producer of renewable energy with an annual production of 56 TWh in 2013, and around 3500 employees in more than 20 countries. In the following section more key figures from Statkraft's operations are presented.

Power generation

 **55.9** TWh

Statkraft's production is determined by demand, production capacity, access to resources (hydrological balance and wind), margin between power and gas price and power optimisation. In 2013 the Group had a total power production of 55.9 TWh in addition to 1.1 TWh of delivered district heating.

Share of Norway's total power production

 **34** %

The Group is the largest power producer in Norway, and contributed to 34% of the country's power production in 2013. The company is the Nordic region's third largest producer of electrical power.

Number of countries

 **23**

At the end of 2013, the Group employed 3493 full-time equivalents. The Group had employees in 23 countries, and 34% were located outside of Norway.

Gross operating revenues

 **49.6** NOK billion

Statkraft's revenues are generated by spot sales, contractual sales to the industry, financial trading, grid activities, district heating and power sales to end-users. In addition, the Group delivers concessionary power. Gross operating revenues in 2013 were NOK 49 564 million, an increase of approximately NOK 12 billion compared to 2012. The increase was caused by higher Nordic prices, transfer of power plants from Statkraft SF to Statkraft AS in 2013 and new wind power capacity.

Profit before tax

 **2.5** NOK billion

Profit before taxes was reduced by NOK 6.5 billion compared to 2012. Major negative currency effects under financial items impacted the Group's result. Profit after taxes was NOK 208 million, compared to NOK 4551 million in 2012.

Investments

 **9.4** NOK billion

In accordance with the Group's strategy, the projects activity level is high, especially as regards wind and hydropower. Statkraft invested a total of NOK 9448 million in 2013, of which 78% in new capacity. The largest investments in new generation capacity were tied to wind power in Sweden and the UK, as well as international hydro power.

Share of power generation from renewable sources

 **97** %

Approximately 97% of the Group's production of power and district heating was based on renewable energy sources.

Serious environmental incidents

 **0**

There were no serious environmental incidents in the Group in 2013. 127 minor environmental incidents were registered, of which two had a high environmental risk. Most of these were in connection with short-term breaches of the river management regulations and minor oil spills. These incidents had little or no impact on the environment.

Injuries

 **6.6** per million hours worked

Several of the injury indicators have improved in recent years. The indicator for total recordable injuries, TRI, was 6.6. In total 230 injuries were registered, of which 123 lost time injuries, among the Group's employees and contractor employees. There was one fatal accident registered in 2013.

Power plants and district heating plants in the Group as of 31.12.2013

	Total		Hydropower 		Wind power 		Gas power 		District heating 	
	Number	Installed capacity	Number	Installed capacity	Number	Installed capacity	Number	Installed capacity	Number	Installed capacity
 Norway ¹⁾	267	12 518	263	12 064	3	245	1	210	25	483
 Sweden	63	1 315	60	1 268	3	46			4	164
 Finland	4	66	4	66						
 United Kingdom	6	273	3	49	3	223				
 Germany ²⁾	14	2 692	10	262			4	2 430	1	30
 Turkey	1	20	1	20						
 Nepal	1	21	1	21						
 Peru	8	163	8	163						
 Sri Lanka	2	1	2	1						
 Zambia	2	7	2	7						
 Brazil ³⁾	14	77	10	46	4	31			1	8
 Chile	2	94	2	94						
 The Philippines	3	179	3	179						
 India	2	82	2	82						
 Laos	2	100	2	100						
Total*	391	17 607	373	14 421	13	546	5	2 640	31	685
Consolidated activities	391	16 042	373	12 888	13	514	5	2 640	31	588

Statkraft in the world

The Group is the largest power producer in Norway, and contributed 34% of the country's power production in 2013. The company is the Nordic region's third largest producer of electrical power, Europe's largest producer of renewable energy, and the tenth largest producer of hydropower globally.


The Group has ownership interests in 391 power plants, with a total installed capacity of 17 607 MW (Statkraft's share). The installed capacity is 82% hydropower, 15% gas power and 3% wind power. 71% Statkraft's share of the installed capacity is in Norway, 8% in the Nordic region excluding Norway, 17% in Europe excluding the Nordic region and 4% outside of Europa.

In addition, Statkraft has interests in 31 district heating plants with a capacity of 685 MW (Statkraft's share). 71% of the capacity is in Norway, 24% in Sweden, 4% in Germany and 1% in Brazil.


The consolidated activities show the capacity of investments which Statkraft has fully consolidated in the accounts in accordance with IFRS. The difference between capacity under direct ownership and consolidated activities is mostly a result of the investments in BKK and Agder Energi, which are classified as associated companies in accordance with IFRS.

Statkraft is entering a period with many major rehabilitation projects, and is planning the investment of NOK 12 billion to upgrade existing Norwegian and Swedish hydropower plants from

TOTAL NUMBER OF POWER PLANTS

 391

STATKRAFT'S INSTALLED CAPACITY

 17 607 MW



**Statkraft has ownership interests in 391 power plants around the world
Total installed capacity is 17 607 MW**

1) Includes small scale hydropower. Pumped-storage power is not included.

2) Gas power includes the power plants Emden (450 MW) and Robert Frank (510 MW) which is in cold reserve. The bio power plants Landesbergen only generates electricity and is not included in the number of power plants, while Emden can produce both electricity and district heating. 40 MW electricity from the bio power plants Landesbergen and Emden is included in installed capacity for gas power.

3) District heating capacity in Brazil is related to electricity from a bio power plant.

* The overview shows the installed capacity from direct and indirect ownership in power plants and Statkraft SF's share of installed capacity in Laos is also included.

2014 to 2018. In 2013, power plants with a total installed capacity of 620 MW were transferred from Statkraft SF.

Internationally, Statkraft has several hydropower plants under construction. In addition, Statkraft owns two hydropower plants under construction through SN Power. These power plants will total 186 MW (SN Power's share). In Turkey, Statkraft owns a hydropower plant of 20 MW, while three hydropower plants totalling 619 MW are under construction. In Albania, Statkraft has decided to build two power plants totalling 243 MW.

Three new onshore wind farms started operations in 2013. In addition, another three onshore wind power plants are under construction in Sweden. In 2013, SAE Vind received four wind

power licenses County from the Norwegian Water Resources and Energy Directorate, totalling up to 660 MW in Sør-Trøndelag County in Norway and one of up to 105 MW Norway in Sogn og Fjordane.

Statkraft also has projects within offshore wind power. For the Dudgeon project (400 MW), which is being developed in cooperation with Statoil, a final investment decision is expected in the second half of 2014. As regards the Doggerbank project, where Statkraft is one of four partners, an investment decision lies some years into the future.

In 2013, Statkraft opened a new district heating plant in Ås in Norway (24 MW) and a new bio-boiler in Kungsbacka in Sweden was completed (12 MW).



Annual Report

Statkraft's 2013 result was characterised by solid operations, new production capacity and higher Nordic power prices. All segments contributed positively to the Group's underlying EBITDA, ending at NOK 12.4 billion. This was an improvement of 10% from 2012. Major negative currency effects impacted the Group's result, and the net profit was NOK 208 million. However, the currency effects have no cash effect and are fully offset by translation effects in the equity.

Project activity levels were high, and development projects within all technology areas the Group is engaged in were completed in 2013. In addition, the Group has many ongoing construction projects, in particular within hydro and wind power. Hydropower in Norway represents the largest share of Statkraft's revenues and assets. The most important activity for Statkraft is the operation, maintenance and development of this hydropower portfolio to maximise the long-term value of the power plants.

Energy trading and services have shown solid results over many years, and the Group wants to develop this area also in the emerging markets where Statkraft is building new hydropower plants.

The Group will strengthen its position as a leading international supplier of pure energy through the integration of the activities in South America and South Asia and through the development of hydropower in Southeast Europe.

The Board of Directors Statkraft



Halvor Stenstadvoid

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

Silvija Seres

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

Odd Vanvik

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

Olav Fjell

Chairman of the Board and Chair of Statkraft's Compensation Committee, Board member since 2012

Ellen Stensrud

Deputy chair, Board member since 2007

Berit Rødseth

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

Erik Haugane

Member of Statkraft's audit Committee, Board member since 2013

Lena Halvari

Employee-elected Board member, Board member since 2010

Thorbjørn Holøs

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

Highlights

- ▶ The updated strategic platform will focus on European flexible power production, energy trading and services, hydropower in emerging markets, wind power and district heating.
- ▶ Planning substantial upgrades of existing Norwegian and Swedish hydropower plants.
- ▶ 620 MW hydropower valued at NOK 3.4 billion was transferred from Statkraft SF.
- ▶ Strengthens international position through the integration of the businesses in South America and South Asia in Statkraft, further investments in SN Power and hydropower development in Southeast Europe.
- ▶ Strengthened position within wind power through new wind farms and new licences.
- ▶ Freed up capital for own investments by selling the E.ON shareholding for NOK 8.5 billion.

Health, safety and the environment

There was one work-related fatal accident in the Group in 2013, when a contractor employee died in connection with tunnel work at SN Power's Cheves development in Peru. The main conclusion from the investigation was that the work was carried out in an area that was inadequately secured, and the contractor changed its practices immediately after the accident.

The Group works systematically to avoid injuries and damage in all activities. All incidents with a large injury or damage potential are followed up closely in accordance with set requirements, and the intention is to share experience throughout the Group. A new tool for self-evaluation of the health and safety work was implemented in all business areas in 2013, and the results from this evaluation will be incorporated in the Group's performance follow-up process.

The absence due to illness was 2.9% in 2013, and this is considered satisfactory.

The Group experienced no serious environmental incidents in 2013.

Statkraft's values, strategy and important events in 2013

For more than 100 years, Statkraft has been developing and managing Norwegian hydropower. When the company was established as an independent state-owned company in 1992, its power production in Norway was 32 TWh. Twenty years or so later, the Group is now Europe's biggest producer of renewable energy with an annual production of 56 TWh in 2013, and about 3500 employees in more than 20 countries. Statkraft's international position is a result of growth built on Norwegian resources and expertise development over many years. Statkraft's ambition is to strengthen its position as a leading international supplier of pure energy.

Values

The group's core values govern the activities and the employees' behaviour:

- **Competent.** Use knowledge and experience to reach ambitious goals and gain recognition as a leading player.
- **Responsible.** Create values while showing respect for our employees, customers, environment and local communities.
- **Innovative.** Think new thoughts, seek opportunities and develop and create good solutions.

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

Strategy and important events in 2013

Over several years, Statkraft has emphasised developing the Group's strategic resources. These are resources which can give Statkraft a competitive advantage and therefore a basis for excess return in relation to other companies. Statkraft's competitive advantage is primarily in relation to:

- Unique assets and hydropower expertise.
- Integrated business model and market expertise.
- Skilled organisation.

Statkraft has production plants with low variable costs, long life-spans and low carbon emissions. The plants have high flexibility and make up a significant share of the total European reservoir capacity. Solid operations, maintenance and market knowledge as well as integrated business processes make it possible for Statkraft to optimise power production in relation to short and long-term price fluctuations in the power market. The Group has developed a market-oriented organisation with extensive experience from deregulated markets. Within energy trading and services, Statkraft has shown that the company is able to adapt to changes in market conditions.

Furthermore, Statkraft has established attractive market positions in emerging markets and wind power, areas which will play key roles in future value creation.

The Group was an early investor in emerging markets, and is now positioned in a number of markets with high growth in power consumption and good opportunities for hydropower development. The commitments are still in an early phase, and the company wants to strengthen its position by utilising the competitive advantages it has established in Europe.

Over time, Statkraft has developed a strong position in onshore wind power. In 2003, the Group opened Norway's first wind farm on Smøla, and has since developed solid expertise in all phases from project development to operations and maintenance. Statkraft has particularly developed expertise associated with project execution and cost effective operations and maintenance. A large project portfolio has also been established in Norway and Sweden. Statkraft has also established a position in offshore wind power in the UK.

The Group is well positioned to participate in Europe's conversion to cleaner power production and to contribute with

new, clean production in emerging markets. The following five strategic areas will be prioritised:

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

Statkraft's strategy is based on an evaluation of the market's attractiveness and Statkraft's ability to create value. The premises for the strategy are that business development, development and operation of power plants, as well as other activities, must be based on sustainable environmental targets and commitment to a safe and healthy working environment. High requirements as regards health, environment, safety and corporate responsibility are the main priorities throughout the organisation. Planned activities in emerging markets contribute to increased challenges in connection with health, environment and safety, as well as the safeguarding of Statkraft's corporate responsibility. These challenges must be handled well over time to create value. The Group works systematically to maintain a high ethical standard and has zero tolerance for corruption.

Statkraft works to strengthen the financial platform and considers new business opportunities that arise as a result of the energy conversion in Europe. The Group will continuously adapt the overall investment level to ensure that the company maintains a strong financial position.

In addition to the five focus areas, Statkraft will continue to support a sound development in the partly owned regional companies in Norway within environment-friendly energy. Small-scale power will continue to be developed through the industrial ownership of Småkraft AS. Furthermore, Statkraft wants to strengthen innovation activities to bolster its competitive advantages within the core activities and promote new business development.

European flexible power production

European flexible power production consists of hydropower in the Nordic region, in Continental Europe and the UK, as well as gas power plants. Nordic hydropower represents the majority of Statkraft's revenues and assets. Statkraft's main objective in European flexible power production is to maximise the longterm value of the plants by sound operations, upgrades and investments in new capacity in existing hydropower regulating areas.

Important events in 2013 within European flexible power production

The 1960s was the decade with the most hydropower developments in Norway, and many of Statkraft's hydropower plants in Norway and Sweden are ageing. Statkraft is therefore entering a period with many major rehabilitation projects, and is planning the investment of NOK 12 billion to upgrade Norwegian and Swedish hydropower plants from 2014 to 2018.

In 2013, power plants with a total installed capacity of 620 MW were transferred from Statkraft SF. The transfer will have no consequences for the lease agreements, the lessees or the municipalities in which the power plants are located. The value of the transaction was NOK 3.4 billion.

The German gas power plant Robert Frank was mothballed as a result of the market situation in Europe.

Statkraft bought the remaining shares in the German biomass plants Landesbergen and Emden from E.ON SE.

Energy trading and services

The European power market is undergoing major changes. New players in the power market and plenty of decentralised power production increase the need for expertise-based services as a link between power production and markets. Statkraft has shown the ability to create value in this conversion. Statkraft offers services in relation with handling market access for decentralised producers of renewable energy, and will gradually increase the company's energy trading activities to create new business opportunities in a changing European market. In addition, Statkraft aims to develop market operations in selected international markets where Statkraft owns shares in power production assets.

Important events energy trading and services events in 2013

Statkraft strengthened its activities within market access for renewable energy producers by entering into new contracts in Norway and the UK. In Germany, the Group has retained a leading position in this market, and entered into contracts worth 8500 MW in total at the beginning of 2014.

Statkraft expanded its energy trading in Brazil and started energy trading in Turkey and India.

Hydropower in emerging markets

Statkraft, SN Power and Agua Imara have in recent years established businesses in several attractive emerging markets with major hydropower opportunities. Statkraft aims to strengthen its position in these emerging markets through profitable growth. Based on continued cooperation with Norfund, Statkraft will establish integrated operations in Southeast Europe (Turkey and Albania), South America (Brazil, Chile and Peru) and South Asia (India and Nepal). This will be achieved by building on the Group's expertise, reorganising SN Power and strengthening project execution.

Important events in 2013 within hydropower in emerging markets

Statkraft and Norfund signed an agreement to restructure and extend their cooperation within renewable energy in order to strengthen investments in emerging markets where both the need and potential for developing environmentally friendly energy are great. The objective is to develop a leading international hydropower environment which contributes to development of renewable energy through profitable investments. There are two main elements in the new structure. SN Power's existing portfolio in South Asia and South America will be concentrated and operationally integrated in Statkraft's portfolio, and Statkraft's shareholding will be increased from 60% to 67% in this part of the portfolio. A reorganised SN Power will have a geographic focus on Southeast Asia, Africa and Central America. Initially, Statkraft and Norfund will own SN Power 50-50. Africa and Central America will be covered through Agua Imara, where BKK and TrønderEnergi are minority owners. A separate development unit is being established in Statkraft. The development unit will be a preferred supplier of project and development services to all international hydropower projects in both Statkraft and SN Power. The agreement also terminates Norfund's option to sell its shares in SN Power to Statkraft, and is replaced by a revised programme between Statkraft and Norfund with sales and purchase options for the shares in the international hydropower business in the period 2017-2023. The agreement is scheduled for implementation in 2014.

Statkraft acquired Austrian company EVN's 50% share in Devoll Hydropower Sh.A., and now owns 100% of the company, which develops hydropower projects in Albania.

Wind power

Statkraft will apply a focused strategy with a view towards completing projects under construction, realising projects in the Fosen and Snillfjord area in Central Norway and developing the current market position within onshore and offshore wind power in the UK. Statkraft will continue to develop its expertise in offshore wind power to further develop its expertise to take on operator responsibility throughout the value chain.

Important wind power events in 2013

Three new onshore wind power plants came online in 2013, Stamåsen (60 MW) and Tollarpbjär (3 MW) in Sweden as well as Baillie (52.5 MW) in the UK. In addition, Statkraft is building another three onshore wind power plants in Sweden and one in the UK.

In Norway, SAE Vind received four wind power licenses for a maximum 660 MW in Sør-Trøndelag County and one in Sogn og Fjordane County for a maximum of 105 MW from the Norwegian Water Resources and Energy Directorate.

Statkraft also has two projects within offshore wind power. For the Dudgeon project (400 MW), which is being developed in cooperation with Statoil, an investment decision is expected in the second half of 2014. An investment decision for the Doggerbank project, where Statkraft is one of four partners, lies some years into the future.

District heating

Statkraft will continue to develop the profitability of the existing portfolio and generate organic growth in connection with existing plants in Norway and Sweden.

Important district heating events in 2013

Statkraft opened a new district heating plant in Ås in Norway (24 MW). The new bio-boiler in Kungsbacka, Sweden was completed (12 MW). Alingsås Energi exercised an option to repurchase the production plant in Alingsås in Sweden (85 MW).

Other important events in 2013

In order to free up capital for own investments and repay debt, Statkraft sold the 4.17% shareholding in E.ON SE for NOK 8.5 billion.

The letter of intent signed between Statkraft and BKK, Haugaland Kraft, Sunnhordland Kraftlag and Sognekraft to make changes in the BKK ownership structure and power plants in Western Norway was terminated in November, as the parties failed to agree.

Going concern

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

Market and production

Most of Statkraft's production is in the Nordic region, and 91% of the production took place in this market in 2013. In addition, the Group directly owns production assets in Germany, the UK and Turkey. The Group is exposed in other countries through the subsidiary SN Power. These power markets reflect the global economic trend towards a mature European market with low growth, and emerging markets with high growth. In spite of differences in the markets, all are influenced by global trends such as the prices of oil, gas and coal, climate change and associated policies, as well as falling production costs for renewable energy.

The European power market

Power markets in Europe are influenced by stagnating demand and the fact that the growth in renewable production capacity has resulted in less need for other power production. As a result of these two conditions, power prices in Continental Europe are moderate and the price for CO₂ emissions price has fallen to a low level.

Power prices in the Nordic region in 2013 were characterised by lower reservoir water levels than normal at the beginning of the year. Towards the end of the year, the water levels normalised, and were at 97% of normal at the end of 2013. The average system price on Nord Pool was 38.1 EUR/MWh, 22% lower than in 2012 and 10% lower than the average for the years 2008-12.

Power prices in Germany were characterised by good access to non-flexible power production (solar and wind power) as well as relatively low coal prices. The average spot price (base) was 37.8 EUR/MWh, 12% lower than in 2012 and 22% lower than the average for the years 2008-12.

Power prices in the UK are considerably influenced by gas prices, and the gas price increase resulted in somewhat higher power prices in 2013. The average spot price (base) was 59.1 EUR/MWh, 7% lower than in 2012 and 3% lower than the average for the years 2008-12.

Power consumption in the Nordic region is relatively high per capita compared with other European countries, as a result of the combination of cold winters, high percentage of electrical heating and a relatively large percentage of power-intensive industry. The demand for power in 2013 was on a par with 2012 both in Norway and the Nordic region. Total production was 133.7 TWh in Norway and 379.8 TWh in the Nordic region, a decline of 8% and 5%, respectively, compared with 2012. Norway had a net export of power corresponding to about 4% of production, while the Nordic region overall had a marginal net import of about 1% of consumption.

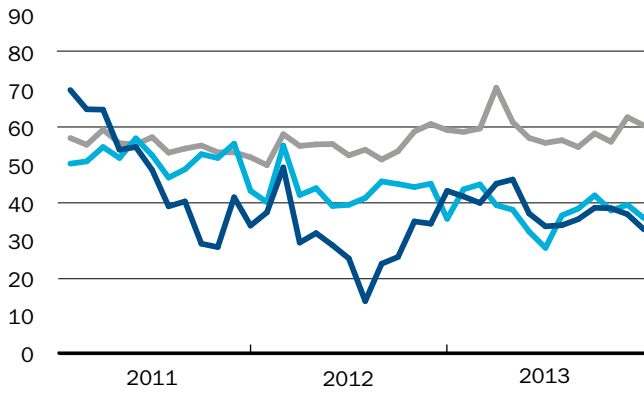
Other power markets

Power prices in Turkey are mainly determined by the gas price as gas contributes almost half the country's power production. Consumption is substantially lower per capita than the average for the EU countries, but continued to rise in 2013 to 246 TWh, an increase of 1.3% compared with 2012. The average spot price (base) was about 60 EUR/MWh, a decline of about 8% from the preceding year. In local currency, however, there was a marginal increase in the average price.

Power prices in the bilateral market (merchant price) in India remain relatively low, mainly because of rationing due to strained finances in the distribution companies and generally lower economic growth. In the Philippines, prices are stable at around

Market prices for power, monthly averages

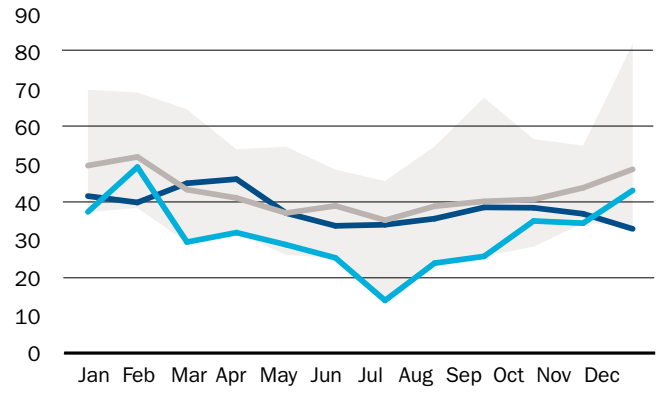
EUR/MWh



■ Nord Pool, system price
■ EEX, spot price (base)
■ N2EX UK, spot price (base)

Nord Pool, system price

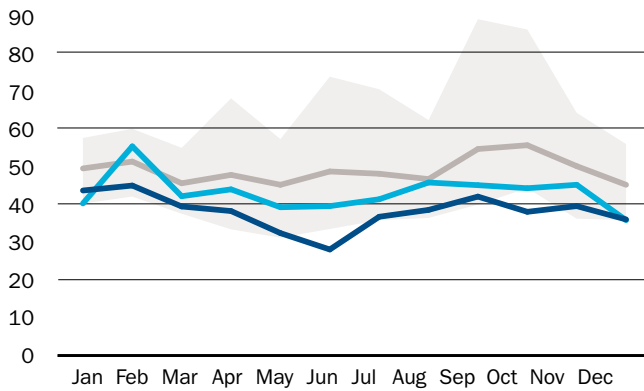
EUR/MWh



■ 2013
■ 2012
■ Average 2008-2012
■ Price interval 2008-2012

EEX, spot price (base)

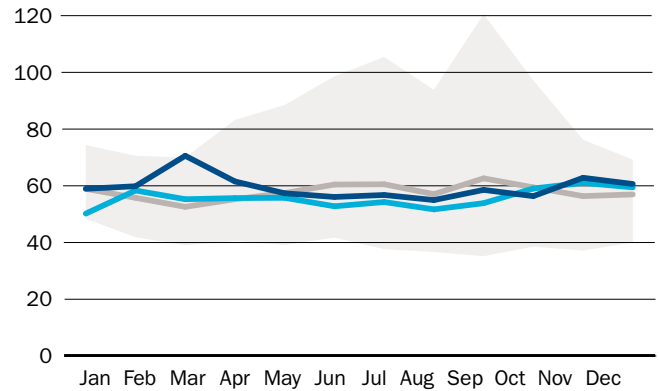
EUR/MWh



■ 2013
■ 2012
■ Average 2008-2012
■ Price interval 2008-2012

N2EX UK, spot price (base)

EUR/MWh



■ 2013
■ 2012
■ Average 2008-2012
■ Price interval 2008-2012

USD 80/MWh, and the country is generally experiencing robust economic growth. In Peru, prices are low in the spot market, but SN Power has entered into several contracts with different maturities at prices above the spot prices. In Chile, power prices are at a high level of around USD 200/MWh as a result of dry years and low production from the country's hydropower plants. The same applies to Brazil, where low inflow over the last 18 months has resulted in average market prices around USD 125/MWh. In Nepal, power is sold through a power sales agreement with a fixed KPI-regulated price. In Zambia, power is sold through a long-term power sales agreement which reflects production costs.

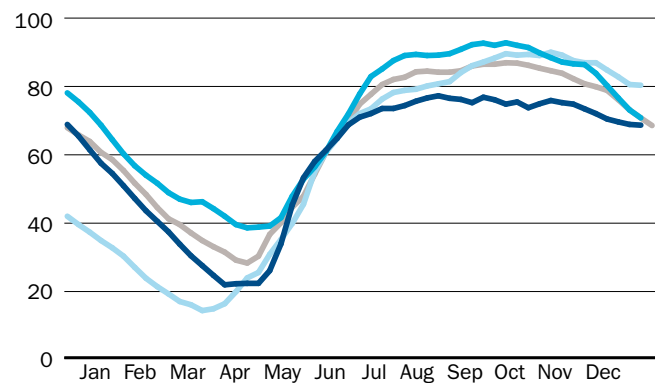
Statkraft's production

The Group is the largest power producer in Norway, and contributed 34% of the country's power production in 2013. The company is the Nordic region's third largest producer of electrical power, Europe's largest producer of renewable energy and the tenth largest producer of hydropower globally.

Statkraft's consolidated production capacity consists of 77% hydropower, 16% gas power, 4% district heating/biomass and 3%

Reservoir water levels in the Nordic region

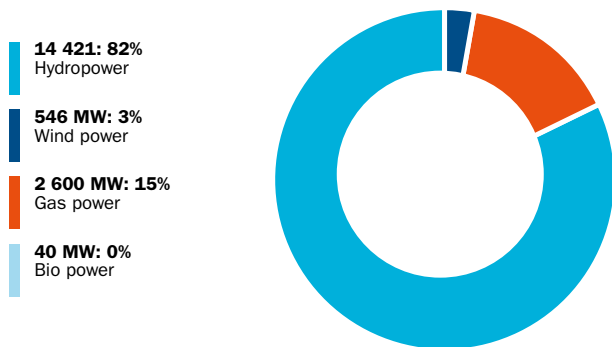
% of total capacity



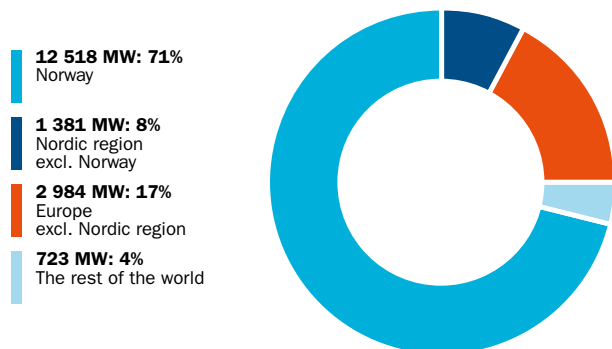
■ 2013
■ 2012
■ 2011
■ Median 1990-2012

Statkraft-owned production capacity
– direct and indirect ownership shares

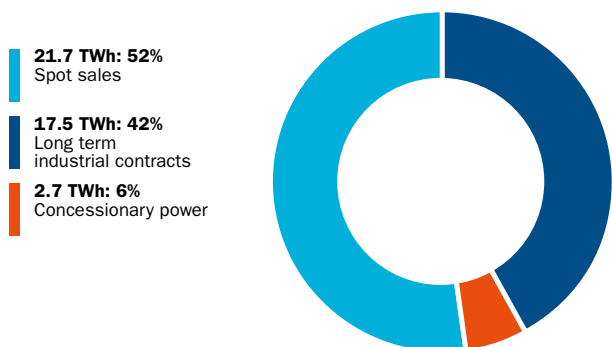
Technology 2013
 (17 607 MW)



Geography 2013
 (17 607 MW)



Nordic hydropower production 2013
 (42.0 TWh annual mean production)



wind power. 71% of the capacity is in Norway, 9% in the Nordic region except Norway, 18% in Europe except the Nordic region and 2% outside of Europe.

Statkraft's production is determined by demand, production capacity, access to resources (hydrological balance and wind), margin between power and gas price and power optimisation. At the end of 2013, the consolidated installed capacity (the capacity

of investments which Statkraft consolidates fully in the accounts) amounted to 16 715 MW, with hydropower contributing 12 886 MW, gas power 2600 MW, wind power 514 MW, district heating 674 MW and biopower 40 MW. Statkraft also has ownership shares in associates with production capacity, and in total, the Group has ownership interests in power plants with a total installed capacity of 17 607 MW power production and 685 MW district heating.

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

Following major fluctuations throughout the year, the overall water level in the Nordic region's reservoirs was 97% of normal at the end of the 2013. This corresponds to 82.1 TWh, which is 67.6% of the maximum reservoir capacity of 121.4 TWh.

In 2013, the Group's power production totalled 55.9 TWh (60 TWh), plus 1.1 TWh of district heating (1.1 TWh). Hydropower production fell 8% compared with 2012, which was a year with high hydropower production, but was somewhat higher than the Group's normal production. Wind power production increased by 77% from the preceding year as a result of new production capacity. The market situation resulted in only marginal power production at Statkraft's gas power plants.

Spot sales are trading of electric energy at market price with physical delivery the following day. The price is stipulated for briefer time intervals, for example for every hour of the day in the Nordic region. In 2013, the Group sold 32.5 TWh (37.8 TWh) in the spot market, corresponding 58% (63%) of the total production.

Statkraft is a major supplier to the power-intensive industry. In 2013, the volume delivered under long-term contracts amounted to 20.2 TWh, of which 17.5 TWh went to the industry in the Nordic region. The high contract coverage has a stabilising effect on Statkraft's revenues. Most of the contract volume to Nordic industry runs until 2020.

In Norway, Statkraft is required to cede a share of the power production to counties and municipalities where the power is produced, so-called concessionary power. The price for this power corresponds to, explained briefly, the average production cost, and is thus significantly lower than the market price for power. The concessionary power volume amounted to about 6% of the Group's Nordic hydropower production in 2013.

Statkraft's activities

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

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

The volume traded in the spot market can vary significantly between years, based on access to re-sources and power

optimisation. The management of Statkraft's multiple-year reservoirs in Norway enables the Group to normally achieve a higher average price than other power companies in Norway. The optimisation ability is assessed through the target figure "Realised price margin", which measures how much better the average price achieved by Statkraft is than that achieved by the rest of Norway. Statkraft has a long-term goal, and a short-term goal. In 2013, the realised price margin was higher than the goals, both in the short and long term.

Production costs in connection with hydropower are relatively low and are followed up through target figure "Cost per kWh"¹. The low production costs are to some extent offset by higher tax rates for Norwegian hydropower production through economic rent taxation.

Key figures - consolidated operations

	Statkraft Group	Nordic hydropower	Continental energy and trading	International hydropower	Wind power	District heating	Industrial ownership	Other activities	Group items
Power production									
Installed capacity (MW)	16 041 <small>1), 2), 3)</small>	10 788 <small>2)</small>	2 951 <small>1), 2), 3)</small>	337 <small>4)</small>	514	-	1 321 <small>2), 3), 5)</small>	128	-
Production (TWh) ⁶⁾	55.9	44.1	1.5	3.1	1.4	-	5.4	0.3	-
District heating									
Installed capacity (MW)	674	-	-	-	-	588	87 ⁵⁾	-	-
Production (GWh)	1 137	-	-	-	-	1 050	87	-	-
End-user sales									
Energy delivered, grid (TWh)	6.0	-	-	-	-	-	6.0	-	-
Volume delivered, electricity customers (TWh)	13.0	-	-	-	-	-	13.0	-	-
Income statement (NOK mill.) *									
Net operating revenues, underlying	20 545	13 238	1 764	1 017	1 026	392	3 174	665	-730
EBITDA, underlying	12 444	10 043	402	278	507	133	1 583	-486	-17
Operating profit/loss, underlying	9 589	8 796	72	93	103	-4	1 109	-564	-17
Operating profit/loss	13 002	11 239	785	466	-87	82	1 130	-607	-7
Share of profit from associated companies and joint ventures	1 101	-	3	458	-1	-	640	-	-
Balance sheet (NOK mill.)									
Total assets	153 687	55 134	5 407	20 068	12 322	3 188	24 152	53 899	-20 483
Investments	13 344 ⁷⁾	5 875 ⁷⁾	402	2 765	2 543	419	937	403	-

1) Excluding Baltic Cable (600 MW).

2) Excluding pumped-storage hydropower.

3) Including Emden 4 and Robert Frank, which are in cold reserve.

4) SN Power's share of consolidated operations and power plants in Turkey. SN Power's share of power plants in associated companies and joint ventures of 835 MW is not included.

5) Skagerak Energi's share.

6) Includes the share of consolidated companies

7) Includes power plants transferred from Statkraft SF

*) Underlying items have been adjusted for unrealised changes in values (exclusive of trading and origination) and significant non-recurring items.

Availability is an important factor as regards optimising hydropower revenues, and Statkraft uses the target figure "Market adjusted availability"² to monitor to what extent the installed capacity is available when it is most profitable to produce and thereby how well maintenance is planned.

The solid operations illustrated by the target figures were reflected in the segment's EBITDA, which was NOK 10 043 million in 2013 (NOK 9409 million). In addition to solid operations, the improvement was mainly a result of higher revenues from higher Nordic power prices.

Continental energy and trading includes gas power plants in Germany and Norway, hydropower plants in Germany and the UK and bio-based power plants in Germany, as well as Baltic Cable, the subsea cable between Sweden and Germany. The power production is optimised in relation to the prices on input factors (fuel, carbon and hydrology) and sales prices (power and green certificates). The segment includes trading and origination, as well as revenue optimisation and risk mitigation related to both the Continental and Nordic production.

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

Statkraft's analysis activities have a key position in the entire trading activities. The analysis activities are based on collection and processing of hydrological data and other market data. The data are used to estimate anticipated market prices and optimise the flexible production.

A dynamic management portfolio is important to optimise future revenues, and Statkraft measures the performance through the target figure "Added value from the management portfolios" for both the Nordic and the Continental portfolio. Both portfolios outperformed the Group's added value goals in 2013.

Statkraft is also engaged in relatively short-term positioning with financial standard contracts (trading) and trading with structured products and customised agreements for industry and commerce (origination). Revenues can vary substantially between periods and years. Statkraft monitors the performance in trading and origination through the target figure "Creation of value from trading and origination", which measures the net profit in relation to the risk capital. The creation of value was significantly higher than the Group's goals in 2013.

Market activities made a positive overall contribution to the segment's EBITDA, but to a lesser extent than in the preceding year, which was a record year for the segment. EBITDA ended at NOK 402 million in 2013 (NOK 809 million).

International hydropower operates in emerging economies with anticipated high growth and increasing need for energy. Statkraft is focusing on selected markets where the Group's hydropower expertise can create value. The activities include the shareholding of 60% in SN Power as well as the Group's hydropower activities

in Southeast Europe with emphasis on Turkey and Albania. SN Power owns shares of a total of 1052 MW of which 317 MW in consolidated operations in hydropower plant in South America, Asia and Africa. In addition, SN Power owns two hydropower plants totalling 186 MW (SN Power's share) under construction. In Brazil, SN Power is also engaged in power trading. SN Power's investments are often made with local partners or international investors. In Turkey, Statkraft owns a hydropower plant of 20 MW, while three hydropower plants totalling 619 MW are under construction. In Albania, Statkraft has started the construction of two power plants totalling 243 MW.

The segment's EBITDA ended at NOK 278 million in 2013 (NOK 320 million), whereas the share of profit from associated companies and joint ventures was NOK 458 million (NOK 146 million). The improvement in share of profit is primarily due to the write-downs in India in 2012.

Wind power includes Statkraft's investments in onshore and offshore wind power. The segment has onshore wind farms in operation in Norway, Sweden and the UK, and an offshore wind farm in the UK. The revenues derive from sale of power at spot prices as well as green certificates. The segment has three wind farms in Sweden and one in the UK under construction. These will have an installed capacity totalling 339 MW (Statkraft's share).

The costs associated with wind power are followed up through the target figure "Cost per kWh"¹ for both onshore and offshore wind power, whereas availability is followed up through the target figure "Market adjusted availability"³.

Solid operations, new production capacity and higher power prices resulted in a doubling of the segment's sales to more than NOK 1 billion, and with an EBITDA margin of almost 50%, the segment's EBITDA was NOK 507 million in 2013 (NOK -25 million).

District heating operates in Norway and Sweden. The revenues are influenced by power prices, grid tariffs and taxes, and the price to customers is adjusted monthly or quarterly. Waste, biomass, oil and gas are important input factors in the production of district heating.

Solid and stable operations resulted in only a minor decline in the segment's EBITDA in spite of the sale of production assets, ending at NOK 133 million in 2013 (NOK 142 million).

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

The segment's EBITDA was NOK 1583 million in 2013 (NOK 1495 million). The improvement was mainly due to higher revenues as a result of higher power prices in the Nordic region. The share of profit for associated companies and joint ventures

1) Cost per kWh: All variable production costs/normalised production volume.

2) Market adjusted availability: Share of available installed capacity when market prices are higher than water value.

3) Market adjusted availability: Actual production / (Actual production + estimated loss of production at production halt).

was NOK 640 million (NOK 781 million). The decline in share of profit is due to lower production for BKK and unrealised changes in value for Agder Energi.

Other activities includes small-scale hydropower, innovation and group functions. The 4.17% share-holding in E.ON SE was sold in 2013.

Financial performance ⁴

Higher Nordic power prices and new production capacity within wind power were the most important drivers for the improvement of the underlying operations. Net underlying operating revenues increased by 7% from 2012 to NOK 20 545 million, while the EBITDA increased by 10% to NOK 12 444 million.

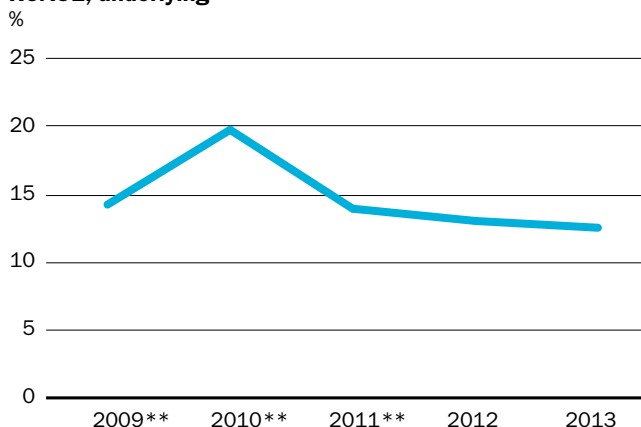
Major negative currency effects under financial items impacted the Group's result, and the profit before tax amounted to NOK 2511 million (NOK 8771 million), while the net profit was NOK 208 million (NOK 4551 million). Currency effects were caused by weaker NOK, and were mainly unrealised. The effects are fully offset by translation effects in the equity, which strengthened by about NOK 9 billion NOK to NOK 71 billion.

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

Return

Measured as ROACE ⁵, the Group achieved a return of 12.5% in 2013, which was 0.5% lower than in 2012. This is due to an increase in capital employed, primarily as a result of the transfer of power plants from Statkraft SF and investments in new capacity. The high level of return in 2010 was due to a particularly high operating profit that year, primarily as a result of high power prices.

ROACE, underlying*

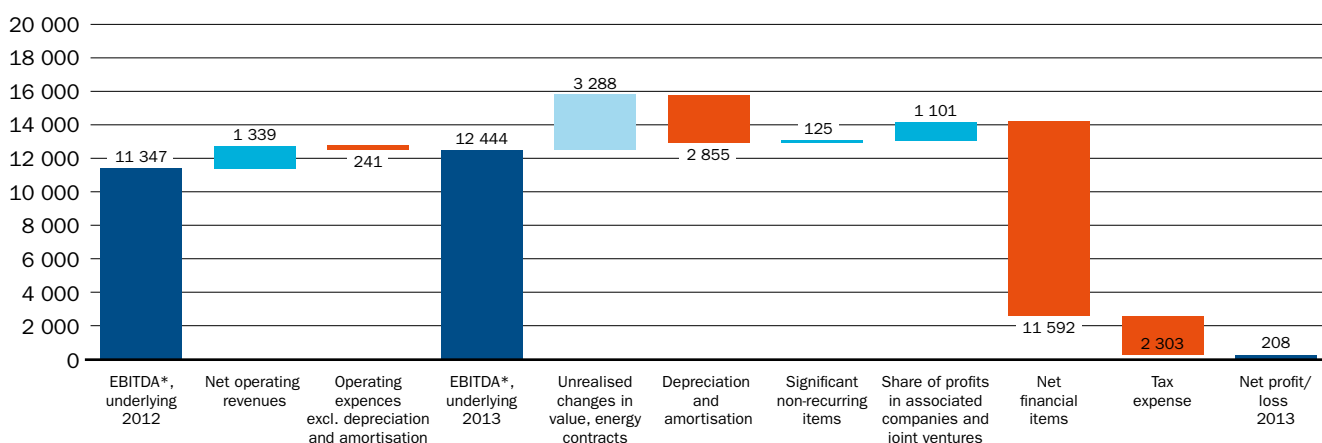


* Adjusted for unrealised changes in value (excluding trading and origination) and material non-recurring items.

** The figures have not been converted in accordance with IFRS 11.

Net profit 2013

NOK mill.



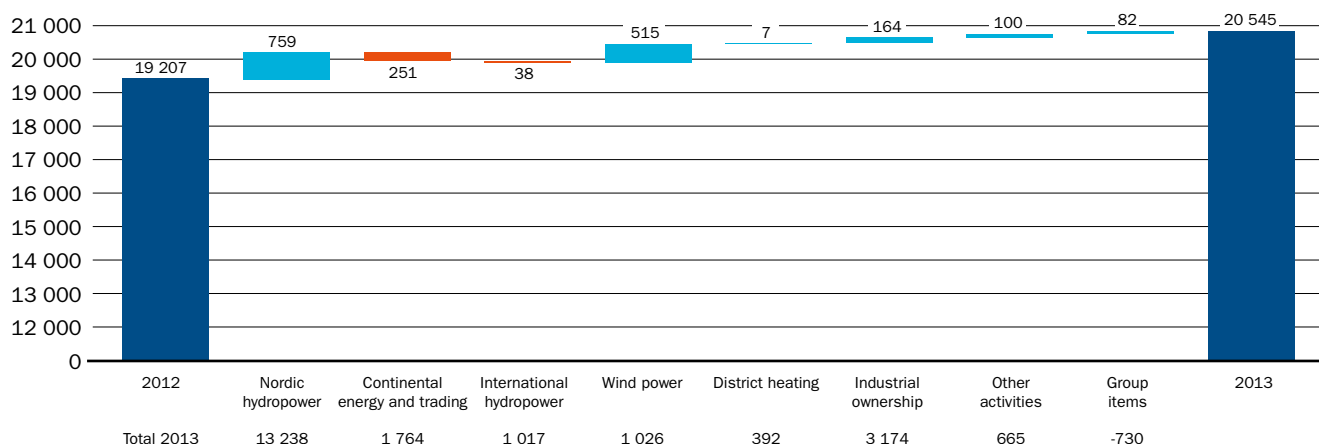
* Adjusted for unrealised changes in value (excluding trading and origination) and material non-recurring items.

4) Figures in parentheses show the comparable figures for 2012.

5) ROACE (%): (Operating profit adjusted for unrealised changes in the value of energy contracts and significant non-recurring items x 100)/average capital employed.

Net operating revenues* - change from 2012 to 2013

NOK mill.



* Adjusted for unrealised changes in value (excluding trading and origination) and material non-recurring items.

Underlying operating revenues

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

Net operating revenues totalled NOK 20 545 million in 2013, an increase of 7% from 2012. The segments that contributed the most to the Group's increase were Nordic hydropower, which increased revenues primarily as a result of higher Nordic power prices, and wind power, which increased revenues as a result of higher power prices and new production capacity. The increase in revenues from Industrial Ownership relates to higher Nordic power prices and increased revenues from grid activities. The largest decline was in the Continental Energy and Trading segment, where market activity revenues were lower. Other segments had minor changes in net operating revenues.

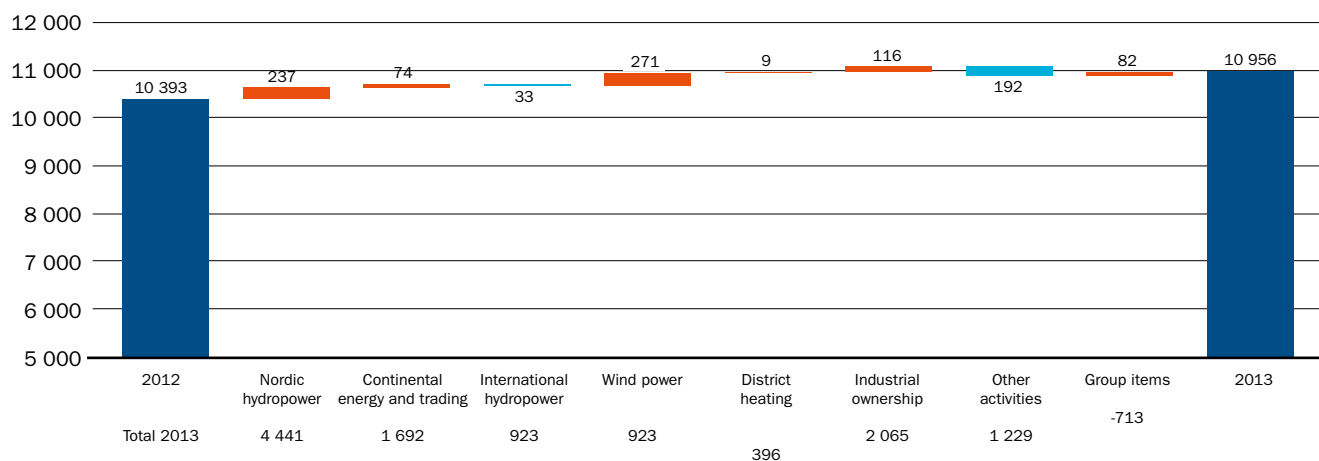
Underlying operating expenses

In total, the Group's operating expenses increased by 5% compared with 2012. Of the increase of NOK 563 million, NOK 321 million relates to write-downs and impairment. This increase primarily relates to the Nordic hydropower and Wind power segments, and is due to increased depreciation basis from Statkraft SF to Statkraft AS in 2013 and new wind power plants. The remaining increase in operating expenses relates primarily to property tax, which increased by NOK 285 million, corresponding to 28%. The increase in property tax primarily relates to the Nordic hydropower segment, and is due to changed framework conditions in Norway and Sweden as well as the transfer of leased hydropower plants from Statkraft SF.

There were only minor changes in the Group's other operating expenses compared with 2012.

Operating expenses* - change from 2012 to 2013

NOK mill.

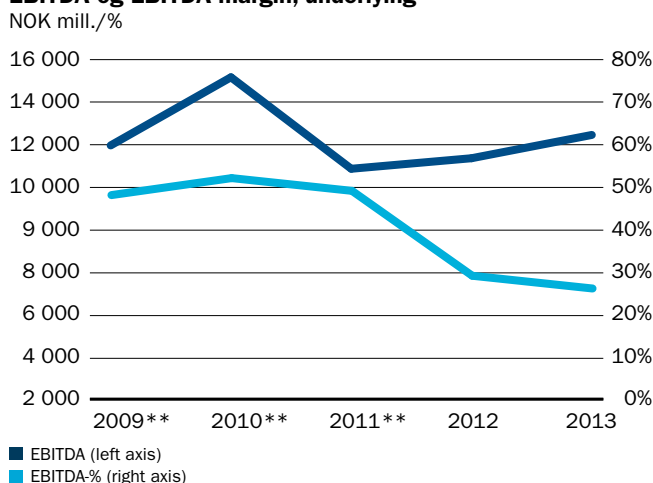


* Adjusted for significant non-recurring items.

Underlying EBITDA and underlying operating result

Historically, Statkraft has had high EBITDA margins⁶ as a result of low operating expenses for hydropower production. In 2012, Statkraft launched a new business activity offering market access for small-scale producers of renewable energy in Germany and the UK. The contracts are recognised gross in the income statement and therefore increase both the sales revenues and the energy purchase costs substantially. This business makes a positive contribution to the Group's EBITDA, but the margins from this business are low and therefore reduce the overall EBITDA margin.

EBITDA og EBITDA margin, underlying*



* Adjusted for unrealised changes in value (excluding trading and origination) and material non-recurring items. ** The figures have not been converted in accordance with IFRS 11.

EBITDA (operating profit before depreciation and amortisation) increased by 10% from 2012 and the operating profit increased by 9%, to NOK 12 444 million and NOK 9 589 million, respectively. The Group's EBITDA and operating profit are to a large degree generated by the Nordic hydropower segment, which contributed 81% and 92% of the total, respectively.

The improvement compared with 2012 relates primarily to

higher revenues for the segments Nordic hydropower and Wind power. The reduction of the EBITDA for the Continental Energy and Trading segment is due mainly to lower revenues from market activities as well as somewhat higher operating expenses as a result of consolidation of biomass plants in Germany, which are now wholly owned, as well as costs associated with gas power in Germany.

Unrealised changes in value of energy contracts

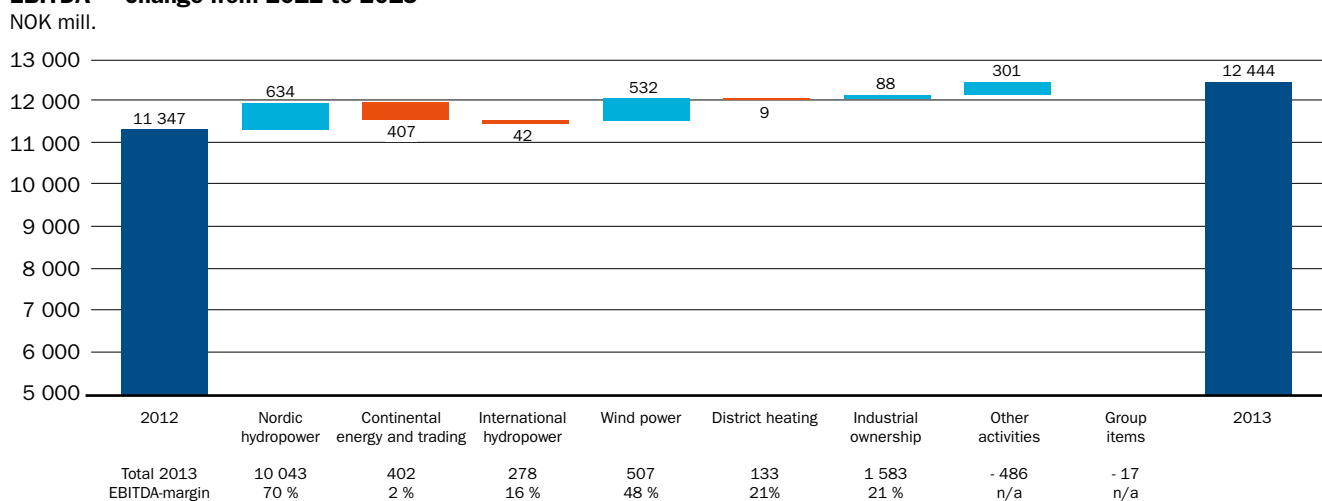
NOK mill.	2013	2012
Long term contracts	1 285	-1 613
Nordic and Continental Dynamic Asset	480	71
Management Portfolio		
End-users	-28	-
Energy purchases	1 595	506
Other/eliminations	-43	7
Unrealised changes in value not included in underlying profit	3 288	-1 030
Unrealised changes in value included in underlying profit	-223	460
Unrealised changes in value presented in the profit and loss statement	3 065	-570

Items excluded from the underlying operating result

Total unrealised changes in value and significant non-recurring items in 2013 amounted to NOK 3 413 million (NOK -3 254 million).

Unrealised changes in value adjusted for in the underlying operating profit amounted to NOK 3 288 million (NOK -1 030 million). About half of the positive result effect was in relation to built-in derivatives which had a positive development as a result of a weaker NOK against EUR. There were also significant positive result effects associated with financial energy derivatives and management portfolios, primarily driven by falling power prices in the Nordic region and on the Continent. Gas contracts also developed positively in 2013, primarily as a result of realisation throughout the year, and this reduced the negative market value in relation to these contracts.

EBITDA* - change from 2012 to 2013



6) EBITDA margin (%): (Operating profit adjusted for unrealised changes in the value of energy contracts and significant non-recurring items x 100)/Gross operating revenues adjusted for unrealised changes in the value of energy contracts and significant non-recurring items.

Significant non-recurring items

NOK mill.	2013	2012
Income from termination of energy contract	164	-
Purchase at favourable terms when increasing shareholdings in Devoll	162	-
Gain from sale of district heating plant in Alingsås	86	-
Expenses incurred when increasing shareholdings in biomass plants	-97	-
Post settlement from sale of Trondheim Energi Nett	-	175
Impairments of fixed assets and intangible assets	-190	-2 399
Significant non-recurring items	125	-2 224

Non-recurring items excluded from the calculation of the underlying profit amounted to NOK 125 million in 2013 (NOK -2224 million).

The termination of an energy contract resulted in NOK 164 million being recorded as income. In connection with the increase of the shareholding in Devoll Hydropower Sh.A. from 50% to 100%, the acquisition analysis showed a purchase at favourable terms under IFRS, resulting in NOK 162 million being recorded as income. Alingsås Energi exercised its option to buy Statkraft's district heating plant in Alingsås in Sweden, with the sale yielding an accounting gain of NOK 86 million. When Statkraft acquired the remaining shares in the two German biomass plants, a disadvantageous maintenance agreement was terminated. The effect of this termination was classified as a non-recurring item.

Share of profit from associates and joint ventures

The Group has major shareholdings in the regional Norwegian power companies BKK and Agder Energi, as well as shareholdings in companies outside Norway, where much of the activity takes place through participation in partly-owned companies.

Associates

NOK mill.	2013	2012
BKK	319	382
Agder Energi	339	408
Other	442	80
Associates	1 101	871

BKK and Agder Energi achieved somewhat lower profit compared with 2012, primarily as a result of lower production for BKK and unrealised changes in value for Agder Energi. The result improvement from other associated companies was due mainly to write-downs in India in 2012. The Philippines continue to deliver good results, but at a somewhat lower level than in 2012, while the

Financial items

NOK mill.	2013	2012
Interest income	218	231
Other financial income	20	765
Financial income	237	996
Interests expense	-1 272	-1 250
Other financial expenses	-78	-50
Financial expenses	-1 351	-1 301
Net currency effects	-9 403	4 468
Other financial items	-1 076	-1 822
Net financial items	-11 592	2 341

negative results from Chile have been significantly improved. The decline in other financial income relates primarily to no dividend from E.ON SE in 2013 as a result of the sale of the shareholding. The improvement in other financial items relates mainly to the write-down of the shareholding in E.ON SE in 2012.

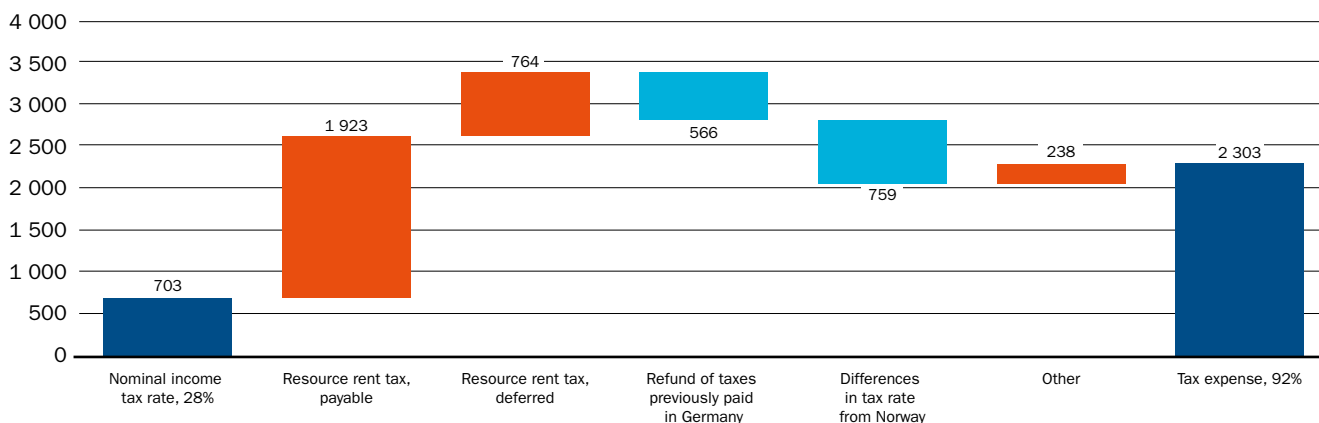
Net currency effects

NOK mill.	2013	2012
Currency hedging contracts and short term currency positions	-3 185	1 788
Realised	-85	366
Unrealised	-3 100	1 422
Loans in foreign currency	-500	229
Realised	392	-94
Unrealised	-892	324
Internal loans, joint ventures and associates	-5 717	2 450
Realised	225	380
Unrealised	-5 942	2 070
Net currency effects	-9 403	4 467
Realised	531	652
Unrealised	-9 934	3 815

Net currency effects amounted to NOK -9403 million (NOK 4467 million), mainly as a result of weaker NOK against EUR. The effects mainly stem from internal loans and currency hedging contracts, and were mainly unrealised. These effects are fully offset by translation effects in the equity.

Tax expenses 2013

NOK mill.



Taxes

The recorded tax expense was NOK 2303 million (NOK 4220 million). The decline in tax expense was due mainly to a lower profit before tax and the refunding of withholding tax from previous years in connection with the E.ON shareholding. In addition, the tax expense in 2012 was negatively influenced by the downgrading of deferred tax assets.

Cash flow

The Group's operations generated a cash flow of NOK 9499 million (NOK 6846 million), an improvement of 39%.

The changes in short and long-term items had a negative effect of NOK 2444 million, compared with a positive effect of NOK 1485 million in 2012. The change in 2013 was mainly related to cash collateral, which was partly offset by a positive change in working capital.

NOK 1051 million was received in dividend (NOK 1958 million), divided among NOK 399 million from BKK, NOK 285 million from Agder Energi and NOK 367 million from associated companies in SN Power.

Net investments⁷ amounted to NOK 547 million

(NOK -12 484 million). This is mainly settlement for sold E.ON shares totalling NOK 8515 million, payment for sale of the transmission grid for the Sheringham Shoal offshore wind farm of NOK 957 million less investments in property, plant and equipment of NOK 9248 million.

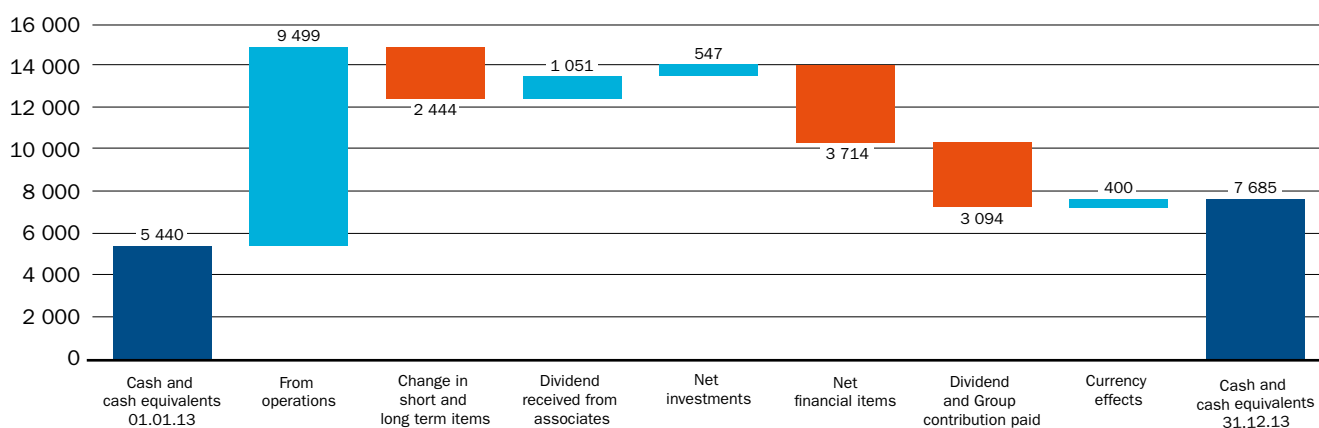
The net liquidity change from financing amounted to NOK -6807 million (NOK -780 million), mainly as a result of net repayment of debt. New debt was NOK 865 million (NOK 7919 million), primarily associated with SN Power's project financing in Panama and Peru. Repayment of debt amounted to NOK 4714 million (NOK 4573 million). Share issues in subsidiaries to non-controlling interests of NOK 135 million relate primarily to the minority share of the capital contribution in SN Power and Småkraft. Dividend and group contributions totalling NOK 3094 million were disbursed (NOK 4293 million), mainly to Statkraft SF.

Translation effects on bank deposits, cash in hand and similar amounted to NOK 400 million.

Statkraft monitors the ability to meet future liabilities through the target figure "Short-term liquidity",⁸ and this target figure was 2.3 at the end of 2013, within the target range of 1.5 to 4.0.

Cash flow 2013

NOK mill.



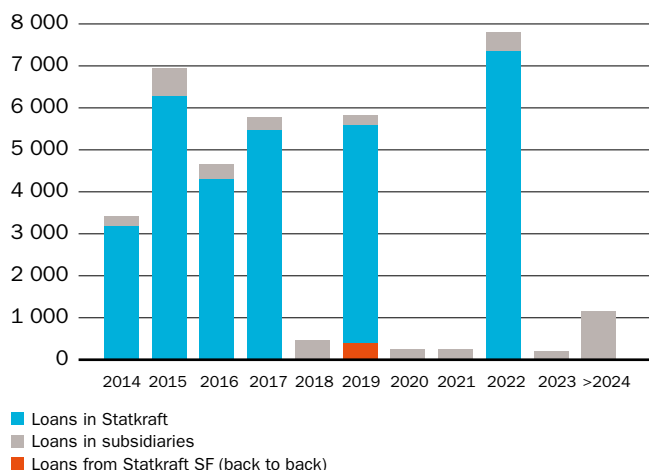
7) Net investments include investments paid at the end of the quarter, payments received from sale of non-current assets, net liquidity out from the Group upon acquisition of activities and repayment and disbursement of loans.

8) Short-term liquidity: (OB liquidity capacity + forecast incoming payments next 6 months) / (Debt due and dividend next 6 months + (Limit x forecast disbursement from operations / Investments next 6 months)).

Financial structure

Long-term liabilities, debt redemption profile

NOK mill.



Debt and interest rates

NOK mill.	Share 31.12.2013	Interest rate 2013
NOK	44 %	4.8 %
EUR	30 %	3.6 %
SEK	5 %	1,3 %
GBP	14 %	1.2 %
USD	7 %	3.5 %
Floating rate	58 %	
Fixed rate	42 %	

The main objectives of the Group's capital structure management are to maintain a reasonable balance between solidity and the ability to expand, and to maintain a strong credit rating. The most important target figure for the Group's management of capital structure is long-term credit rating.

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

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

At the end of 2013, the interest-bearing debt⁹ amounted to NOK 32 240 million, compared with NOK 34 960 million at the beginning of the year. The decline relates primarily to the fact that a positive cash flow after net investments, dividend and group contributions have resulted in higher bank deposits and downpayment of debt. The net interest-bearing debt-equity ratio was 31.2%, compared with 35.9% at year-end 2012.

Loans from Statkraft SF to Statkraft AS amounted to NOK

400 million at the end of the year.

Current assets, except cash and cash equivalents, amounted to NOK 17 387 million (NOK 16 644 million) and short-term interest-free debt was NOK 17 073 million (NOK 16 858 million) at the end of 2013.

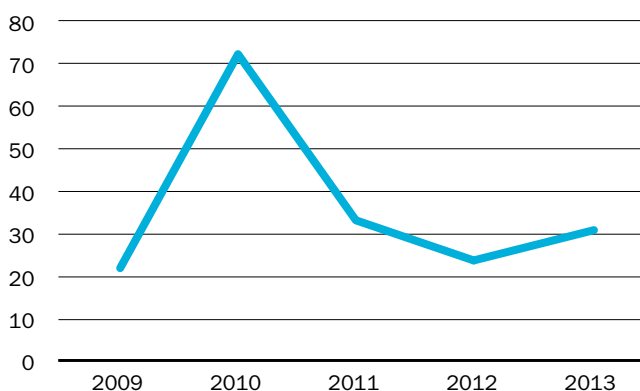
At the end of the year, Statkraft's equity totalled NOK 71 107 million, compared with NOK 62 350 million at the start of the year. This is 46.3% of total assets. The increase in equity relates to a positive comprehensive income of NOK 9361 million, as well as the transfer of NOK 3442 million worth of power plants from Statkraft SF less deducted dividend and group contribution for 2012 of NOK 4198 million, including minority interest.

Financial strength and rating

It is important to Statkraft to maintain the credit rating with the

Cash flow from operations/Net interest-bearing debt

%



two major rating agencies Standard & Poor's and Moody's. An important key figure monitored by Statkraft in relation to credit rating is the cash flow from operations in relation to net interest-bearing debt. In 2013, this key figure was 31.1%¹⁰. Statkraft AS has a current credit rating of A- from Standard & Poor's and Baa1 from Moody's.

Investments and projects

In accordance with the Group's strategy, the project activity level is high, especially as regards wind and hydropower. The Group's investment programme is flexible, and the plans are subject to continuous assessment in relation to market outlook and financial strength.

In total, Statkraft invested NOK 9448 million in 2013, of which 78% in new capacity. In addition, leased power plants worth about NOK 4 billion gross were transferred from Statkraft SF. This transaction had no cash effect. Maintenance investments are primarily in connection with Nordic hydropower. The largest investments in new capacity are in connection with wind power in Sweden and the UK, as well as international hydropower.

Risk management

Statkraft is exposed to risk throughout the value chain. The most important risks are related to power prices, market operations, financial management, project execution, operating activities and

9) Net interest-bearing debt: Gross interest-bearing liabilities – bank deposits, cash in hand and similar excluding restricted funds – short-term financial investments.

10) Cash flow from operations / Net interest-bearing debt (%): (Net liquidity change from operating activities - Changes in short-term items) x 100 / (Current interest-bearing debt + Interest-bearing long-term debt - Bank deposits, cash in hand and similar less restricted funds - short-term financial investments)

Investments (9448 NOK mill.*)

NOK mill./%

2765 mill/29%	International hydropower
1978 mill/21%	Nordic hydropower
937 mill/10%	Industrial ownership
1225 mill/13%	Other activities**
2543 mill/27%	Wind power
3444 mill/37%	Norwegian share



* Less loans to associated companies and plants transferred from Statkraft SF.

** Includes Continental energy and trading, District heating and Small-scale hydropower.

Investments and projects

Development projects*

	Completed in 2013 (~750 MW)	Ongoing projects (~1900 MW)
European flexible power production	4 small scale hydropower plants, Norway (12 MW) Knapsack II, Germany (430 MW)	Nedre Røssåga 1 and 2, Norway (100 MW) Kjensvatn, Norway (11 MW) Brokke North/South, Norway (24 MW) Eiriksdal/Makkoren, Norway (56 MW) 10 small scale hydropower plants, Norway (25 MW)
Wind power	Stamåsen, Sweden (60 MW) Baillie, Storbritannia (53 MW) Tollarpbjär, Sweden (3 MW)	Mörttjärnberget, Sweden (85 MW) Ögonfågeln, Sweden (99 MW) Björkhöjden, Sweden (270 MW) Berry Burn, United Kingdom (67 MW)
International hydropower	Binga, The Philippines (126 MW)	Kargi, Turkey (102 MW) Çetin, Turkey (517 MW) Devoll, Albania (243 MW) Cheves, Peru (171 MW) Bajo Frio, Panama (58 MW)
District heating	Ås, Norway (24 MW) Kungsbacka, Sweden (12 MW)	Sandefjord, Norway (23 MW)

* Capacity is shown for project total, including share owned by partners

framework conditions. Growth and increased internationalisation set stricter requirements for risk management in the investment portfolio. Statkraft has a central investment committee to improve risk handling in relation to individual investments and across the project portfolio.

Market risk

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

- Both power prices and production volumes are impacted by weather and precipitation volumes, while electricity prices depend on production, consumption and transmission conditions in the electricity market.
- Electricity prices are also indirectly influenced by gas, coal, oil and carbon quota prices.

- Gas power production is directly exposed to fluctuations in the electricity, gas and carbon quota prices.

Statkraft manages market risk in the energy markets by trading physical and financial instruments in multiple markets. Increased integration of the energy markets is having a significant impact on business models and risk management. Consequently, Statkraft places significant emphasis on the inter-relationship between the various markets. The Group's hedging strategies are regulated by limits on the positions' volume and value, and by criteria for evaluating new contracts against expected revenues and downside risk. The portfolio is constantly adjusted in relation to the current perceptions of future prices and the company's own production capacity.

Statkraft's activities in energy trading and services consist of both trading with standard products on energy exchanges and sale of services or products adapted to the individual

customer. Risk is handled through mandates covering raw materials, geographical areas and duration. An independent risk handling function ensures objectivity in the assessment and handling of risk.

Sales activities are exposed to uncertainty in the sales price to retail customers and companies, as well as the purchase price in the wholesale market. Statkraft limits the net exposure by securing a symmetry between customers and purchases in the wholesale market and by using financial instruments. There is also market risk in the district heating activities as a result of fuel price uncertainty, but prices to customers are related to these prices to limit net exposure.

Financial risk

The central treasury department coordinates and manages the financial risk associated with foreign currencies, interest rates and liquidity, including refinancing and new borrowing. Statkraft is exposed to interest risk through external financing and distribution grid revenues. The Group is exposed to currency risk through the integration between the Nordic and the continental power market, the Group's power trading in EUR and other currencies, financing as well as other cash flows related to foreign subsidiaries and associated companies.

Currency and interest risk are regulated by means of mandates. Forward currency contracts, interest rate swaps and forward interest rate agreements are the main important instruments. The liquidity risk in Statkraft is related to the deviation between the maturity profile of financial liabilities and the cash flows generated by the assets. The liquidity risk can mainly be handled through good borrowing sources, credit facilities and minimum requirements for the Group's cash and cash equivalents.

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

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

Operational risk

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

Statkraft's first priority is to execute development activities and operations in a responsible manner.

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

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

All projects in Statkraft that exceed a certain size carry out systematic risk assessments. This is done by allocating a project reserve for each project, following up and reporting factors of importance for the implementation of the project, and assessing and planning measures to reduce the risk in the project.

Project risks are assessed according to likelihood and potential consequences. A joint corporate project unit for international hydropower has been established to further reduce risk in relation to project execution.

Estimates relating to possible financial consequences of the overall operational risk are assessed and included in the total risk reporting at group level.

Additional risk

Statkraft's activities in Norway are influenced by framework conditions such as taxes, fees, regulations, grid regulations, changes in mandatory minimum water level and other requirements stipulated by the Norwegian Water Resources and Energy Directorate, as well as general terms and conditions stipulated for the energy industry. These framework conditions can influence Statkraft's production, costs and revenues. The framework conditions in the individual countries in Europe are a result of international processes that will be important for Norwegian power plants. With its increasing international involvement, Statkraft is also directly exposed to national framework conditions, tax levels, licence terms and government regulations in other countries. Possible changes in the political landscape are considered continuously, and maintaining an open dialogue and establishing good relationships with decision-makers in all relevant arenas are emphasised.

Statkraft's international investments involve both heightened country and partner risk. Statkraft assesses risk for each country. Partner risk is assessed at an early stage in order to confirm the necessary integrity and management structure. Statkraft is committed to ensuring that all parts of the Group comply with Group standards within HSE and ethics. The standards have been set out and made available in the Group's Code of Conduct. The standards are also communicated to all partners and suppliers.

Climate change can present both threats and opportunities, and is of importance for all the risks described above. Establishment of new carbon quota markets influences the energy markets, while significant changes in temperatures and precipitation levels will have consequences for both electricity prices and production. In addition, flooding and bad weather could result in increased damage to and degradation of plants, and could have consequences for employees and third parties. Climate risk is also an important driver of changes in framework conditions and political decisions. This also means new opportunities within renewable energy.

Internal control

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

Internal control over financial reporting

The system for internal control over financial reporting contributes to trustworthy and timely financial information in Statkraft's reports, and is based on the COSO frameworks for internal control, published by the Committee of Sponsoring Organizations of the Treadway Commission.

All subsidiaries, joint ventures and joint operations are required to comply with the internal control system as described in "The Statkraft Way" and the Group's finance manual.

The board of Statkraft has the overall responsibility for ensuring that the Group has a well-functioning internal control system. The main elements of the internal control system are risk assessment, control measures, self-evaluation, reporting and continuous exercise of control and compliance follow-up.

The financial management prepares an annual risk map which is presented to the Group Management and the audit committee. Business and support processes for handling the inherent risk are identified on the basis of the Group's risk map.

Risk is handled on a more detailed level and the necessary control measures are defined when the overall risk assessment is available and the processes for handling risks have been identified. The control descriptions are available to all employees in the Group's financial manual.

An annual self-evaluation is prepared of how the control measures were implemented and documented throughout the entire accounting year. The result of the evaluation is presented to the Group management and the audit committee with the annual accounts.

Internal control is reported to the Group Management and the board through the Group's financial risk map and the result of the self-evaluation.

The control descriptions define how often each individual control measure must be performed and who is responsible. The controls take place continuously throughout the fiscal year and the managers are responsible for ensuring that the controls are carried out as part of the daily operations.

Innovation

The main purpose of innovation in Statkraft is to develop and strengthen competitive advantages in the core activities, identify and promote new business development opportunities, engage in long-term expertise building and contribute to secure good future framework conditions for renewable energy production. In 2013, about NOK 109 million was expensed on various R&D and innovation activities.

Statkraft's innovation logic

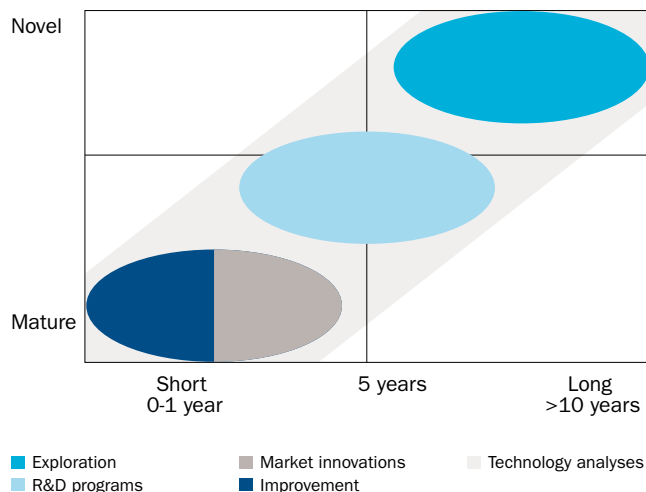
All innovation activities are continuously followed up to ensure relevance and benefits. The logic shown in the illustration top right forms the basis for balancing investments between short-term and long-term innovation activities in the Group.

Improvement work covers daily challenges and usually provide quick results. These projects focus on existing plants/equipment and optimal utilisation of resources.

Market innovations are associated with commercial services around energy production and deliveries which, along with technological innovation, represents a significant competitive advantage for the company's long-term success. By focusing on development of new business models associated with existing

Innovation logic

Timehorizon/teknologisk maturity



activities, attempts are made to develop concepts with a short commercialisation lead time.

The Group's research and development (R&D) programmes

are associated with Statkraft's core business areas and have a longer time perspective. Multiple-year R&D programmes have been established within hydropower, wind power and bio energy. 2013 saw the establishment of a new R&D programme within climate.

Exploration activities have been established with the purpose of evaluating and qualifying technologies and solutions which in the long term can form the basis for new insight or activity in Statkraft.

In order to support innovation projects and various processes/projects associated with strategy, technology and markets, Statkraft also has extensive activities within technology analysis, covering all of the above categories. Global technology development in the energy sector is carefully monitored and analysed.

Value creation

Statkraft follows up each innovation project with a view to value creation. Estimates show an average value potential of several times the project costs. "Effect evaluation" is a tool introduced in Statkraft to highlight this value creation. This is used to measure quality and results in projects and as portfolio analysis and prioritisation tools. It is a simple method that gives a good indication of goal achievement level and value compared with actual costs over time. The method is based on weighting of grades within various dimensions. Every project is evaluated thrice; at start-up, when completed and after implementation.

Relevant exploration activities

Developments within distributed energy have impacted Statkraft's activities. The purpose of the work is to establish deeper internal insight into the technological and commercial potential, as well as increase the understanding of how distributed energy affects Statkraft. Identification of business opportunities is part of this work. The development within solar energy is given particular attention, as this is a technology which can quickly develop into a significant share of the energy mix in various markets. Statkraft also has specific activities directed at storage solutions in the form of batteries.

Liquid biofuel is a new exploration activity addressing the business opportunities in the bio energy market. Specifically, the opportunities in connection with production of pyrolysis oil based on forest resources. Pyrolysis oil can primarily be sold as a renewable fuel for stationary heat production, but further refining can provide biofuel for the transport sector. Statkraft wants to use this opportunity to add to its basis bio energy expertise.

In December 2013, Statkraft decided to discontinue its investments in osmotic power, and take steps to pass the technology development on to other players in the world market.

Corporate responsibility

Statkraft has defined clear goals as regards corporate responsibility in all activities. The Group shall provide a safe and healthy working environment where people, the environment and assets are safe-guarded and protected. Statkraft addresses climate challenges by offering renewable energy in a sustainable manner.

In order to discharge the Group's corporate responsibility, Statkraft's actions are guided by globally recognised initiatives and standards, including the OECD's Guidelines for Multinational Enterprises and IFC's Performance Standards on Social & Environmental Sustainability.

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

Statkraft aims to be an industry leader as regards corporate responsibility. Assessments from independent rating agencies provide an indication of the Group achievements in that regard. In 2013, Statkraft was considered to be a leader in corporate responsibility in the oekom Corporate Rating.

Below is a brief summary of Statkraft's work and results in the corporate responsibility area in 2013.

Management of corporate responsibility

Statkraft's fundamental principles for acting in a sustainable, ethical and socially responsible manner are described in Statkraft's code of conduct. The code of conduct applies to all employees and companies in the Statkraft Group, and Statkraft's business partners are expected to have standards in accordance with Statkraft's code of conduct. Statkraft has also prepared corresponding guidelines for the Group's suppliers. In 2013, the Group has worked actively to strengthen the follow-up of Statkraft's suppliers by implementing the "Responsible Supply Chain" – a risk-based tool to identify and follow up risk elements throughout the purchasing process.

Follow-up of Statkraft's corporate responsibility is an integrated part of Statkraft's management system, The Statkraft Way. The management system is the basis for a sound, structured and uniform handling of the company's corporate responsibility, and the system is regularly evaluated to adapt it to new environments and challenges. The performance for corporate responsibility topics is followed up in different ways. Some topics are incorporated in the score card both at the Group level and for the business areas, while others are followed in regular performance reviews for each business area and through the work of the corporate audit unit. Parts of Statkraft's activities are certified in accordance with the ISO 9000 quality management standard and the ISO 14001 environmental management standard.

In 2013, the work focused on strengthening implementation, results and compliance within two key areas; anti-corruption and health and safety. Within anti-corruption, the work has focused on training measures and implementation of risk-reducing measures. The measures include customised training. As part of the Group's health and safety work, a new tool for follow-up of measures and results has been implemented in 2013.

Follow-up of corporate responsibility is an important factor in development projects and acquisitions. Statkraft has developed a decision-making model for execution of major development projects, mergers and acquisitions, integrating important corporate responsibility issues.

The right expertise in the entire organisation on all topics relating to corporate responsibility and how to safeguard this in both the project and operating phase is a success factor to achieve the company's goals. Statkraft therefore works systematically to build expertise and transfer experience, and has prepared anti-corruption and health and safety manuals and training programmes. Corporate responsibility is also an integrated topic in the introduction programme for new employees and in the Group's manager training.

Statkraft is concerned with ensuring transparency as regards dilemmas and ethical issues, and has established the Integrity Helpline, where employees can seek advice as regards interpreting Statkraft's code of conduct and desired behaviour. Statkraft's code of conduct emphasises that employees have both the right and duty to blow the whistle when discovering legal or ethical violations, either through the line management or to the independent whistle-blower channel of the corporate audit unit.

In development projects, any complaints from stakeholders are registered and handled in line with set procedures.

Health and safety

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

Nevertheless, there were still two fatal accidents in connection with Statkraft's activities in 2013, one of which was work-related.

The work-related fatal accident took place in the Cheves development project in Peru, which is wholly owned by SN Power. The accident took place in August, when a contractor employee died from crushing injuries during tunnel work. The main conclusion from the investigation was that the work was carried out in an area that was inadequately secured, and the practice was immediately changed after the accident.

A third party suffered a fatal accident in May, when a person was found drowned near the Pariac hydropower plant in Peru, also owned by SN Power, in May. The accident happened in an open part of the channel that was not secured according to current requirements due to disagreements with the landowner. Measures have been taken to secure the channel after the accident.

Several of injury indicators have improved in recent years. Seen in a long-term perspective, the work to prevent work-related injuries is progressing. The indicator for lost-time injuries, H1, was 3.5 (3.8) among the Group's employees and

contractors in 2013, while the indicator for all types of injuries, H2, was 6.6 (6.6). In total, 230 (239) injuries were registered, of which 123 (138) lost-time injuries, among the Group's employees and contractor employees. In addition, 9415 unsafe conditions (8239) and 1531 near-misses (363) were registered. 49 of the accidents and near-misses had a serious potential and have been the subject to investigation and follow-up.

Total recordable injuries for employees and contractors

H2: Number of injuries per million hours worked



The Group works systematically to avoid injuries and damage in all activities. All incidents with a large injury or damage potential are followed up closely in accordance with set requirements, and the intention is to share experience throughout the Group. A new tool for self-evaluation of the health and safety work has been implemented in all business areas in 2013, and the results from this evaluation will be incorporated in the Group's performance follow-up process. Increased traffic safety has been a particular focus area in 2013, especially in development projects outside Norway.

Absence due to illness in Statkraft has been stable, and was 2.9% (3.1%) in 2013, which is within the goal of an absence due to illness rate lower than 3.5%. All Norwegian companies in the Group have entered into Inclusive workplace (IA) agreements, with active follow-up of absence and adaptation of the work as needed.

Security

Statkraft works systematically to ensure security and aims to comply with international best practice. The handling of security issues is based on directions provided by the Voluntary Principles on Security and Human Rights. There are four areas covered by security in Statkraft; personnel security, physical security, ICT security and information security.

In order to strengthen this work, a project was established in 2013 to identify improvement areas and specific improvement measures, and to ensure coordinated handling of security issues.

Climate and environmental impact

Statkraft's environmental ambition is to offer renewable and sustainable energy solutions. Continued growth in combination with international good practice for environmental management are key elements to achieve this ambition.

There were no serious environmental incidents in the Group in 2013. 127 minor environmental incidents were registered

(128), of which two had a high environmental risk. Most of these were in connection with short-term breaches of the river management regulations and minor oil spills. These incidents had little or no impact on the environment.

Statkraft's emissions of greenhouse gases were 460 900 tonnes of CO₂ equivalents in 2013 (483 879), of which 78% came from the Group's gas power activities (82%). About 97% of the Group's power and district heating production was based on renewable energy sources in 2013 (97).

In 2013, Statkraft consumed 881 GWh of electricity. All electricity consumed in the Group has been certified as renewable in accordance with RECS (Renewable Energy Certificate System). Furthermore, Statkraft generated 86 thousand tonnes of hazardous waste from the power and district heating production (78 844) which was treated in accordance with applicable regulations. The main part of this (62%) was residual products from Statkraft's waste incineration plant.

Social impact

Statkraft generates great value for society, both directly and indirectly. At the same time, all power production, even renewable power production, is associated with different forms of interventions in society and nature. Statkraft works systematically to reduce the negative effects as much as possible and to safeguard all stakeholders in a good manner. This is done through structured processes where close dialogue with everyone affected by the company's activities is a key element. Several factors, such as environmental consequences or health status, are carefully assessed, measured and followed up throughout the projects.

The Group's financial value creation amounted to NOK 20 824 million in 2013 (NOK 14 883 million). Values created are distributed to a number of stakeholders.

Total investments amounted to NOK 13 344 million in 2013 (NOK 11 721 million), of which NOK 7338 million were invested in Norway (NOK 1753 million). This included power plants transferred from Statkraft SF. 85% was in connection with expansion of production capacity (69%).

Business ethics and anti-corruption work

Statkraft has committed to a high ethical standard and business culture, with zero tolerance for corruption. Based on the requirements in the management system, Statkraft implemented several measures to combat corruption in 2013. Special attention has been directed at the development of dilemma-based training modules and their implementation in those parts of the organisation where the risk of ethical issues is considered to be highest.

Another focus area in 2013 has been the development of a guidance tool to assist employees in the handling of ethical dilemmas and document the assessment process.

The implementation of the new tools continue in 2014, supplementing the existing manual and e-learning tools relating to anti-corruption.

Human rights

Statkraft is present in parts of the world where human rights follow-up can be challenging. This is a topic the Group takes seriously. For instance, Statkraft sets clear requirements to suppliers, both through the Supplier's Code of Conduct and the tools for supplier follow-up, and has incorporated human rights as an integrated part of the company's project management tools.

In order to strengthen the follow-up of human rights,

Statkraft prepared a steering document in 2013, based on the UN's Guiding Principles on Business and Human Rights. Further initiatives to support the implementation will be carried out in 2014.

In 2012, a complaint against Statkraft was lodged before the OECD's Norwegian and Swedish contact point (Kontaktpunktet) for multinational companies in connection with the development of wind power in Sweden. The case is still being processed.

Employees and organisation

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

An annual employee survey is held in Statkraft, Skagerak Energi and SN Power, and the results from the survey in 2013 were, as in previous years, very good. As regards the indicator "Job satisfaction", Statkraft's score was 73 in 2013, well above both the Norwegian and European industry index (69).

Statkraft works in a focused and systematic manner to recruit and is an attractive employer both among graduates and experienced employees. The Group has a trainee programme, where five new trainees were enrolled in 2013.

Statkraft aims for a close and structured cooperation with all represented trade unions. In addition to national cooperation with trade unions, Statkraft has established a European works council (Statkraft European Works Council, SEWC), with employee representatives from Norway, Sweden, Germany and the UK. SEWC is an important cooperation forum for coordinating and implementing principles and guidelines as regards labour issues and labour rights in Statkraft.

The Group recognises the ILO Convention on labour rights and relevant EU directives have been included in the SEWC agreement with EPSU (European Federation of Public Service Unions), the federation for European unions within the energy industry.

Statkraft wants a diverse working environment and considers equal treatment a tenet in its recruitment and HR policy. Objective and professional recruitment processes will ensure that the best qualified candidate is chosen. Statkraft is one of the partners of Alarga, a foundation working to increase the percentage of employees with multicultural expertise in Norwegian industry and commerce.

Statkraft strives to attain an even gender distribution in the Group, and more women in managerial positions. Statkraft and a number of other major Norwegian companies participate in a research project to identify specific measures to improve the gender balance in executive positions. In 2013, 23% of the Group's employees were women (24%), and the percentage of women in executive positions was 22% (21%). Among new employees, the percentage of women was 23%. 44% of Statkraft's board members are women. The relationship between average wage for women and men among all employees in Statkraft was 0.92 in 2013. The board follows up the work to achieve an even gender balance, including compliance with statutory requirements relating to gender distribution in the boards of subsidiaries and companies where Statkraft has major ownership interests.

At the end of 2013, the Group had 3493 full-time equivalents (3475). The Group had employees in 23 countries, and 34% were located outside Norway (34%). The average service time in Statkraft was 10.9 years and the employee turnover was 6.0% (5.7%).

Corporate governance

Corporate governance and management in Statkraft shall contribute to sustainable and permanent value creation in the Group. Good and transparent management of and control over the business will provide the basis for creating long-term value for the owners, employees, other stakeholders and society in general. Trust will be established among stakeholders through predictability and credibility. Open and accessible communication will ensure that the Group maintains a good relationship with society in general and the stakeholders who are affected by the company's activities in particular.

Statkraft adheres to the Norwegian State's principles for sound corporate governance as described in Report No. 13 (2010-2011) to the Storting on Active ownership ("The Ownership Report"), and is subject to the reporting requirements relating to corporate governance pursuant to Section 3-3b of the Accounting Act. Furthermore, Statkraft applies the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company's organisation and ownership. Deviations from the recommendation are due to the fact that Statkraft is wholly owned by the Norwegian state.

The work of the Board of Directors

Erik Haugane succeeded Inge Ryan as a board member in June, but there were no other changes in the board's composition in 2013.

The board of Statkraft AS held nine board meetings in 2013. The board has a strong focus on daily operations and ongoing development projects. In addition, a significant part of the work of the board in 2013 has been in connection with the preparation of a new strategic platform.

The board has a remuneration committee consisting of the chair of the board and two of the board members, and an audit committee consisting of four board members. The remuneration committee has held four meetings during the course of the year, while the audit committee has held six.

Profit allocation

The parent company Statkraft AS suffered a net loss of NOK 876 million in 2013 (profit of NOK 5088 million). The decline compared with 2012 is due primarily to the major negative currency effects in 2013, while there were positive currency effects in 2012.

As the board of directors of Statkraft SF has proposed that no dividend be disbursed for 2013, the board also proposes that no dividend be disbursed from Statkraft AS to Statkraft SF.

Profit allocation

Amounts in NOK mill.	
Net annual profit in Statkraft AS' company accounts	– 876
Allocation of profit for the year:	
Allocated dividend from Statkraft AS to Statkraft SF	0
Allocated to other equity	– 876

Outlook

A power surplus is expected to characterise the Nordic region for the next few years, and Nordic power prices are expected to be somewhat lower than in 2013. Statkraft's large reservoir capacity with both seasonal and multiple-year reservoirs provides the Group with ample flexibility to manage water resources efficiently. Long-term power contracts also help stabilise the Group's earnings. New production capacity is under construction, and will raise revenues when completed.

In an international perspective, there is a growing demand for renewable energy. Statkraft is well-positioned for fulfilling its ambition to strengthen its position as a leading supplier of clean energy. Norwegian and Nordic hydropower represents the majority of Statkraft's activities. Statkraft is entering a period of major investments to rehabilitate the old hydropower plants in Norway and Sweden, in parallel with investments in new projects within hydropower and wind power internationally.

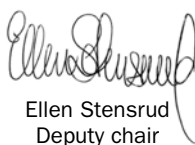
It is expected that the EU will implement additional initiatives in the direction of an energy system with less carbon emissions and a stronger focus on security of supply and energy efficiency. This will contribute to new business opportunities within renewable power production and sale of services and products to small-scale power producers. As Europe's largest producer of renewable energy, Statkraft has a strong market position and can play a significant role in the energy conversion.

In emerging markets, hydropower will be a profitable and climate-friendly source of energy. Statkraft is well positioned here, and has ambitions of further growth based on the Group's core expertise within project development, operation and maintenance. The new long-term cooperation agreement with Norfund will result in the integration of the undertakings in South America and South Asia in Statkraft, and further investments in SN Power. The Group's core expertise within operations, maintenance and project management will be further reinforced.

The Board of Directors of Statkraft AS
Oslo, 26 March 2014



Olav Fjell
Chair of the Board



Ellen Stensrud
Deputy chair



Halvor Stenstadvold
Director



Berit Rødseth
Director



Silvija Seres
Director



Erik Haugane
Director



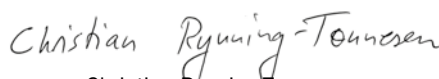
Odd Vanvik
Director



Lena Halvari
Director



Thorbjørn Holøs
Director



Christian Rynning-Tønnesen
President and CEO

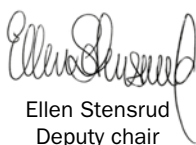
Declaration from the board and CEO

We confirm to the best of our knowledge that the consolidated financial statements for 2013 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the financial statements for the parent company for 2013 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the board of directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the key risks and uncertainties the companies are faced with.

The Board of Directors of Statkraft AS
Oslo, 26 March 2014



Olav Fjell
Chair of the Board



Ellen Stensrud
Deputy chair



Halvor Stenstadvold
Director



Berit Rødseth
Director



Silvija Seres
Director



Erik Haugane
Director



Odd Vanvik
Director



Lena Halvari
Director



Thorbjørn Holøs
Director



Christian Rynning-Tønnesen
President and CEO



Jon G. Brandsar

*EVP Wind Power and Technologies
Responsibilities: Onshore wind power,
offshore wind power, innovation,
district heating and small scale
hydropower*

Steinar Bysveen

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

Christian Rynning-Tønnesen

CEO

Øistein Andersen

*EVP International Hydropower
Responsibilities: SN Power,
South East Europe, international
hydropower*

Hilde Bakken

EVP Power Generation

*Responsibilities: Power generation,
central power generation staff func-
tions and project management office*

Jens Bjørn Staff

CFO

*Responsibilities: Finance,
treasury, corporate audit,
procurement, investor relations
and Strategic Execution*

Asbjørn Grundt

*EVP Market Operations and IT
Responsibilities: Trading and
origination, Nordic energy,
continental energy, and IT*

From the Sognefjord, Norway



Group Financial Statements

Statement of Comprehensive Income

Statkraft AS Group

NOK million	Note	2013	2012
RESULTS			
Sales revenues	3, 12, 20	48 148	36 447
Other operating revenues	13	1 415	1 103
Gross operating revenues	3	49 564	37 550
Energy purchases	14, 20	-24 327	-18 172
Transmission costs		-991	-1 026
Net operating revenues	3	24 246	18 352
Salaries and payroll costs	15, 16	-3 136	-3 046
Depreciation, amortisation and impairment	3, 22, 23	-3 045	-4 933
Property tax and licence fees	17	-1 640	-1 345
Other operating expenses	18	-3 422	-3 469
Operating expenses		-11 243	-12 793
Operating profit	3	13 002	5 559
Share of profit from associates and joint ventures	3, 24	1 101	871
Financial income	19	237	996
Financial expenses	19	-1 351	-1 301
Net currency effects	19, 20	-9 403	4 468
Other financial items	19, 20	-1 076	-1 822
Net financial items		-11 592	2 341
Profit before tax		2 511	8 771
Tax expense	21	-2 303	-4 220
Net profit		208	4 551
Of which non-controlling interest		482	230
Of which majority interest		-274	4 321
OTHER COMPREHENSIVE INCOME			
Items in other comprehensive income that recycle over profit/loss:			
Changes in the fair value of financial instruments		-1 167	463
Income tax related to changes in fair value of financial instruments		339	-126
Equity holdings in associates and joint ventures		163	320
Exchange differences arising on translating foreign entities		9 940	-4 536
Items in other comprehensive income that will not recycle over profit/loss:			
Estimate deviation pensions		-174	1 453
Income tax related to estimate deviation pensions		49	-407
Total comprehensive income		9 154	-2 833
Comprehensive income		9 361	1 718
Of which non-controlling interest		881	-156
Of which majority interest		8 480	1 874

Balance Sheet


Statkraft AS Group

NOK million	Note	31.12.13	31.12.12	01.01.12
ASSETS				
Intangible assets	22	3 510	3 242	3 136
Property, plant and equipment	23	101 269	88 546	85 195
Investments in associates and joint ventures	3, 24	16 002	15 924	15 080
Other non-current financial assets	25	2 540	10 714	12 163
Derivatives	28	5 295	5 397	4 687
Non-current assets		128 615	123 823	120 261
Inventories	26	1 796	1 588	977
Receivables	27	9 568	9 604	9 272
Short-term financial investments		464	457	455
Derivatives	28	5 559	4 996	5 356
Cash and cash equivalents (including restricted cash)	29	7 685	5 440	8 605
Current assets		25 072	22 084	24 664
Assets		153 687	145 907	144 925
EQUITY AND LIABILITIES				
Paid-in capital		49 011	45 569	45 569
Retained earnings		14 328	9 847	12 840
Non-controlling interests		7 769	6 934	7 241
Equity		71 107	62 350	65 651
Provisions	16, 30	19 416	20 035	21 350
Long-term interest-bearing liabilities	31	33 364	33 517	31 820
Derivatives	28	5 713	6 038	4 673
Long-term liabilities		58 494	59 591	57 842
Short-term interest-bearing liabilities	31	7 013	7 108	5 467
Taxes payable	21	3 503	3 246	3 411
Other interest-free liabilities	32	9 181	9 309	6 960
Derivatives	28	4 389	4 303	5 596
Short-term liabilities		24 086	23 966	21 433
Equity and liabilities		153 687	145 907	144 925

The Board of Directors of Statkraft AS

Oslo, 26 March 2014


Olav Fjell
Chair of the Board


Ellen Stensrud
Deputy chair


Halvor Stenstadvold
Director


Berit Rødseth
Director



Silvija Seres
Director


Erik Haugane
Director


Odd Vanvik
Director


Lena Halvari
Director


Thorbjørn Holøs
Director


Christian Rynning-Tønnesen
President and CEO

Statement of Cash Flow

Statkraft AS Group

NOK million	Note	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		2 511	8 771
Profit+/-/loss- on sale of non-current assets		-89	-28
Depreciation, amortisation and impairment	22, 23	3 045	4 933
Profit from the sale of shares and associates		-153	-81
Profit from the sale of activities		121	-
Share of profit from associates and joint ventures	24	-1 101	-871
Unrealised changes in value	20	7 795	-1 452
Taxes paid		-2 629	-4 426
Cash flow from operating activities		9 499	6 846
Changes in long-term items		-533	-225
Changes in short-term items		-1 911	1 710
Dividend from associates		1 051	1 958
Net cash flow from operating activities	A	8 106	10 290
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment ¹⁾	3	-9 248	-9 461
Proceeds from sale of non-current assets		9 670	126
Business divestments, net liquidity accruing to the Group ²⁾		327	-
Business combinations, net liquidity outflow from the Group	5	59	-54
Loans to third parties		-298	-670
Repayment of loans		94	8
Investments in other companies		-59	-2 433
Net cash flow from investing activities	B	547	-12 484
CASH FLOW FROM FINANCING ACTIVITIES			
New debt	31	865	7 919
Repayment of debt	31	-4 714	-4 573
Dividend and Group contribution paid		-3 094	-4 293
Share issue in subsidiary to non-controlling interests		135	167
Net cash flow from financing activities	C	-6 807	-780
Net change in cash and cash equivalents	A+B+C	1 846	-2 974
Currency exchange rate effects on cash and cash equivalents		400	-191
Cash and cash equivalents 01.01	29	5 440	8 605
Cash and cash equivalents 31.12 ³⁾	29	7 685	5 440
Unused committed credit lines		12 000	12 000
Unused overdraft facilities		2 200	2 205
Restricted cash	29, 34	-12	-232

¹⁾ Investments in property, plant and equipment are NOK 4035 Million lower than investments in new capacity in the segment reporting due to acquisition of assets of NOK 3897 million from Statkraft SF and NOK 138 million from investments not yet paid as of year-end 2013.

²⁾ Received for business divestments are NOK 441 million. Consolidated cash divested was NOK 114 million.

³⁾ Included in cash and cash equivalents are NOK 85 million related to joint operations according to IFRS 11 as of year-end 2013.

Statement of Changes in Equity

Statkraft AS Group

NOK million	Paid-in capital	Other equity	Accumulated translation differences	Retained equity	Total majority	Non-controlling interests	Total equity
Balance as of 01.01.2012	45 569	20 795	-7 955	12 840	58 409	7 241	65 651
Net profit	-	4 321	-	4 321	4 321	230	4 551
Items in other comprehensive income that recycle over profit/loss:							
Changes in fair value of financial instruments	-	511	-	511	511	-48	463
Income tax related to changes in fair value of financial instruments	-	-139	-	-139	-139	13	-126
Equity holdings in associates and joint ventures	-	320	-	320	320	-	320
Exchange differences arising on translating foreign entities	-	-	-4 020	-4 020	-4 020	-516	-4 536
Items in other comprehensive income that will not recycle over profit/loss:							
Estimate deviation pensions	-	1 224	-	1 224	1 224	229	1 453
Income tax related to estimate deviation pensions	-	-343	-	-343	-343	-64	-407
Total comprehensive income for the period	-	5 894	-4 020	1 874	1 874	-156	1 719
Dividend and group contribution	-	-4 900	-	-4 900	-4 900	-308	-5 208
Changes in accounting principles	-	33	-	33	33	-	33
Business combinations/divestments	-	-	-	-	-	126	126
Capital increase	-	-	-	-	-	167	167
Liability from the option to increase shareholding in subsidiary	-	-	-	-	-	-137	-137
Balance as of 31.12.2012	45 569	21 822	-11 975	9 847	55 416	6 934	62 350
Net profit	-	-274	-	-274	-274	482	208
Items in other comprehensive income that recycle over profit/loss:							
Changes in fair value of financial instruments	-	-1 270	-	-1 270	-1 270	103	-1 167
Income tax related to changes in fair value of financial instruments	-	355	-	355	355	-16	339
Equity holdings in associates and joint ventures	-	112	-	112	112	51	163
Exchange differences arising on translating foreign entities	-	-	9 648	9 648	9 648	292	9 940
Items in other comprehensive income that will not recycle over profit/loss:							
Estimate deviation pensions	-	-129	-	-129	-129	-45	-174
Income tax related to estimate deviation pensions	-	37	-	37	37	12	49
Total comprehensive income for the period	-	-1 168	9 648	8 480	8 480	881	9 361
Dividend and group contribution	-	-4 000	-	-4 000	-4 000	-198	-4 198
Business combinations/divestments ¹⁾	2 817	-	-	-	2 817	-	2 817
Capital increase	624	-	-	-	624	135	760
Transactions with non-controlling interests							
Liability from the option to increase shareholding in subsidiary	-	-	-	-	-	111	111
Equity as of 31.12.2013	49 011	16 654	-2 327	14 328	63 338	7 769	71 107

¹⁾ On 1. April, Statkraft SF transferred net assets worth NOK 3442 million to the group, of which NOK 624 million was reported as capital contribution and NOK 2817 million as other paid-in equity.

The parent company has a share capital of NOK 30.6 billion, divided into 200 million shares, each with a par value of NOK 153. 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.

On 27 June 2013, Statkraft's general assembly approved a dividend of NOK 4000 million to be paid to Statkraft SF. For the current year, the board has proposed no disbursement of dividend.

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Statkraft AS Group

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 Note 39 Consolidated companies

Note 1 General information and summary of significant accounting policies

GENERAL INFORMATION

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

Basis of preparation of the financial statements Statkraft's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations from International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU.

Comparative figures The income statement, balance sheet, statement of equity, cash flow statement and notes provide comparative information in respect of the previous period.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Below is a description of the most important accounting policies used in the preparation of the consolidated accounts. These policies have been used in the same manner in all presented periods, unless otherwise stated. The consolidated accounts have been prepared on the basis of the historical cost principle, with the exception of certain financial instruments and derivatives measured at fair value on the balance sheet date.

Historical cost Historical cost is generally based on fair value of the compensation paid when acquiring assets and services.

Fair value Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of fair value is not contingent upon market prices being available or whether other valuation techniques have been applied. When determining fair value, the management must apply assumptions that market participants would have used in a similar valuation. Measurement and presentation of assets and liabilities measured at fair value when presenting the consolidated accounts are based on these policies, with the exception of measuring net realisable value in accordance with IAS 2 Inventories and when measuring its value in use in accordance with IAS 36 Impairment of Assets.

The Group uses IFRS 13 when measuring fair value

Consolidation principles The consolidated financial statements comprise the financial statements of the parent company Statkraft AS and subsidiaries. A subsidiary is an investee where Statkraft, as an investor, exercises de-facto control. De-facto control is achieved by an investor being exposed to, or having rights to, variable returns as a result of ownership or agreements entered into with the investee. When considering whether de-facto control exists, Statkraft evaluate equity interests, voting rights, ownership structure and relative strength, options controlled by Statkraft and other shareholders and shareholder and operating agreements. Each individual investment is assessed. Statkraft as an investor must furthermore have the ability to use its power over the investee to affect its returns. To the extent that Statkraft is considered to have control over an investee where Statkraft owns less than 50 per cent, agreements must be in place which nonetheless gives Statkraft control over the relevant activities which significantly affect returns from the investee. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

If necessary, the subsidiaries' financial statements are adjusted to correlate with the Group's accounting policies. Inter-company transactions and inter-company balances, including internal profits and gains and losses, are eliminated. Subsidiaries are consolidated from the date when the Group achieves control and are excluded from the consolidation when control ceases.

Associates and joint ventures Associates and joint ventures are companies or entities where Statkraft has significant influence. Joint ventures is a type of joint arrangements which have a legal form separating the participants from the assets and liabilities of the company so that the obligations is limited to the capital contribution and the returns correspond to the participant's share of the profit. Associates and joint ventures are consolidated in the consolidated accounts using the equity method. Statkraft classifies its investments based on an analysis of the degree of control and the underlying facts. This includes an assessment of voting rights, ownership structure and the relative strength, purchase and sale rights controlled by Statkraft and other shareholders. Each individual investment is assessed. Upon changes in underlying facts and circumstances, a new assessment must be made as to whether this is still a joint venture. The Group's share of the companies' profit/loss after tax, adjusted for amortisation of excess value and any deviations from accounting policies, are presented 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.

Joint operations Joint operations are joint arrangements where the participants who have joint control over an entity have contractual rights to the assets and obligations for the liabilities, relating to the entity. In joint operations, decisions about the relevant activities require the unanimous consent of the parties sharing control. Agreements between participants describing the rights and obligations in the joint operations will be decisive for whether equity interests in joint arrangements can be considered joint operations. Entities established to produce power and where the participants are the only buyers of the power produced, will mainly be incorporated in Statkraft's consolidated accounts in accordance with a method corresponding to the proportionate consolidation method.

Co-owned power plants Co-owned power plants, which are those power plants in which Statkraft owns shares regardless of whether they are operated by Statkraft or one of the other owners, are recognised in accordance with the proportionate consolidation method in IFRS 11 Joint Arrangements.

Leased power plants Power plants that are leased to third parties are recognised in accordance with the proportionate consolidation method. Leasing revenues are presented in other operating revenues, while expenses relating with the operations in the power plants are recorded under operating expenses.

Acquisitions The acquisition method is applied in business combinations. The compensation is measured at fair value on the transaction date, which is also the date when fair value of identifiable assets, liabilities and contingent liabilities acquired in the transaction is measured. If the accounting of a business combination is incomplete at the end of the reporting period, in which the transaction occurred, the Group will report preliminary values for the assets and liabilities. Temporary values are adjusted throughout the measuring period of maximum one year in order to reflect new information obtained about circumstances that existed as of the acquisition date, if know, would have affected the valuation on that date. Correspondingly, new assets and liabilities can be recognised. The transaction date is when risk and control has been transferred and normally coincides with the completion date. Non-controlling interests are recognised either at fair value or the proportionate share of the identifiable net assets and liabilities. The assessment is done for each transaction. Any differences between cost and fair value for acquired assets, liabilities and contingent liabilities are recognised as goodwill or recognised in income when the cost is lower. No provisions are recognised for deferred tax on goodwill. Transaction costs are recognised in the income statement when incurred.

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

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

Note 1 continued

Energy revenues Energy revenues are recognised upon delivery, and generally presented gross in the income statement. Realised gains and losses from trading portfolios are, however, presented net as sales revenues.

Realised revenues from physical and financial trading in energy contracts are presented under the item for sales revenues. Unrealised changes in value relating to physical and financial contracts covered by IAS 39, are presented in the same accounting line item as earned and realised revenues.

Distribution grid revenues Distribution grid activities are subject to a regulatory regime established by the Norwegian Water Resources and Energy Directorate (NVE). Each year, the NVE sets a revenue ceiling for the individual distribution grid owner. Revenue ceilings are set partly on the basis of historical costs, and partly on the basis of a norm. The norm is there to ensure efficient operation by the companies. An excess/shortfall of revenue will be the difference between actual income and allowed income. The revenue ceiling can be adjusted in the event of changes in delivery quality. Revenues included in the income statement correspond to the actual tariff revenues generated during the year. The difference between the revenue ceiling and the actual tariff revenues comprises a revenue surplus/shortfall. Excess or shortfall of revenue is not recognised in the balance sheet. The size of this is stated in Note 33.

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

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

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

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

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

Financial instruments

General Financial instruments are recognised when the entity becomes a party to the contractual provisions of the instrument. Initial recognition of financial assets and liabilities are at fair value. Transaction costs are added to or deduced from the financial asset or liability unless the instrument is carried at fair value through profit and loss as the transaction cost is recorded in the income statement immediately. Financial assets and liabilities are classified on the basis of the nature and purpose of the instruments into the categories "financial assets at fair value through profit or loss", "held-to-maturity investments", "available-for-sale financial assets" and "loans and receivables". The categories that are relevant for Statkraft and the treatment

to be adopted for the financial instruments included in each of these categories are described below.

Measurement of different categories of financial instruments

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

- Financial contracts for the purchase and sale of energy-related products are classified as derivatives. Energy derivatives consist of both stand-alone derivatives, and embedded derivatives that are separated from the host contract and recognised at fair value as if the derivative were a stand-alone contract. Derivatives in this category that are not embedded derivatives, have mainly been acquired for the purpose of selling in the short term.
- Currency and interest rate derivatives have been acquired to manage and reduce the Group's exposure to currency and interest rate fluctuations.
- Physical contracts relating to the trading of energy-related products included in trading portfolios and that are managed and followed up on the basis of fair value, are settled financially, or contain written options in the form of volume flexibility.
- Other financial assets held for trading. Physical contracts for the purchase and sale of energy-related products that are entered into as a result of mandates connected to Statkraft's own requirements for use or procurement in own production normally fall outside the scope of IAS 39.

2) Loans and receivables

are financial receivables or debt that is not quoted in an active market. Loans and receivables are measured at fair value upon initial recognition with the addition of directly attributable transaction costs. In subsequent periods, loans and receivables are measured at amortised cost using the effective interest rate method, where the effective interest remains the same over the entire term of the instrument. An impairment loss is recognised in the income statement.

3) Assets held as available for sale

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

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

The determination of the fair value of such assets is described in more detail in Note 10.

Financial instruments designated as hedging instruments Financial instruments that are designated as hedging instruments or hedged items in hedge accounting are identified on the basis of the intention behind the acquisition of the financial instrument. In a fair value hedge the value change will meet the corresponding change in value of the hedged item, while the value changes for cash flow hedges and hedges of net investments in foreign operations will be recognised in other comprehensive income. See also the more detailed description of hedge accounting in Note 11.

Presentation of derivatives in the income statement and balance sheet

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

Note 1 continued

Change in fair value of currency and interest rate derivatives are presented together with realised finance income and costs.

Taxes

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

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

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

Resource rent tax Resource rent tax is a profit-dependent tax that is calculated at a rate of 30% of the net resource rent revenue generated by each power plant. Resource rent revenue is calculated on the basis of the individual power plant's production hour by hour, multiplied by the spot price for the corresponding hour. The actual contract price is applied for deliveries of concessionary power and power subject to physical contracts with a term exceeding seven years. Income from green certificates is included in gross resource rent revenue. Actual operating expenses, depreciation and a tax-free allowance are deducted from the calculated revenue in order to arrive at the tax base. The tax-free allowance is set each year on the basis of the taxable value of the power plant's operating assets, multiplied by a normative interest rate set by the Ministry of Finance. From 2007 onwards negative resource rent revenues per power plant can be pooled with positive resource rent revenues for other power plants. Negative resource rent revenues per power plant from the 2006 fiscal year or earlier years can only be carried forward with interest offset against future positive resource rent revenues from the same power plant. Deferred tax assets linked to negative resource rent carry-forwards and deferred tax linked to other temporary differences are calculated on the basis of power plants where it is probable that the deferred tax asset will be realised within a time horizon of ten years. The applied rate is a nominal tax rate of 31%. The tax-free allowance is treated as a permanent difference in the year it is calculated for, and therefore does not affect the calculation of deferred tax connected with resource rent.

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

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

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

Research and development costs Research costs are expensed as incurred. Development costs are capitalised to the extent that a future economic 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 impairment. Depreciation is charged from the time the assets are available for use. The cost of property, plant and equipment includes fees for acquiring or bringing assets into a condition in which they can be used. Directly attributable borrowing costs are added to cost. Expenses incurred after the operating asset has been taken into use, such as ongoing repair and maintenance expenses, are recognised in the income statement as incurred, while other expenses that are expected to increase future production capacity are recognised in the balance sheet. In the case of time-limited licences, provisions are made for decommissioning costs, with a balancing entry increasing the carrying amount of the relevant asset.

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

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

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

Impairment Property, plant, equipment and intangible assets that are depreciated, are reviewed for impairment at the end of every quarter. When there are indications that future earnings cannot justify the carrying value, the recoverable amount is calculated to consider whether an allowance for impairment must be made. Intangible assets with indefinite useful life are not amortised, but tested for impairment once a year and when events or circumstances indicate that the asset might be impaired. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Value in use is calculated as future expected cash flows discounted by using a required rate of return equal to the market's required rate of return for corresponding assets in the same industry. The difference between the carrying amount and recoverable amount is recognised as an impairment loss. For the purposes of assessing impairment losses, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

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

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

Gas power plants: A gas power plant normally constitutes a CGU unless two or more plants are controlled and optimised together so that revenues are not independent of each other.

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

Biomass power plants: The individual plants.

Segment is used as the lowest CGU for testing goodwill for impairment.

Note 1 continued

Leases Leases are recognised as finance lease agreements when the risks and returns incidental to ownership have been substantially transferred to Statkraft. Finance leases are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. When calculating the lease's present value, the implicit interest cost in the lease is used if it is possible to calculate this. If this cannot be calculated, the company's marginal borrowing rate is used. Direct costs linked to establishing the lease are included in the asset's cost price.

The same depreciation period as for the company's other depreciable assets is used. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are mainly recognised as an expense on a straight-line basis over the lease term. When leased production plants where use is closely connected with the production, lease payments are measured by consumption and presented as energy purchases.

Inventories

1) **Green certificates and CO₂ certificates** Green certificates awarded by own production are measured at cost price and classified as intangible assets. The same applies to CO₂ certificates.

Green certificates and CO₂ certificates are deemed to be held for trading purposes and are recognised as inventories. Inventories of green certificates and CO₂ certificates held for trading purposes are measured at net realisable value. Net realisable value is measured as sales value less expected costs to sell.

2) **Other inventories** Other inventories are measured at the lower of cost and net realisable value.

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

Cash and cash equivalents Cash and cash equivalents includes certificates and bonds with short residual terms at the time of acquisition. The item also includes restricted cash. The amount of restricted cash is specified below the cash flow statement and in Note 29. Market settlements for derivatives connected with financial activities (cash collateral) are recognised in the balance sheet. Bank deposits, cash and similar from joint operations are also presented under this line item.

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 approved by the General Assembly.

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

Onerous contracts Obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Concessionary power, licence fees and compensation Each year, concessionary sales are made to local authorities at statutory prices stipulated by the Norwegian Parliament (Stortinget). The supply of concessionary power is recognised as income on an ongoing basis in accordance with the established concessionary price. In the case of certain concessionary power contracts, agreements have been made regarding financial settlement in which Statkraft is invoiced for the difference between the spot price and the concessionary price. Such concessionary contracts are not included in the financial statements. The capitalised value of future concessionary power obligations is estimated and disclosed in Note 30.

Licence fees are expensed as they accrue and are paid annually to central and local government authorities. The capitalised value of future licence fees is estimated and disclosed in Note 17.

The Group pays compensation to landowners for the right to use waterfalls and land. In addition, compensation is paid to other parties 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 are reduced by the fair value of the plan assets. The present value of future benefits in the pension schemes accrued at the balance sheet date is calculated by accrued benefits method.

Remeasurement gains and losses attributable to changes in actuarial assumptions or base data are recognised in other comprehensive income.

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

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

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

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 the management and used as a basis for resource allocation and key performance review.

STATEMENT OF CASH FLOW

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

CHANGES IN ACCOUNTING POLICIES 2013

The following new and amended standards and interpretations have been implemented for the first time in 2013:

IFRS 10 Consolidated Financial Statements The standard relates to definition of subsidiaries and places greater emphasis on actual

Note 1 continued

control than earlier principles did. Investments in subsidiaries and associated companies have been evaluated in accordance with IFRS 10. The implementation of the standard has not resulted in any changes for Statkraft.

IFRS 11 Joint Arrangements The standard regulates accounting of activities where Statkraft has joint control with other investors. Joint operations shall, in accordance with the new standard, be incorporated in accordance with a method corresponding to the gross method. The agreement between the participants, describing individual rights and obligations in the joint operations, will determine how to account for an asset in jointly controlled operations. For Statkraft, this entails that several shareholdings previously presented in accordance with the equity method will now be presented in accordance with the gross method in accordance with IFRS 11. All entities that meet the definition of joint arrangements will be accounted for using the equity method. The effect of the implementation of IFRS 11 is shown in note 1

IFRS 12 Disclosure of Interests in Other Entities The standard sets requirements related to note information concerning investments in subsidiaries, associated companies and jointly controlled entities. The purpose is to provide information about characteristics and risks in relation to the Group's investments in such companies, and which effects this has on the Group's balance sheet, results and cash flows. The standard introduces several new information requirements, particularly for the annual accounts.

IAS 27 Separate Financial Statements As a consequence of the publishing of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, the IASB has amended IAS 27. IAS 27 now only applies to the accounting in the separate financial statements. The title of the standard is amended accordingly.

IAS 28 Investment in Associates and Joint Ventures As a consequence of the new standards IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates has been renamed IAS 28 Investment in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

IFRS 13 Fair Value Measurement The standard defines principles and guidelines for measuring the fair value of assets and liabilities which other standards require or permit to be measured at fair value. The effect of the implementation of IFRS 13 is limited.

IAS 19 Employee Benefits The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. Due to the discharge of the corridor approach the actuarial gains and losses now are recognised through other comprehensive income in the period in which they arise. The amendments to IAS 19 has an impact on the net benefit expense, as the expected return on plan assets are calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. Statkraft has earlier not used the corridor method. The effect of implementation of the amendments to IAS 19 has been limited.

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

IAS 1 Presentation of Financial Statements The amendments in IAS 1 require all items in other comprehensive income to be grouped into two categories. Items that can be reclassified to profit or loss in subsequent periods are presented separate from items that will never be reclassified. The amendments will only affect the presentation and has no effect on the Group's financial position or profit or loss.

At the time of adoption of these financial statements, the following standards are issued by the IASB and effective for the financial year 2014:

IAS 36 Impairment of Assets IAS 36 is amended to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments are issued to align the disclosure requirements in IAS 36 with the IASB's original intention when consequential amendments to IAS 36 were made as a result of the issuance of IFRS 13 Fair Value Measurement. The amendments are effective for annual periods beginning on or after 1 January 2014.

IAS 32 Financial Instruments: Presentation IAS 32 is amended in order to clarify the meaning of "currently has a legally enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are effective for annual periods beginning on or after 1 January 2014.

Interpretations not approved, but relevant for Statkraft which can give effect on the financial statement in future period:

IFRS 9 Financial instruments IFRS 9, as issued, reflects the two first phases of IASB's work on the replacement of IAS 39, which are classification and measurement of financial assets and financial liabilities and hedge accounting. Third and last phase of this project will address amortised cost measurement and impairment of financial assets. The mandatory effective date of IFRS 9 has been removed and it is expected that the standards earliest effective mandatory date is for annual periods beginning 1 January 2017. The IASB have decided that a new date should be decided upon when the entire IFRS 9 project is closer to completion. The Group will evaluate potential effects of IFRS 9 as soon as the final standard, including all phases, is issued.

Note 1 continued

CHANGES IN ACCOUNTING POLICIES 2013

Statkraft has changed its accounting policy from the equity method to the proportionate consolidation method in accordance with IFRS 11 Joint arrangements for the following investments:

- Scira Offshore Energy Ltd. (Sheringham Shoal)
- Dudgeon Offshore Wind Ltd.
- Forewind Ltd.
- Naturkraft AS
- Kraftwerksgesellschaft Herdecke, GmbH & Co. KG

The effects of the implementation of IFRS 11, as well as the transition to accounting for assets and liabilities for some contracts, are shown in the tables below:

NOK million	2012
TOTAL COMPREHENSIVE INCOME	
PROFIT AND LOSS	
Increase in gross operating revenues ¹⁾	5 219
Increase in net operating revenues	693
Increase (+)/decrease (-) in operating expenses ²⁾	-499
Changes in operating profit	195
Decrease in share of profit from associates and joint ventures	-153
Changes in net financial items	-76
Changes in profit before tax	-35
Increase in tax expense	-84
Changes in net profit	-120
OTHER COMPREHENSIVE INCOME	
Changes in other comprehensive income	-
Changes in comprehensive income	-120

¹⁾ Increase in gross operating revenues includes the increase resulting from the change to gross presentation for various contracts of NOK 5236 million for the year 2012.

The opposite effect is presented under energy purchase, and net operating revenues are unchanged as a result.

²⁾ The changes in net profit/loss in 2012, after the transition to the gross method according to IFRS 11, is due to that the investment in Herdecke according to the equity method was valued at zero. When changing to the gross method, fixed assets have been impaired by a further NOK 120 million in 2012.

NOK million	31.12.2012	01.01.2012
BALANCE SHEET		
ASSETS		
Increase in intangible assets	28	29
Increase in property, plant and equipment	5 489	3 954
Decrease in investments in associates and joint ventures	-2 050	-1 029
Increase in other non-current assets	616	372
Increase in cash and cash equivalents (incl. restricted cash)	394	322
Increase in other current assets	-3 562	-2 601
Increase in assets	914	1 047
EQUITY AND LIABILITIES		
Changes in equity	-87	-
Increase in long-term liabilities	490	490
Increase in current liabilities	511	559
Changes in equity and liabilities	914	1 047

NOK million	Year 2012
STATEMENT OF CASH FLOW	

Changes in net cash flow from operating activities	342
Changes in net cash flow from investing activities	-254
Changes in net cash flow from financing activities	-16

Note 2 Accounting judgements, estimates and assumptions

When preparing the consolidated accounts in accordance with IFRS and applying the Group's accounting policies, the management of the company must exercise judgement, prepare estimates and make assumptions that influence the items in the income statement, balance sheet and notes. Estimates and assumptions applied are based on experience with similar judgements in previous periods, expertise from experts in the Group, changes in framework conditions and other relevant information. Accounting judgements, estimates and assumptions are to a large extent influenced by the management's assessment of future revenues. Expected future revenues are based on a combination of expectations regarding future prices, production volumes, regulatory issues, infrastructure maturity and project risk. Observable market prices in liquid periods are applied in the valuation of future revenues. For later periods, a combination of Statkraft's expectations for long-term market prices, including carbon price and subsidy scheme developments, is applied, plus expected capacity payments.

Estimates and assumptions may change over time and are subject to continuous review. Actual figures may deviate from recognised estimates. The effect on the income statement of estimate deviations and changed estimates and assumptions is recognised in the period in which the change occurs or accrued over the periods affected by the change.

Accounting judgements that are of material importance to the Group's Financial Statements are as follows:

Impairment The Group has significant carrying amounts in property, plant and equipment, intangible assets and investments in associates and joint ventures. These assets are tested for impairment when indicators of possible impairment of value exist, i.e. there is a risk of the recognised value exceeding the recoverable amount. Goodwill is tested annually for impairment. An impairment test can result in a need to recognise significant loss in relation to assets recognised in the balance sheet.

Calculation of recoverable amount, which is the higher of fair value less cost of disposal and value in use, is based on future cash flows where long-term price paths, expected production volumes and required rate of return are the most important factors. Considerable judgement is exercised by the management to estimate the development of these factors.

When determining the value in use of property, plant and equipment under construction, accrued expenses on the balance sheet date and remaining investment framework approved by Statkraft's management are included. Expected maintenance investments are included for commissioned power plants.

Business combinations Statkraft must allocate the purchase amount for acquired businesses to acquired assets and liabilities, based on the estimated fair value. If the combinations are achieved in stages, fair value must also be calculated of the current ownership interest when de-facto control is transferred to Statkraft. Changes in fair value are recognised in profit or loss. For major acquisitions, Statkraft uses independent external advisors to assist in the determination of the fair value of acquired assets and liabilities. This type of valuation requires the management to make judgements as regards valuation method, estimates and assumptions. The management's estimates of fair value and useful life are based on assumptions supported by the Group's experts, but with inherent uncertainty. Actual results may therefore deviate from the estimates.

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

Non-financial energy contracts According to IAS 39, 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 power and gas. Management has reviewed the contracts that are defined as financial instruments, and those contracts that are not covered by the definition as a result of "own use" exception.

Property, plant and equipment Property, plant and equipment is depreciated over its expected useful life. Expected useful life is estimated based on experience, historical data and accounting judgements, and is adjusted in the event of any changes to the expectations. Residual values are taken into account in calculating depreciation. Estimates of decommissioning obligations, which are included as part of the plant's carrying amount, are subject to ongoing reviews.

Pensions The calculation of pension liabilities involves the use of judgement and estimates across a range of parameters. The discount rate is set at 4.1% for Norwegian pension schemes and is based on high-quality corporate bonds (OMF). This is a change from previous years where government bonds have been the base for setting the discount rate. Statkraft is of the opinion that the OMF market represents a deep and liquid market with relevant durations that qualify as a reference interest rate in accordance with IAS 19.

Note 3 Segment information

Statkraft's segment reporting is in accordance with IFRS 8. 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 the management and used as a basis for resource allocation and key performance review.

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

The segments are:

Nordic hydropower includes hydropower plants in Norway, Sweden and Finland. The production assets are mainly flexible.

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

The segment includes Trading and Origination, market access UK and Germany, as well as revenue optimisation and risk mitigation related to both the Continental and Nordic production. In this manner, the Group can take advantage of its overall market expertise in the best possible manner. From 2012, Statkraft offers market access to minor renewable energy producers in Germany and the United Kingdom. This introduction has resulted in substantially increased gross operating revenues and energy purchase costs.

Note 3 continued

International hydropower operates in emerging economies with expected high growth and substantial need for energy. Statkraft's investments in hydropower internationally are part of the Group's long-term strategy where the Group's expertise is exploited to ensure increased supply of renewable energy and profitable growth.

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

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

Industrial ownership includes management and development of Norwegian shareholdings within the Group's core business, as well as the end-user business in Fjordkraft.

Other activities include small-scale hydropower, innovation, internal financial loans to other segments from Statkraft Treasury Centre and group functions.

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

Accounting specification per segment

Segments	Statkraft AS Group	Nordic Hydropower	Continental Energy & Trading	Inter- national Hydropower	Wind power	District heating	Industrial ownership	Other activities	Group Items
2013									
Operating revenues external, underlying	49 564	10 506	23 318	1 697	39	640	7 420	192	5 754
Operating revenues internal, underlying	-	3 813	17	-	1 029	2	53	477	-5 391
Gross operating revenues, underlying	49 564	14 318	23 335	1 697	1 067	642	7 472	669	362
Net operating revenues, underlying	24 246	13 238	1 764	1 017	1 026	392	3 174	665	2 970
Operating profit, underlying	13 002	8 796	72	93	103	-4	1 109	-564	3 397
Unrealised value changes energy contracts	-	2 279	810	211	-	-	21	-43	-3 278
Significant non-recurring items	-	164	-97	162	-190	86	-	-	-125
Operating profit	13 002	11 239	785	466	-87	82	1 130	-607	-7
Share of profits/losses from associated and joint ventures	1 101	-	3	458	-1	-	640	-	-
Profit before financial items and tax	14 103	11 239	789	924	-88	82	1 770	-607	-7
Balance sheet 31.12.13									
Investments in associates and joint ventures	16 002	-	-	6 559	1	-	9 438	-	4
Other assets	137 685	55 134	5 407	13 509	12 321	3 188	14 714	53 899	20 487
Total assets	153 687	55 134	5 407	20 068	12 322	3 188	24 152	53 899	20 483
Depreciation, amortisation and impairment	-3 045	-1 247	-330	-185	-595	-137	-474	-78	-
Maintenance investments and other investments	1 980	1 399	86	42	11	2	440	-	-
Investments in new generating capacity	11 303	4 476	316	2 672	2 531	417	497	393	-
Investments in shares	62	-	-	50	1	-	-	11	-
2012									
Operating revenues external, underlying	37 550	10 143	16 857	1 566	17	625	6 691	117	1 533
Operating revenues internal, underlying	-	3 221	-32	1	508	1	33	452	-4 184
Gross operating revenues, underlying	37 550	13 365	16 825	1 567	526	626	6 724	568	-2 651
Net operating revenues, underlying	18 352	12 479	2 016	1 054	511	384	3 010	565	-1 667
Operating profit, underlying	5 559	8 274	397	98	-141	-2	1 061	-856	-3 271
Unrealised value changes energy contracts	-	-1 663	738	-113	-	-	1	7	1 030
Significant non-recurring items	-	-	-2 105	-78	-	-	-216	175	2 224
Operating profit	5 559	6 610	-969	-93	-141	-2	846	-674	-17
Share of profits/losses from associated and joint ventures	871	-	-31	146	-25	-1	781	-	-
Profit before financial items and tax	6 430	6 610	-1 000	53	-166	-3	1 627	-674	-17
Balance sheet 31.12.12									
Investments in associates and joint ventures	15 924	-	-	6 368	82	-	9 463	-	12
Other assets	129 983	48 837	4 689	10 442	9 433	2 874	14 254	58 947	-19 494
Total assets	145 907	48 837	4 689	16 810	9 515	2 874	23 717	58 947	-19 482
Depreciation, amortisation and impairment	-4 933	-1 136	-2 517	-301	-116	-145	-650	-69	-
Maintenance investments and other investments ¹⁾	1 811	1 206	127	90	7	-	381	-	-
Investments in new generating capacity	7 327	302	1 014	1 687	3 188	369	538	229	-
Investments in shares	2 583	-	-	2 433	144	6	-	-	-

¹⁾ Classification between maintenance investments and investments in new capacity has been changed for 2012, with an effect of NOK 746 million.

Note 3 continued

Specification of non-recurring items:

NOK million	2013	2012
Unrealised value changes energy contracts, excl. Trading and Origination	3 288	-1 030
Significant non-recurring items	125	-2 224
<i>Revenue recognition related to termination of energy contract</i>	164	-
<i>Bargain purchase in step acquisition of Devoll</i>	162	-
<i>Gain on sale of Sluppen Eiendom AS</i>	86	-
<i>Cost related to purchase in step acquisition of biomass companies</i>	-97	-
<i>Final settlement of sale of Trondheim Energi Nett</i>	-	175
<i>Impairment of property, plant and equipment and intangible assets</i>	-190	-2 399
Eliminations and other group items	-	-
Total	3 413	-3 254

Specification per product

Reference is made to Note 12.

Specification per geographical area

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

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

Geographical areas

NOK million	Statkraft AS Group	Norway	Germany	Sweden	UK	Other
2013						
Sales revenues external	48 148	25 690	15 703	79	4 690	1 985
Non-current assets as of 31.12.	103 487	56 168	4 800	21 308	8 755	12 456
2012						
Sales revenues external	36 447	19 158	15 073	104	311	1 800
Non-current assets as of 31.12.	89 934	51 294	4 034	17 437	7 490	9 679

Information regarding significant customers

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

Note 4 Subsequent events

There have been no subsequent events.

Note 5 Business combinations

BUSINESS COMBINATIONS 2013

Devoll Hydropower Sh.A. On 7 May, Statkraft acquired the remaining 50% of the shares in Devoll Hydropower Sh.A., and now owns 100% of the shares. The cost price of 100% of the shares in the step acquisition totalled NOK 162 million. The net assets in Devoll were NOK 324 million. The preliminary acquisition analysis shows a purchase at beneficial terms, with NOK 162 million immediately recognised as income.

Biomasseheizkraftwerk Landesbergen GmbH and Biomasseheizkraftwerk Emden GmbH On 31 August, Statkraft acquired the remaining 50% shareholding in the biomass power plant Biomasseheizkraftwerk Landesbergen GmbH and the 70% shareholding in Biomasseheizkraftwerk Emden GmbH, and now wholly owns both companies. The seller

of both shareholdings was E.ON. In 2009, Statkraft entered into an agreement with E.ON on delivering operation and maintenance (O&M) services to these biomass power plants. The O&M agreement was terminated in connection with the stepwise acquisition. The agreement existed prior to the stepwise acquisition and has not met the recognition criteria for the balance sheet in previous periods, hence an amount of NOK 97 million has been expensed in the third quarter. The net assets in the power plants have been valued at zero.

Ortnevik Kraftlag AS and Knutfoss Kraft AS On 6 December, Småkraft acquired the companies Ortnevik Kraftlag AS and Knutfoss Kraft AS. The cost price for 100% of the shares in the two companies totalled NOK 9 million. The net assets in the companies amount to NOK 1 million and NOK -6 million. The preliminary acquisition analysis¹ has identified excess value of NOK 14 million in total.

Allocation of cost price

for business combinations in 2013

	Devoll Hydropower Sh.A. ¹⁾	Other acquisitions	Total
Acquisition date	07.05.2013		
Voting rights/shareholding acquired through the acquisition	50%		
Total voting rights/shareholding following acquisition	100%	100%	
Measurement of non-controlling interests	Proportionate share	Proportionate share	

Consideration

NOK million			
Cash	-	9	9
Fair value of previously recognised shareholdings	162	-	162
Total acquisition cost	162	9	171

Book value of net acquired assets (see table below)	324	-5	319
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Identification of excess value, attributable to:

Intangible assets	-	-	-
Property, plant and equipment	-	14	14
Gross excess value	-	14	14
Deferred tax on excess value	-	-	-
Net excess value	-	14	14

Fair value of net acquired assets, excluding goodwill	324	9	333
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Of which

Majority interests	324	9	333
Non-controlling interests	-	-	-
Total	324	9	333

Total acquisition cost	162	9	171
Fair value of net acquired assets, acquired by the majority through the transaction	324	9	333
Goodwill ²⁾	-162	-	-162

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

²⁾ There is no goodwill for Devoll which is deemed to be a bargain purchase. This results in the immediate recognition of NOK 162 million in income.

Note 5 continued

NOK million	Devoll Hydropower Sh.A	Other acquisitions	Total
Book value of net acquired assets			
Intangible assets	261	2	263
Property, plant and equipment	11	71	82
Non-current assets	272	73	345
Cash and cash equivalents	27	41	68
Receivables	31	25	56
Current assets	58	66	124
Acquired assets	330	139	469
Long-term interest-bearing liabilities	-	64	64
Other interest-free liabilities	6	65	71
Liabilities and non-controlling interests	6	129	135
Net value of acquired assets	324	9	333
Net value of acquired assets, including increase in the value of private placing	324	9	333
Total acquisition cost	162	14	176
Non-cash elements of acquisition cost	162	5	167
Consideration and cost in cash and cash equivalents	-	9	9
Cash and cash equivalents in acquired companies	27	41	68
Net cash payments in connection with the acquisitions	-27	32	5
Fair value of acquired receivables	31	25	56
Gross nominal value of acquired receivables	31	25	56
Gain/loss from derecognition of previously recognised shareholding	-	-	-
Contribution to gross operating revenue since acquisition date	-	-2	-2
Contribution to net profit since acquisition date	-6	-	-6
Proforma figure 2013 gross operating revenue	-	130	130
Proforma figure 2013 gross net profit	-9	-1	-10

Note 5 continued

BUSINESS COMBINATIONS 2012

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

Catamount Energy Ltd. On 15 November 2012, Statkraft UK Ltd acquired the remaining 50% of the company Catamount Energy Ltd for NOK 120 million. The fair value of the former shareholding has been estimated at NOK 120 million. Value in excess of the book equity has been allocated to property, plant and equipment in the amount of NOK 342 million, and to intangible assets, in the amount of NOK -65 million. Goodwill of NOK 64 million has been identified. The derecognition of the previously recognised asset created a gain of NOK 115 million presented under financial items.

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

Allocation of cost price for business combinations in 2012

	Fountain Intertrade Corp.	Catamount Energy Ltd.	Other acquisitions	Total
Acquisition date	06.03.12	15.11.12		
Voting rights/shareholding acquired through the acquisition	0.00%	50.00%		
Total voting rights/shareholding following acquisition	50.10%	100.00%		
Measurement of non-controlling interests	Proportionate share	Proportionate share	Proportionate share	
Consideration				
NOK million				
Cash	-	120	28	148
Fair value of previously recognised shareholdings	121	120	-	241
Total acquisition cost	121	240	28	389
Book value of net acquired assets (see table below)	242	-36	1	207
Identification of excess value, attributable to:				
Intangible assets	-	-65	-	-65
Property, plant and equipment	-	342	3	345
Gross excess value	-	277	3	280
Deferred tax on excess value	-	-64	-	-64
Net excess value	-	213	3	216
Fair value of net acquired assets, excluding goodwill	242	177	4	423
Of which				
Majority interests	121	177	4	302
Non-controlling interests	121	-	-	121
Total	242	177	4	423
Total acquisition cost	121	240	28	389
Fair value of net acquired assets, acquired by the majority through the transaction	121	177	4	302
Goodwill ¹⁾	-	63	24	87

¹⁾ Recognition of goodwill in the acquisition of Catamount Energy Ltd. relates to recognition of deferred tax liabilities on added values at nominal value.

Note 5 continued

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

Note 6 Management of capital structure

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

The tools for long-term management of the capital structure consist primarily of 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 2013.

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

Overview of capital included in management of capital structure

NOK million	Note	2013	2012
Long-term interest-bearing liabilities	31	33 364	33 517
Current interest-bearing liabilities	31	7 013	7 108
Cash and cash equivalents, excluding restricted cash and short-term financial investments	29	-8 137	-5 665
Net liabilities		32 239	34 960

Note 7 Market risk in the Group

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY

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

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

DESCRIPTION OF PORTFOLIOS IN ENERGY TRADING

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

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

Long-term contracts As a power producer, Statkraft has entered into physical power sales agreements with industrial customers in the Nordic region. The long-term contracts have varying terms, but the longest runs until 2030. Market risk for the long-term sales contracts relates to future market prices of. The prices of some of these sales obligations are indexed to other market risks related to foreign currency and raw materials such as metals

Statkraft has established a special portfolio with the objective of reducing market risk for physical sales contracts. The portfolio consists of financial energy contracts with a maturity of within five years.

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

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

Power and gas purchase agreements are recognised at fair value in accordance with IAS 39 since power and gas acquired according to the contract and sold directly in the market.

Nordic and Continental dynamic asset management portfolios

Statkraft has one Nordic and one Continental dynamic asset management portfolio, managed in Oslo and in Düsseldorf, respectively. Portfolio management is a market activity where Statkraft uses analyses of the market, portfolio risk and financial activities to generate value in the futures and forward market, in addition to physical production and trading. The objective of the portfolio management is to optimise portfolio revenues and in addition reduce the portfolio risk.

Mandates are based on volume thresholds and available production. The risk is quantified using simulations of various scenarios for relevant risk factors.

The management portfolios consist mainly of financial contracts for electricity, CO₂, coal, gas and petroleum products. The contracts are traded via energy exchanges and bilateral contracts. These generally have terms of less than five years.

The gas agreements are measured at fair value in accordance with IAS 39.

Trading and Origination Statkraft has various portfolios for Trading and Origination that are managed independently of the Group's expected electricity production. Teams have been established in Oslo, Trondheim, Stockholm, London, Amsterdam and Düsseldorf, as well as in Brazil and India. 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.

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

Origination activities include buying and selling both standardised products and structured contracts. Structured products may be energy contracts with a special duration, long-term contracts or energy contracts in different currencies. The trading with transport capacity over borders and virtual power plant contracts are also included in the activities. Quoted, traded contracts such as system price, regional prices and foreign currency are generally used to reduce the risk involved in trading in structured products and contracts. The majority of the contracts in the portfolio have durations of up to five years, though some contracts run until 2022.

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

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

FOREIGN EXCHANGE AND INTEREST RATE RISK

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

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

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

Foreign exchange risk Statkraft incurs currency risk in the form of transaction risk, mainly in connection with energy sales revenues, investments and dividend from subsidiaries and associates in foreign currency. Balance sheet risk is related to shareholdings in foreign subsidiaries in Belgium, the UK, Sweden, Albania, 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 investments in some associated companies.

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. Economic hedging is achieved by using financial derivatives and loans in foreign currencies as hedging instruments. Few of the hedging relationships fulfil the requirements of hedge accounting in accordance with IAS 39.

Interest rate risk Statkraft's interest rate exposure is mainly in connection with the debt portfolio. An interest rate management framework has been established based on a mix between fixed and floating interest rates. The floating interest percentage shall be in the 25-75% interval. The part of the portfolio exposed to fixed interest rates shall have a remaining maturity of at least five years. The strategy for managing interest rate risk has been established based on an objective of achieving the most cost-efficient financing, coupled with the aim of a certain stability and predictability in finance costs.

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

Note 8 Analysis of market risk

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

The Group quantifies risk as deviations from expected net results with a given confidence level (value-at-risk). 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 correlation, both within the individual areas and between the areas.

Total market risk as of 31 December 2013 was calculated at NOK 1985 million. Increased market risk from Trading and Origination in combination with reduced diversification effects have only partly been offset by reduced market risk from Energy optimisation. The increased risk in Trading and Origination is mainly due to a change in how the risk is calculated: For 2013 the risk is based on total allocated risk capital, compared to the share actually used earlier. The reason for the change is that the share actually used is volatile and represents a snapshot, whereas the allocated risk capital gives a picture of the size of the risk embedded in the current system.

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. The reduction in diversification effects is mainly driven by a change in how this is calculated.

NOK million	2013	2012
Market risk in energy optimisation (volume risk, spot price risk and hedging)	1 439	1 599
Market risk in Trading and Origination portfolios (excl. market access in Germany and the UK)	616	257
Market risk in interest rates and currency	35	69
Market risk in distribution grid revenues	30	30
Market risk in end-user activities and district heating	50	50
Total market risk before diversification effects	2 169	2 005
Diversification effects	-185	-797
Total market risk	1 985	1 209
Diversification effect as a percentage	9%	40%

Specification of loans by currency ¹⁾

NOK million	2013	2012
Loans in NOK	14 184	16 671
Loans in SEK	1 897	2 583
Loans in EUR	12 047	15 413
Loans in USD	2 773	2 478
Loans in GBP	5 761	-
Loans in other currencies	-	9
Total	36 663	37 154

¹⁾ Includes long-term interest-bearing liabilities, first-year instalment on long-term interest-bearing liabilities, certificates and the currency effect of combined interest rate and currency swaps.

Specification of interest by currency ¹⁾

	2013	2012
Nominal average interest rate, NOK	4.80%	4.50%
Nominal average interest rate, SEK	1.30%	2.50%
Nominal average interest rate, EUR	3.60%	3.60%
Nominal average interest, USD	3.50%	3.90%
Nominal average interest, GBP	1.20%	-

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

Fixed interest rate loan portfolio ¹⁾

NOK million	Future interest rate adjustments				Total
	2014	1-3 years	3-5 years	5 years and more	
Loans in NOK	9 288	-2 038	1 964	4 971	14 184
Loans in SEK	1 888	9	-	-	1 897
Loans in EUR	5 881	83	1 328	4 755	12 047
Loans in USD	1 086	-	-	1 687	2 773
Loans in GBP	70	5 131	149	410	5 761
Total	18 213	3 186	3 442	11 823	36 663

¹⁾ Includes long-term interest-bearing liabilities, first-year instalment on long-term interest-bearing liabilities, certificates and the currency effect of combined interest rate and currency swaps. The split between years also shows the timing of account interest rate adjustments in interest rate swaps and combined interest rate and currency swaps.

Short-term financial investments – bonds per debtor category

NOK million	2013	2012	Mod. duration	2013 Av. interest rate (%)
Commercial and savings banks	109	108	3.03	2.70%
Industry	44	30	2.27	2.82%
Public sector	77	97	2.45	2.02%
Total	230	235		

Note 9 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 investing surplus liquidity and when trading in financial instruments.

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

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. 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.

Investment of surplus liquidity is mainly distributed among institutions rated A- or better. For investment of surplus liquidity, the limits are stipulated for the individual counterparty using an internal credit rating determined by the President and CEO.

Statkraft has entered into agreements relating to interim cash settlement of the market value of financial derivatives with its counterparties (cash collateral), significantly reducing counterparty exposure in connection with these agreements. 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 year-end. Agreements have also been established for individual counterparties for financial energy contracts.

In order to reduce credit risk in connection with investments, bank or parent company guarantees are used in some cases when entering into agreements. The bank which issues the guarantee must be an internationally rated commercial bank which meets minimum rating requirements. Parent company guarantees are also used. In such cases, the parent company is assessed by ordinary internal credit assessments. 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.

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

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

Statkraft's gross credit risk exposure corresponds to the recognised value of financial assets, which are found in the various notes to the balance sheet. To the extent that relevant and significant collateral has been provided, this has been presented below.

NOK million	Note	2013	2012
Gross exposure credit risk:			
Other non-current financial assets	25	2 540	10 714
Derivatives	28	10 854	10 393
Receivables	27	9 568	9 604
Short-term financial investments		464	457
Cash and cash equivalents	29	7 685	5 440
Total		31 111	36 608
Exposure reduced by security (guarantees, cash collateral etc.):			
Derivatives	31	-938	-2 957
Net exposure credit risk		30 834	33 651

Note 9 continued

LIQUIDITY RISK

Statkraft assumes a liquidity risk because the terms of its financial obligations are not matched to the cash flows generated by its assets. Furthermore, Statkraft assumes liquidity risk due to cash payments when furnishing surety in connection with both trading in financial contracts and financial derivatives. The liquidity risk is minimised through the following tools: liquidity forecasts, reporting of short-term liquidity target figures, liquidity reserve requirements, minimum cash in hand and requirements relating to guarantees in connection with energy trading.

Liquidity forecasts are prepared to plan future financing needs as well as the investment of the Group's surplus liquidity.

An individual target figure for short-term liquidity capacity, which reflects Statkraft's ability to cover its future obligations, is included in the CFO's balanced scorecard. The objectives relating to Statkraft's desire for a satisfactory liquidity reserve consist of available cash in hand, financial placements and unused credit facilities to cover e.g. refinancing risk, and also to act as a buffer against volatility in the Group's cash flows.

A guarantee has been established to cope with significant fluctuations in the collateral required by energy exchanges in connection with financial contracts. The guarantee significantly reduces the volatility in the Group's cash flows.

Maturity schedule, external long-term liabilities

NOK million	2014	2015	2016	2017	2018	After 2018
Instalments on debt from Statkraft SF	-	-	-	-	-	400
Instalments on bond loans from the Norwegian market	3 452	2 149	4 287	-	-	2 500
Instalments on other loans raised in non-Norwegian markets	-	4 176	-	5 450	-	9 974
Instalments on external loans in subsidiaries and other loans	172	677	413	355	470	2 513
Interest payments	1 674	1 394	1 199	977	783	1 729
Total	5 298	8 396	5 899	6 782	1 253	17 117

Allocation of non-discounted value of derivatives per period

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

NOK million	2014	2015	2016	2017	2018	After 2018
Energy derivatives	3 062	826	564	401	193	228
Interest rate and foreign currency derivatives	551	1 644	215	160	249	703
Total derivatives	3 613	2 470	779	561	441	931

Note 10 Financial Instruments

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

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

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

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

Note 10 continued

FAIR VALUE OF ENERGY DERIVATIVES

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

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

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

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

Raw materials Statkraft has energy contracts where the contract price is indexed against raw materials such as gas, petroleum products and coal. These are valued using forward prices from relevant commodity exchanges and major financial institutions. If quotes are not available for the entire time period, the commodity prices are adjusted for inflation based on the most recent quoted price in the market.

CO₂ contracts CO₂ contracts are priced based on the forward price of EUA quotas and CER quotas. For time horizons above 9 years, the prices are adjusted for expected inflation. Green certificates are valued at forward price and adjusted for inflation from the last quoted price.

Green certificates are recognised at forward price and adjusted for inflation from last noted price quote.

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

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

FAIR VALUE OF EQUITY INVESTMENTS IN THE CO₂ FUND

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

FAIR VALUE OF CURRENCY AND INTEREST RATE DERIVATIVES

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

FAIR VALUE OF SHORT-TERM FINANCIAL INVESTMENTS

Certificates and bonds Certificates and bonds are evaluated at listed prices.

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

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

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

Note 10 continued

Assets and liabilities recognised at amortised cost

NOK million	Note	2013 Recognised value	2013 Fair value	2012 Recognised value	2012 Fair value
Financial assets measured at amortised cost					
Loans to associates	25	1 420	1 420	1 066	1 066
Bonds and other long-term receivables	25	880	880	775	775
Accounts receivable	27	6 835	6 835	7 106	7 106
Accrued revenues, etc.	27	1 055	1 055	976	976
Prepaid tax	27	73	73	510	510
Short-term loans to associates	27	48	48	137	137
Receivables related to cash collateral	27	1 009	1 009	291	291
Other receivables	27	549	549	584	584
Cash and cash deposits	29	6 128	6 128	4 686	4 686
Total		17 997	17 997	16 131	16 131
Financial liabilities measured at amortised cost					
Long-term interest-bearing debt to Statkraft SF	31	-400	-500	-400	-478
Bond loans in the Norwegian market	31	-8 936	-9 495	-12 919	-12 982
Other loans raised in non-Norwegian markets	31	-19 601	-21 374	-17 267	-19 136
External loans in subsidiaries and other loans	31	-4 428	-4 428	-2 931	-3 013
Debt connected to cash collateral	31	-938	-938	-2 957	-2 957
Certificate loans	31	-	-	-700	-700
Overdraft facilities	31	-	-	-96	-96
First year's instalment on long-term liabilities	31	-3 624	-3 661	-3 313	-3 371
Short-term interest-bearing liabilities to Statkraft SF	31	-2 427	-2 427	-	-
Other short-term loans	31	-24	-24	-42	-42
Accounts payable	32	-693	-693	-1 450	-1 450
Indirect taxes payable	32	-1 963	-1 963	-1 896	-1 896
Interest-free debt to Statkraft SF	32	-3	-3	-1 322	-1 322
Other interest-free liabilities	32	-6 522	-6 522	-4 640	-4 640
Total		-49 558	-52 027	-49 933	-52 083

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

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

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

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

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

2013

NOK million	Note	Fair-value measurement at period-end using:			Fair value
		Level 1	Level 2	Level 3	
Financial assets at fair value					
Energy derivatives	28	765	4 064	2 850	7 678
Currency and interest rate derivatives	28	-	3 175	-	3 175
Short-term financial investments		464	-	-	464
Money market funds, certificates, promissory notes, bonds	29	1 557	-	-	1 557
Total		2 786	7 239	2 850	12 875
Available-for-sale financial assets					
Other shares and securities	25	50	190	-	240
Total		50	190	-	240
Financial liabilities at fair value					
Energy derivatives	28	-569	-1 799	-3 532	-5 900
Currency and interest rate derivatives	28	-38	-4 165	-	-4 204
Equity investment CO ₂ fund		-	-	-	-
Total		-607	-5 964	-3 532	-10 103

Note 10 continued

2012

NOK million	Note	Fair-value measurement at period-end using:			Fair value
		Level 1	Level 2	Level 3	
Financial assets at fair value					
Energy derivatives	28	19	4 273	2 385	6 667
Currency and interest rate derivatives	28	-	3 717	-	3 717
Short-term financial investments		457	-	-	457
Money market funds, certificates, promissory notes, bonds	29	755	-	-	755
Total		1 231	7 990	2 385	11 606

Available-for-sale financial assets

Other shares and securities	25	8 873	-	-	8 873
Total		8 873	-	-	8 873

Financial liabilities at fair value

Energy derivatives	28	-22	-3 958	-4 070	-8 050
Currency and interest rate derivatives	28	-	-2 293	-	-2 293
Equity investment CO ₂ fund		-	-	-36	-36
Total		-22	-6 251	-4 106	-10 379

Total unrealised changes in value

NOK million	Note	2013	2012
Energy contracts	20	3 066	-569
Financial items	20	-10 860	2 022
Total		-7 795	1 154

Assets and liabilities measured at fair value based on Level 3

NOK million	Financial assets at fair value	Financial liabilities at fair value	Total
Opening balance 01.01.2013	2 385	-4 106	-1 721
Unrealised changes in value, incl. currency translation effects	468	697	1 165
Additions	-	-127	-127
Moved from Level 3	-3	4	1
Closing balance 31.12.2013	2 850	-3 532	-682

Net realised gain (+)/loss (-) for 2013 **934**

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

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

Sensitivity analysis of factors classified to Level 3

NOK million	10% reduction	10% increase
Net effect on energy prices	-112	103
Net effect on gas prices	60	-59

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

Note 11 Hedge accounting

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

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

Hedging of net investments in foreign operation EUR 1000 million of Statkraft AS' external debt is designated as hedging of the net investment in Statkraft Treasury Centre. In addition comes GBP 220

million in synthetic debt in the hedging of the net investment in Statkraft UK Ltd. The currency effects of this debt are recognised in other comprehensive income. The accumulated effect of the hedging is that NOK -742 million is recognised in other comprehensive income as a negative effect at the end of 2013. The effect of the hedging for the year is NOK -1374 million recognised in other comprehensive income as a negative effect.

Cash flow hedging As a general rule, the Group does not hedge cash flows. However, cash flow hedges have been established in SN Power and Kraftwerksgesellschaft Herdecke GmbH & Co KG. SN Power has established cash flow hedging of currency in connection with various investments, in total hedges for USD 97 million. Further, hedge accounting is practised for hedges of floating interest rates into fixed interest rates using interest rate swaps, in total, loans of USD 258 million have been hedged in SN Power and EUR 44 million in Herdecke.

Fair value of hedging instruments

NOK million	2013	2012
Hedging instruments used in fair value hedging	1 036	1 224
Hedging instruments in cash flow hedging ¹⁾	-152	-337
Hedging instruments used in net investments in foreign operation ²⁾	-742	632
Total fair value of hedging instruments	142	1 519

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

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

Other information on fair value hedging

NOK million	2013	2012
Net gain (+)/loss (-) on hedging instruments	-312	46
Net gain (+)/loss (-) on hedging objects, in relation to the hedged risk	316	-43
Hedge inefficiency	4	3

Note 12 Sales revenues

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

Statkraft optimises its hydropower generation in the Nordic area based on an assessment of the value of available water in relation to actual and expected future spot prices. This is done irrespective of contracts entered into. In the event that Statkraft has physical

contractual obligations to supply power that deviate from actual output, the difference is either bought or sold on the spot market. Necessary spot purchases are recorded as a correction to power sales.

Physical and financial contracts are used to optimise the underlying production in the form of purchase and sales positions. See note 7 for a more detailed description of these contracts.

NOK million	2013	2012
Physical spot sales, including green certificates	31 750	24 485
Concessionary sales at statutory prices ¹⁾	341	307
Long-term contracts ²⁾	8 234	4 566
Nordic and Continental Dynamic Asset Management Portfolio	727	596
Trading and Origination (excl. market access Germany and the UK)	681	726
Distribution grid	1 184	1 071
End-user business	4 603	4 024
District heating	684	655
Currency hedging energy contracts	-66	1
Other	10	17
Sales revenues	48 148	36 447

¹⁾ Statkraft has obligations to supply power to municipalities at concessionary prices.

²⁾ Statkraft has a number of physical contractual obligations of varying duration to both Norwegian and international customers.

Note 13 Other operating revenues

NOK million	2013	2012
Leasing and service revenues ¹⁾	766	419
Other operating revenues	649	684
Total	1 415	1 103

¹⁾ Rental income increased from 2012 to 2013 as a result of the transfer of power plants from Statkraft SF to Statkraft AS.

POWER PLANT LEASING

Statkraft SF has been the owner of power plants which have been leased to Aktieselskabet Tyssefaldene, Svelgen Kraft AS and Aktieselskabet Saudefaldene, respectively, in line with Proposition to the Storting No. 52 (1998-99). Following an application from Statkraft, the Ministry of Petroleum and Energy decided to grant an exemption on 1 February 2013 from the licence and right of pre-emption requirements for the transfer of the leased power plants from Statkraft SF to Statkraft Energi AS. The leased power plants Sauda H-V, Svelgen I and II, as well as Tysso II were transferred from Statkraft SF to Statkraft Energi AS, effective 1 April 2013. The transaction also included the lease agreements and all other agreements which Statkraft SF was party to in relation to the leased plants. The lease agreements have been recorded as "other operating revenues".

Note 14 Energy purchases

NOK million	2013	2012
Gas purchases	2 749	2 347
Energy purchases from external producers ¹⁾	17 344	11 894
End-user business	4 234	3 931
Total	24 327	18 172

¹⁾ Energy purchases from external producers increased significantly due to Statkraft offering minor producers of renewable energy in Germany and the UK market access from 2012. The amount includes variable lease payments of NOK 1200 million (UK PPA), see Note 35. The contracts are recognised gross in the income statement and will be stated in the items energy purchase and net physical spot sales. See Note 12.

Note 15 Payroll costs and number of full-time equivalents

NOK million	2013	2012
Salaries	2 304	2 135
Employers' national insurance contribution	348	326
Pension costs	382	462
Other benefits	102	122
Total	3 136	3 046

Pension costs are described in further detail in Note 16.

	2013	2012
Average number of full-time equivalents Group	3 484	3 417
Number of full-time equivalents as of 31.12.	3 493	3 475

Note 16 Pensions

Pension benefit schemes in the Group as of 31 December 2013 are mainly defined benefit schemes for employees in Norway. For employees outside Norway a minor extent of defined contribution schemes or defined benefit schemes have been established in accordance with local statutes.

Funded defined benefit schemes Norwegian companies in the Group have organised their pension schemes in the National Pension Fund (SPK), own pension funds as well as in insurance companies. Employees in the Group's Norwegian companies participate in public service occupational pension schemes in accordance with the Norwegian Public Service Pension Fund Act, the Norwegian Public Pension Service Pension Fund Transfer Agreement and the regulatory framework governing public service pensions. 2534 employees and 1344 pensioners were covered by benefit schemes as of 31 December 2013.

The occupational pension schemes cover retirement, disability, surviving spouse and child's pension. With maximum accrual, the retirement schemes provide pension benefits amounting to 66% of pensionable income, up to 12G. Those born in 1943 or later will get their pension benefit adjusted for life expectancy. Adjustment for life expectancy may lead to lower pension benefits than 66% of pensionable income. Members of public service occupational pension schemes born in 1958 or earlier will still receive 66% of the pension base due to an individual guarantee.

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

Employees who leave the company before pensionable age receive a deferred pension entitlement provided they have at least three years' pension entitlements.

National Pension Fund (SPK) Companies with schemes in the SPK pay an annual premium and are responsible for the financing of the scheme, but are not responsible for the deferred pension entitlements. Pension benefits from the SPK are guaranteed by the Norwegian state (Section 1 of the Pension Act).

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

The pension benefit scheme in the National Pension Fund (SPK) was closed 1 January 2014, and existing members as of 31 December 2013 may choose to enter into a new defined contribution scheme. The new defined contribution scheme in Statkraft's wholly owned companies in Norway entails contributions of 6% of the pensionable salary up to 7.1 of the National Insurance Scheme's basic amount (G), and 18% of the pensionable salary between 7,1G and 12G.

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

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

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

Actuarial calculations The present value of defined benefit pension liabilities and the current year's accrued pension entitlements are calculated using the accrued benefits method. The net present value of pension benefits accrued at the balance sheet date adjusted for expected future salary increases until pensionable age is based on best estimate assumptions as of 31 December 2013. Calculations are based on staff numbers and salary data at the end of the year.

Estimate deviation in 2013 is mainly due to updated life expectancy assumptions (K2013).

Explanation for selected assumptions as of 31 December 2013

The discount rate is set at 4.1% for Norwegian pension schemes and is based on high quality corporate bonds (OMF). Statkraft is of the opinion that the OMF market represents a deep and liquid marked with relevant durations that qualify as discount rate according to IAS 19.

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

For the majority of the Norwegian schemes, adjustment of current pensions follows the average less 0.75 percentage points. For demographic factors, the K2013 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.

The following assumptions are used

	31.12.2013	01.01.13	31.12.2012	01.01.2012
Annual discount rate ¹⁾	4.10%	3.80%	3.80%	2.80%
Salary adjustment	3.75%	3.75%	3.75%	4.00%
Adjustment of current pensions	2.75%	2.75%	2.75%	3.00%
Adjustment of the National Insurance Scheme's basic amount (G)	3.50%	3.50%	3.50%	3.75%
Forecast voluntary exit				
• Up to age 45	3.50%	3.50%	3.50%	3.50%
• Between ages 45 and 60	0.50%	0.50%	0.50%	0.50%
• Over age 60	0.00%	0.00%	0.00%	0.00%
Rate of inflation ¹⁾	1.75%	1.75%	1.75%	2.00%
Tendency to take early retirement (AFP)	10.00–30.00%	10.00–30.00%	10.00–30.00%	10.00–30.00%

¹⁾ Foreign entities apply discount rate, projected yield and rate of inflation according to local assumptions.

Note 16 continued

Breakdown of net defined benefit pension liability

NOK million	2013	2012	01.01.12
Present value of accrued pension entitlements for funded defined benefit schemes	5 638	5 118	5 923
Fair value of pension assets	4 117	3 624	3 302
Net pension liability for funded defined benefit schemes	1 521	1 494	2 621
Present value of accrued pension entitlements for unfunded defined benefit schemes	457	351	410
Employers' national insurance contribution	273	255	424
Net pension liabilities in the balance sheet - see Note 30	2 252	2 100	3 455

Movement in defined benefit pension liability during the year

NOK million	2013	2012
Defined benefit pension liabilities 01.01	5 469	6 333
Increase in liabilities due to new subsidiaries/members	-	2
Present value of accrued pension entitlements for the year	278	364
Interest expenses	192	171
Amortisation of scheme change	-	-10
Actuarial gains/losses	260	-1 276
Paid benefits	-129	-108
Currency translation effects	25	-8
Gross defined benefit pension liabilities 31.12	6 095	5 469

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

NOK million	2013	2012
Fair value of pension assets 01.01	3 624	3 302
Projected yield on pension assets	131	112
Actuarial gains/losses	102	-
Total contributions	341	314
Increase in pension assets due to new subsidiaries/members	-	2
Paid benefits	-103	-99
Currency translation effects	22	-7
Fair value of pension assets 31.12	4 117	3 624

NOK million	2013	2012	01.01.12
Pension assets comprise			
Equity instruments	718	534	532
Interest-bearing instruments	3 036	2 776	2 469
Other	362	313	300
Fair value of pension assets 31.12	4 117	3 624	3 302

Movement in actuarial gains and losses recognised directly in comprehensive income

NOK million	2013	2012
Cumulative amount recognised in comprehensive income before tax 01.01	2 089	3 543
Recognised in comprehensive income during the period	175	-1 453
Cumulative amount recognised directly in comprehensive income before tax 31.12	2 264	2 089
Deferred tax relating to actuarial gain (-)/loss (+) recognised directly in comprehensive income	600	585
Cumulative amount recognised directly in comprehensive income after tax 31.12	1 664	1 504

Pension cost recognised in the income statement**Defined benefit schemes**

NOK million	2013	2012
Present value of accrued pension entitlements for the year	278	364
Interest expenses	192	171
Projected yield on pension assets	-131	-115
Amortisation of scheme changes	-	-10
Employee contributions	-26	-26
Employers' national insurance contribution	43	53
Pension cost defined benefit schemes	355	437

Defined contribution schemes

Employer payments	27	25
Total pension cost - see Note 15	382	462

Sensitivity analysis upon changes in assumptions	Discount rate		Annual salary increase		Increase in G		Staff turnover rate	
	1%	-1%	1%	-1%	1%	-1%	1%	-1%
Increase (+)/decrease (-) in net pension cost for the period	-87	105	66	-69	39	-51	-20	14
Increase (+)/decrease (-) in net pension liability as of 31.12.2013	-1 008	1 237	508	-458	608	-643	-107	70

Note 17 Property tax and licence fees

NOK million	2013	2012
Property tax	1 316	1 031
Licence fees	324	314
Total	1 640	1 345

Licence fees are adjusted in line with the Consumer Price Index, with the first adjustment taking place on 1 January five years after the licence was granted and every fifth year thereafter. The increase in property tax is due to regulatory changes in Norway and Sweden.

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 6237 million, discounted at an interest rate of 5.2% in accordance with the regulations relating to the adjustment of licence fees, annual compensation and funds, etc. In 2012, the corresponding amount was NOK 5718 million with an interest rate of 5.5%.

Note 18 Other operating expenses

NOK million	2013	2012
Purchase of third-party services	1 177	1 286
Materials	540	501
Cost of power plants operated by third parties	264	341
Compensation payments	107	104
Rent	262	275
IT expenses	300	152
Marketing	114	117
Travel expenses	163	173
Insurance	131	110
Other operating expenses	363	410
Total	3 422	3 469

Note 19 Financial items

2013

NOK million	Assessment basis					Bank	Total
	Fair value through profit or loss	Amortised cost	Available for sale	Equity method			
Financial income							
Interest income	48	-	-	-	170		218
Dividend other shares/investments	-	-	-	1	-		1
Other financial income	-	19	-	-	-		19
Total	48	19	-	1	170		237
Financial expenses							
Interest expenses external debt	-283	-1 132	-	-	-		-1 415
Other interest expenses	-5	-55	-	-	-8		-68
Capitalised borrowing costs	-	211	-	-	-		211
Other financial expenses	-	-	-	-	-78		-78
Total	-288	-976	-	-	-87		-1 351
Net currency effects	-1 701	-7 126	-	-	-575		-9 403
Other financial items							
Net gains and losses on derivatives and securities	-954	-	-	-	-		-954
Impairment and gain/loss of financial assets	-	-	-123	-	-		-123
Total	-954	-	-123	-	-		-1 076
Net financial items	-2 895	-8 083	-123	1	-492		-11 592

Note 19 continued

2012

NOK million	Assessment basis				Bank	Total
	Fair value through profit or loss	Amortised cost	Available for sale	Equity method		
Financial income						
Interest income	29	28	-	-	174	231
Dividend other shares/investments	-	-	632	-	-	632
Other financial income	-	18	-	115	-	133
Total	29	46	632	115	174	996
Financial expenses						
Interest expenses external debt	-	-1 327	-	-	-	-1 327
Other interest expenses	-49	-42	-	-	-12	-103
Capitalised borrowing costs	-	179	-	-	-	179
Other financial expenses	-	-	-	-	-50	-50
Total	-49	-1 190	-	-	-62	-1 301
Net currency effects	1 904	2 670	-	-	-107	4 467
Other financial items						
Net gains and losses on derivatives and securities	349	-	-	-	-	349
Impairment and gain/loss of financial assets	-	-31	-2 140	-	-	-2 171
Total	349	-31	-2 140	-	-	-1 822
Net financial items	2 233	1 495	-1 508	115	5	2 341

Note 20 Unrealised effects presented in the income statement

NOK million	2013			2012		
	Unrealised	Realised	Total	Unrealised	Realised	Total
Sales revenues						
Long-term contracts	1 285	6 949	8 234	-1 613	6 179	4 566
Nordic and Continental Dynamic Asset Management Portfolio	480	247	727	71	525	596
Trading and Origination (excl. market access Germany and the UK)	-223	904	681	460	266	726
End-user	-28	4 631	4 603	-	4 024	4 024
Other sales revenues	-	33 969	33 969	-	26 534	26 534
Eliminations	-43	-23	-66	7	-6	1
Total sales revenues	1 471	46 678	48 148	-1 075	37 523	36 447
Energy purchases	1 595	-25 922	-24 327	506	-18 678	-18 172
Net currency effects	-9 934	531	-9 403	3 815	653	4 468
Other financial items						
Net gains and losses on derivatives and securities	-924	-29	-954	347	2	349
Impairment and gain/loss of financial assets	-2	-120	-123	-2 140	-30	-2 171
Total unrealised effects	-7 795			1 452		

Note 21 Taxes

The tax expense comprises the following

NOK million	2013	2012
Income tax	2 910	2 763
Resource rent tax payable	1 923	1 628
Correction relating to tax assessment for previous years ¹⁾	-589	64
Change in deferred tax	-1 940	-331
Withholding tax	-	95
Tax expense in the income statement	2 303	4 220

¹⁾ Correction relating to tax assessment for previous years in 2013 is mainly due to Statkraft receiving prior years withholding tax related to dividend from the E.ON SE shares of NOK 566 million. In 2012 the claim was presented as a contingent asset, and not recognized in the balance sheet.

Income tax payable

NOK million	2013	2012
Income taxes payable on the Group's profit for the year	2 910	2 763
Effect of Group contributions on tax liability	-1 121	-815
Income tax payable before offsetting against natural resource tax for the year	1 789	1 948

Taxes payable in the balance sheet

NOK million	2013	2012	01.01.2012
Natural resource tax	595	577	575
Resource rent tax payable	1 923	1 628	1 409
Income tax exceeding natural resource tax	1 195	1 371	1 036
Prepaid tax	-211	-521	-
Tax due from previous financial years	-	189	390
Taxes payable in the balance sheet	3 503	3 246	3 411

Prepaid tax included in receivables

NOK million	2013	2012	01.01.2012
Prepaid tax included in receivables - see Note 27	73	510	-

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

NOK million	2013	2012
Profit before tax	2 511	8 771
Expected tax expense at a nominal rate of 28%	703	2 456

Effect on taxes of

Resource rent tax	2 687	1 613
Differences in tax rates from Norway	-759	-392
Change in tax rates	-152	-299
Share of profit from associates	-308	-244
Tax-free income	-25	-195
Changes relating to previous years	-440	-
Reduction in value E.ON SE shares	34	596
Change in unrecognised deferred tax assets	178	715
Other permanent differences ¹⁾	385	-29
Tax expense	2 303	4 220
Effective tax rate	91.7%	48.1%

¹⁾ Other permanent differences is mainly due to non-deductible interests, depreciations on added values without tax effect and changes in value related to equity instruments without tax effect.

Note 21 continued

BREAKDOWN OF DEFERRED TAX

The following table provides a breakdown of the net deferred tax liability. Deferred tax assets and deferred tax 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	01.01.2013	Recognised during the period	Recognised in Other comprehensive income	Acquisition and sale of companies	Group contribution	31.12.2013
Current assets/current liabilities	346	-460	-372	-	1 121	635
Property, plant and equipment ¹⁾	6 624	-141	292	-121	-	6 654
Pension liabilities	-575	17	-47	-	-	-605
Other long-term items	2 734	-2 226	242	-	-	705
Tax loss carryforward/compensation ¹⁾	-288	-34	-24	132	-	-215
Deferred tax, resource rent tax	1 317	646	-	-	-	1 963
Negative resource rent tax carryforward ²⁾	-2 617	259	-	-	-	-2 358
Total net deferred tax liability	7 541	-1 940	91	11	1 121	6 824
Of which presented as deferred tax asset, see Note 22	1 973					1 291
Of which presented as deferred tax liability, see Note 30	9 514					8 116

NOK million	01.01.2012	Recognised during the period	Recognised in Other comprehensive income	Acquisition and sale of companies	Group contribution	31.12.2012
Current assets/current liabilities	639	-1 219	111	-	815	346
Property, plant and equipment ¹⁾	7 047	-318	-169	64	-	6 624
Pension liabilities	-942	-43	410	-	-	-575
Other long-term items	1 460	1 343	-69	-	-	2 734
Tax loss carryforward/compensation ¹⁾	-210	-78	-	-	-	-288
Deferred tax, resource rent tax	1 794	-477	-	-	-	1 317
Negative resource rent tax carryforward ²⁾	-3 078	461	-	-	-	-2 617
Total net deferred tax liability	6 711	-331	283	64	815	7 541
Of which presented as deferred tax asset, see Note 22	2 226					1 973
Of which presented as deferred tax liability, see Note 30	8 938					9 514

¹⁾ The Group also has deferred tax assets not recognized in the balance sheet. This mainly relates to Germany with not recognized deferred tax assets of NOK 1106 million as of 31.12.2013 (NOK 926 million as of 31.12.2012).

²⁾ Tax assets related to negative resource rent tax carryforward that are estimated used within the next ten years, are recognised in the balance sheet. Normal production and price curve expectations for the next ten years form the basis for the calculation of expected future taxable profit. Off-balance sheet deferred tax assets related to negative resource rent tax carryforward amounted to NOK 1653 million as of 31.12.2013 (NOK 1695 million as of 31.12.2012).

Deferred tax recognised in comprehensive income

NOK million	2013	2012
Actuarial gains/losses pensions	-49	410
Translation differences	480	-254
Net investment hedge	-340	126
Total deferred tax recognised in comprehensive income	91	283

Note 22 Intangible assets

NOK million	2013	2012
Deferred tax asset	1 291	1 973
Goodwill	824	684
Other ¹⁾	1 395	585
Total	3 510	3 242

¹⁾ Includes rights in connection with leasehold improvements for power plants transferred from Statkraft SF.

Deferred tax is presented in more detail in Note 21.

NOK million	Goodwill	Other	Total
2013			
Balance at 01.01	684	585	1 269
Additions	48	1 078	1 126
Additions from business combinations	-	263	263
Transferred to/from non-current assets	-	-716	-716
Currency translation effects	116	230	347
Disposals	-	-2	-2
Amortisation	-25	-35	-61
Impairment	-	-8	-8
Balance at 31.12	824	1 395	2 219
Cost 31.12	1 340	1 754	3 094
Accumulated amortisation and impairment as of 31.12	-517	-359	-876
Balance at 31.12	824	1 395	2 219
2012			
Balance at 01.01	711	199	910
Additions	-	174	174
Additions from business combinations	87	278	365
Capitalised loan expenses	-	22	22
Reclassifications between asset classes	-36	36	-
Transferred to/from non-current assets	-	17	17
Currency translation effects	-36	-12	-48
Disposals	-10	-11	-21
Amortisation	-	-95	-95
Impairment	-31	-22	-53
Balance at 31.12	684	585	1 269
Cost 31.12	1 161	1 124	2 285
Accumulated amortisation and impairment as of 31.12	-478	-539	-1 016
Balance at 31.12	684	585	1 269
Expected economic lifetime	10–15 years		

GOODWILL IMPAIRMENT

Goodwill has been tested for impairment in the third quarter. The testing resulted in no material impairment losses in the financial statements for 2013.

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 2013 and 2012 are expensed with about NOK 109 million and NOK 120 million, respectively.

Note 23 Property, plant and equipment

NOK million	Regulation plants	Turbines, generators etc.	Distribution grid facilities	Shareholdings in power plants operated by third parties	Properties, mountain halls, buildings, roads, bridges and quay facilities	Plants under construction	Other ¹⁾	Total
2013								
Balance at 01.01	18 601	21 609	3 459	2 076	28 780	9 624	4 396	88 546
Additions	1 152	643	119	35	2 236	7 288	483	11 957
Additions from business combinations	-	940	-	-	-648	127	-326	96
Transferred between asset classes	126	990	106	-	1 742	-3 256	292	-
Transferred from intangible assets	226	4 463	-	2	-3 961	-48	34	716
Disposals	-	-794	-2	-43	-243	-12	33	-1 062
Capitalised loan expenses	-	-	-	-	-	210	-	210
Currency translation effects	491	787	56	-	1 374	437	73	3 219
Depreciation	-534	-1 224	-296	-52	-274	-	-382	-2 761
Impairment	-	-210	-	-	-3	-3	-	-215
Accumulated depreciation/ impairment on disposals	-	222	2	-	30	-	310	563
Balance at 31.12	20 062	27 425	3 444	2 023	29 035	14 367	4 912	101 269
Cost 31.12	28 068	48 208	8 552	3 197	32 282	14 392	7 983	142 681
Accumulated depreciation and impairment as of 31.12	-8 006	-20 782	-5 107	-1 175	-3 247	-24	-3 070	-41 412
Balance at 31.12	20 062	27 425	3 444	2 023	29 035	14 367	4 912	101 269

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

NOK million	Regulation plants	Turbines, generators etc.	Distribution grid facilities	Shareholdings in power plants operated by third parties	Properties, mountain halls, buildings, roads, bridges and quay facilities	Plants under construction	Other	Total
2012								
Balance at 01.01	19 030	17 692	3 550	2 107	29 215	9 586	4 015	85 195
Additions	84	2 590	135	42	318	5 229	509	8 907
Additions from business combinations	-	-	-	-	74	285	34	393
Transferred between asset classes	123	3 944	70	-2	134	-4 511	243	-
Transferred from intangible assets	-	-	1	-	-	-	-17	-16
Disposals	-	-90	-1	-1	-39	-58	-245	-434
Capitalised loan expenses	-	-	-	-	-	179	-	179
Currency translation effects	-123	-290	-13	-	-499	-213	-28	-1 166
Depreciation	-513	-947	-283	-71	-304	-	-321	-2 439
Impairment	-	-1 337	-	-	-133	-874	-1	-2 345
Accumulated depreciation/ impairment on disposals	-	47	1	2	14	-	207	271
Balance at 31.12	18 601	21 609	3 459	2 076	28 780	9 624	4 396	88 546
Cost 31.12	26 015	37 174	8 137	3 306	32 725	10 979	7 425	125 761
Accumulated depreciation and impairment as of 31.12	-7 415	-15 562	-4 678	-1 230	-3 946	-1 356	-3 029	-37 216
Balance at 31.12	18 601	21 609	3 459	2 076	28 780	9 624	4 396	88 546

INVESTMENTS IN 2013

The addition in 2013 of property, plant and equipment worth NOK 11 957 million and intangible assets worth NOK 1126 million, consisted of both investments in new capacity and maintenance investments. Maintenance investments amounted to NOK 1980 million (NOK 1811 million in 2012). The investments primarily relate to the Nordic hydropower and Industrial ownership (Skagerak Energi) segments. Investments in new capacity amounted to NOK 11 303 million (NOK 7327 million in 2012). Of this, NOK 3897 million relates to acquisition of assets from Statkraft SF. The largest projects were the Norwegian hydropower plants Svartisen, Eiriksdal/ Makkoren and Nedre Røssåga, the Knapsack II gas power plant in Germany, hydropower plants in Turkey, Panama and Peru, landbased wind power in Sweden and the UK, district heating plans in Norway and Sweden, as well as small-scale hydropower in Norway.

IMPAIRMENT LOSSES 2013

In 2013, property, plant and equipment was impaired by a total of NOK 215 million, compared with NOK 2345 million in 2012.

Impairment for 2013 relates mainly to Norwegian wind farms Hitra, Smøla and Kjøllefjord, that were impaired with NOK 190 million due to expectations about lower future prices and increased property tax.

Note 23 continued

NOK million	Carrying value	Value in use	Impairment in 2013
Norwegian wind farms	590	460	190
Other	-	-	25
Total impairment			215

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

Basis of valuation The recoverable amount is based on value in use. Value in use is estimated using discounted future cash flows. Projected revenues are based on an expectation about future production and price paths.

Other operating expenses are based on fiscal year 2013 which is considered to be a representative year. Assets under construction

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

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

Note 24 Associates and joint ventures

Information concerning Statkraft's material associated companies and joint ventures are shown in the table below. Based on size and complexity, the following companies are considered material:

2013

NOK million	BKK	Agder	SN Aboitiz Power – Magat Inc	SN Aboitiz Power – Benguet Inc	Malana Power Company Ltd. ¹⁾	Desenvix Energias Renováveis S.A	Other	Total
Opening balance 01.01	5 323	4 113	1 006	948	899	1 953	1 682	15 924
Share of profits	333	405	348	270	15	-52	-121	1 200
Amortisation of excess value								-
Impairment	-14	-66	-	-	-	-	-19	-99
Capital increase	-	-	-	-	-	-	51	51
Investment/sales	-	-	-	-31	-	-	-136	-167
Dividend	-399	-284	-165	-179	-	-	-24	-1 051
Currency translation effects	-	-	-14	-35	-39	-253	321	-20
Transactions against other comprehensive income	-36	-32	-	15	-	-	216	163
Closing balance 31.12	5 207	4 136	1 175	989	875	1 648	1 970	16 002
Excess value 31.12.2013	2 225	2 175	419	51	407	-	1 269	6 546
Of which unamortised waterfall rights	1 818	333	1 027	-	-	-	1 269	4 447

¹⁾ In the table above the numbers of Malana and Allan Duhangan are shown as a total, as these are classified as one cash-generating unit.

2012

NOK million	BKK	Agder	SN Aboitiz Power – Magat Inc	SN Aboitiz Power – Benguet Inc	Malana Power Company Ltd. ¹⁾	Desenvix Energias Renováveis S.A	Other ²⁾	Total
Opening balance 01.01	5 127	3 804	1 337	833	1 474	-	2 505	15 080
Share of profits	396	474	751	259	13	-36	-368	1 489
Amortisation of excess value								
Impairment	-14	-66	2	-	-468	-	-72	-618
Capital increase	-	-	-	-	-	-	-8	-8
Investment/sales	-	9	-29	-	-	2 382	10	2 372
Dividend	-399	-297	-1 088	-204	-	-	31	-1 957
Currency translation effects	-	-	32	64	-120	-393	-334	-748
Transactions against other comprehensive income	213	189	1	-4	-	-	-82	320
Closing balance 31.12	5 323	4 113	1 006	948	899	1 953	1 682	15 924
Excess value 31.12.2012	2 240	2 240	384	-	385	-	1 226	6 475
Of which unamortised waterfall rights	1 818	333	942	-	-	-	1 142	4 235

¹⁾ The companies Malana Power Ltd. and Allan Duhangan Inc. are classified as one cash generating unit, and are therefore presented as one company in the table. The impairment of NOK 460 million is due to challenges in operating the power grid in India. This has led to restriction of market access.

²⁾ There has been an impairment of NOK 44 million in the biomass plants Landsbergen and Emden in Germany due to worsened market conditions. This is mainly due to increased wood prices.

Description of the activities in significant associates and joint ventures

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

Agder Energi is headquartered in Kristiansand and is a Norwegian renewable energy company active in Southern Norway. The Group's activities include production, trading and transmission of electric power, as well as other energy-related services.

SN Aboitiz Power is a company domiciled in the Philippines which SN Power through a partnership with Aboitiz Equity Ventures owns and operates hydropower plants Magat and Benguet. The company's activities are production, sale and transmission of electric power. 75% of its production is sold at spot prices in the electricity market, while 25% is sold through long-term contracts.

Malana Power Company Ltd. is a company domiciled in India where SN Power through cooperation with Bhilwhara Group owns and operates the hydropower plant Malana. The company's activities are production, sale and transmission of electric power. The main part of the plant's production is sold through long-term contracts.

Desenvix Energias Renováveis SA is a company domiciled in Brazil where SN Power through collaboration with Jackson Group and Funcef owns, develops and operates hydro- and wind power plants and transmission lines. The production includes both spot sales and sales through long-term contracts. The project portfolio in the company is delayed by more than a year compared to initial plan. The shareholders of Desenvix have committed to capital injections in 2014 to secure the funding of the company.

Note 24 continued

Financial information for significant associated companies

The following table presents summarized financial information for significant associated companies. The figures apply to 100% of the companies' operations in accordance with IFRS 12.

2013

NOK million	BKK	Agder	SN Aboitiz Power – Magat Inc	SN Aboitiz Power – Benguet Inc	Malana Power Company Ltd.	Desenvix Energias Renováveis S.A
Current assets	3 125	2 767	737	892	48	148
Non-current assets	16 381	13 494	3 171	3 737	1 209	4 399
Short-term liabilities	2 403	4 295	266	530	30	554
Long-term liabilities	10 702	7 730	1 817	1 756	246	2 318
Gross operating revenues	3 895	9 890	1 441	1 226	73	639
Net profit	687	846	732	571	7	-134
Total comprehensive income	795	920	732	571	7	-134

2012

NOK million	BKK	Agder	SN Aboitiz Power – Magat Inc	SN Aboitiz Power – Benguet Inc	Malana Power Company Ltd.	Desenvix Energias Renováveis S.A
Current assets	1 917	2 703	552	571	36	431
Non-current assets	15 734	12 706	3 194	3 863	1 233	4 871
Short-term liabilities	3 143	4 697	3	369	307	832
Long-term liabilities	8 101	6 769	2 006	1 869	257	2 583
Gross operating revenues	4 178	8 945	1 926	823	102	533
Net profit	820	1 044	1 488	526	23	-89
Net profit from discontinued operations	-	145	-	-	-	-
Total comprehensive income	1 543	1 426	1 488	526	23	-89

JOINT VENTURES, JOINT OPERATIONS AND ASSOCIATES

Shares in companies classified as joint ventures and associates are recognised using the equity method in the consolidated financial statements. Companies classified as joint operations are treated in accordance with the proportionate consolidation method as indicated in IFRS 11.

Name	Registered office	Shareholding	Voting share
JOINT VENTURES:			
Andershaw Wind Power Limited	London	50.00%	50.00%
Barmoor Wind Power Ltd.	Berwick upon Tweed	50.00%	50.00%
Burica Hydropower SA	Panama City	50.00%	50.00%
Dugar Hydro Power Ltd	Himachal Pradesh	50.00%	50.00%
Hidroeléctrica La Confluencia S.A	Santiago	50.00%	50.00%
Hidroeléctrica La Higuera S.A	Santiago	50.00%	50.00%
HPC Ammerån AB	Stockholm	50.00%	50.00%
HPC Byske AB	Stockholm	50.00%	50.00%
HPC Edsox AB	Stockholm	50.00%	50.00%
HPC Röan AB	Stockholm	50.00%	50.00%
Luster Småkraft AS	Gaupne	50.00%	50.00%
Viking Varme AS	Porsgrunn	50.00%	50.00%
JOINT OPERATIONS:			
Companies			
Aktieselskabet Tyssefaldene ¹⁾	Tysseidal	60.17%	60.17%
Dudgeon Offshore Wind Limited ¹⁾	London	30.00%	30.00%
Forewind Ltd. ¹⁾	London	25.00%	25.00%
Kraftwerksgesellschaft Herdecke. GmbH & Co. KG	Hagen	50.00%	50.00%
Länsi-Suomen Voima Oy	Finland	13.20%	13.20%
Naturkraft AS	Tysvær	50.00%	50.00%
Røldal-Suldal Kraft AS ²⁾	Suldal	4.79%	4.79%
Scira Offshore Energy Ltd.	London	50.00%	50.00%
Sira-Kvina Kraftselskap DA ³⁾	Sirdal	46.70%	46.70%
Statkraft Agder Energi Vind DA ¹⁾	Kristiansand	62.00%	62.00%

Note 24 continued

Name	Registered office	Shareholding	Voting share
Assets			
Aurlandsverkene	Aurland	7.00%	7.00%
Folgefonn ⁴⁾	Kvinnherad	100.00%	100.00%
Grytten	Rauma	88.00%	88.00%
Gäddede	Sweden	70.00%	70.00%
Harjavalta	Finland	13.20%	13.20%
Harrsele	Sweden	50.57%	50.57%
Kobbelv	Sørfold	82.50%	82.50%
Kraftverkene i Orkla	Rennebu	48.60%	48.60%
Leirdøla	Luster	65.00%	65.00%
Leiro	Eidfjord	65.00%	65.00%
Nordsvorka	Surnadal	50.00%	50.00%
Rana ⁵⁾	Rana	35.00%	35.00%
Sima	Eidfjord	65.00%	65.00%
Solbergfoss ⁶⁾	Askim	33.33%	33.33%
Stegaros	Tinn	50.00%	50.00%
Svartisen	Meløy	70.00%	70.00%
Svorka	Surnadal	50.00%	50.00%
Tyssefaldene ⁷⁾	Odda	60.17%	60.17%
Vikfalli	Vik	88.00%	88.00%
Volgsjöfors	Sweden	73.10%	73.10%
Ulla-Førre ⁸⁾	Suldal	73.48%	73.40%

ASSOCIATES:

Agder Energi AS (Agder)	Kristiansand	45.50%	45.50%
Allain Duhangan Hydro Power Ltd.	New Dehli	43.10%	43.10%
Bergenshalvøens Kommunale Kraftselskap AS (BKK)	Bergen	49.90%	49.90%
Desenvix Energias Renováveis S.A	Florianapolis	40.65%	40.65%
Energi og Miljøkapital AS	Skien	35.00%	35.00%
Istad AS	Molde	49.00%	49.00%
Kokemäenjoen Säännöstely-yhtiö	Finland	15.20%	15.20%
Malana Power Company Ltd.	New Dehli	49.00%	49.00%
Manila-Oslo Renewable Enterprise Inc ⁹⁾	Manila	16.70%	16.70%
Nividhu (Pvt) Ltd.	Colombo	30.00%	30.00%
Rullestad og Skromme Energi AS	Etne	35.00%	35.00%
SN Aboitz Power – Magat Inc	Manila	40.00%	40.00%
SN Aboitz Power Benguet Inc	Manila	40.00%	40.00%
SN Aboitz Power Cordillera Inc	Manila	40.00%	40.00%
SN Aboitz Power Hydro Inc	Manila	40.00%	40.00%
SN Aboitz Power Nueva Ecija Inc	Manila	40.00%	40.00%
SN Aboitz Power Pangasinan Inc	Manila	40.00%	40.00%
SN Aboitz Power RES Inc	Manila	40.00%	40.00%
SN Aboitz Power Generation Inc	Manila	40.00%	40.00%
The foundation Norwegian Electricity Cooperation	Oslo	29.00%	29.00%

¹⁾ The shareholder's agreements indicate joint control.

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

³⁾ Statkraft's total shareholding is 46.7% of which Skagerak Energi AS' shareholding is 14.6%.

⁴⁾ Statkraft's total shareholding is 100% of which Skagerak Energi AS' shareholding is 14.94%.

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

⁶⁾ Statkraft owns 33.3% of Solbergfoss, but controls 35.6% of the production.

⁷⁾ Statkraft owns 60.17% of the shares in AS Tyssefaldene, which wholly owns Håvardsvatn power station. Furthermore, Statkraft controls 71.4% of the production from the Tysso II power plant.

⁸⁾ Statkraft's total shareholding is 73.48% of which Skagerak Energi AS' shareholding is 1.49%.

⁹⁾ The company owns 60% of the investments in the Philippines.

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

Appropriation rights

Statkraft has appropriation rights in power plants also owned by other players. These rights are treated as joint operations and recognised with Statkraft's share of the revenues, expenses, assets and liabilities. Overview of appropriation rights:

Name	Shareholding
Båtfors	6.64%
Forsmo	2.20%
Selfors	10.60%

Note 25 Other non-current financial assets

NOK million	2013	2012
Measured at amortised cost:		
Loans to associates	1 420	1 066
Bonds and other long-term receivables	880	775
Total measured at amortised cost	2 300	1 841
Available for sale:		
Other shares and securities	240	8 873
Total	2 540	10 714

Other shares and shareholdings in the balance sheet for 2012 includes the E.ON SE shareholding. Statkraft sold its entire shareholding of 83.4 million shares in the first half of 2013. The sale resulted in a loss of NOK 120 million in 2013. The sale freed up NOK 8515 million.

The original cost price of the shares amounts to NOK 23 125 million. The change in value in 2012 was NOK -2146 million, of which NOK -2128 million is recognised as impairment of financial assets, and of which NOK -18 million is recognised in other comprehensive income.

Note 26 Inventories

NOK million	2013		2012	
	Recognised value	Cost price	Recognised value	Cost price
Green certificates measured at net realisable value:				
Electricity certificates	603	744	826	653
Carbon quotas	922	967	430	620
Total	1 525	1 711	1 256	1 273
Measured at the lower of cost price and net realisable value:				
Spare parts	90		101	
Other	180		231	
Total inventories are measured at the lowest of cost price and net realisable value	271		332	
Total	1 796		1 588	

Note 27 Receivables

NOK million	2013	2012
Accounts receivable	6 835	7 106
Accrued revenues, etc.	1 055	976
Short-term loans to associates	48	137
Prepaid tax	73	510
Receivables related to cash collateral	1 009	291
Other receivables	549	584
Total	9 568	9 604
Of which interest-bearing	1 056	428

See Note 29 for more information.

Maturity analysis of receivables

NOK million	Receivables overdue by				Total
	Not yet due	Less than 90 days	More than 90 days	Receivables overdue and impaired	
2013					
Accounts receivable	6 392	364	113	-33	6 835
Other receivables	2 717	15	1	-	2 733
Total	9 109	379	113	-33	9 568

Recognised as loss for the year

NOK million	Receivables overdue by				Total
	Not yet due	Less than 90 days	More than 90 days	Receivables overdue and impaired	
2012					
Accounts receivable	6 289	733	109	-25	7 106
Other receivables	2 498	-	-	-	2 498
Total	8 787	733	109	-25	9 604

Recognised as loss for the year

Note 28 Derivatives

Energy derivatives - net position

NOK million	2013	2012
Long-term contracts	-280	-1 829
Trading and Origination (excl. market access Germany and the UK)	394	354
Nordic and Continental Dynamic Asset Management Portfolio ¹⁾	696	113
Energy purchase contracts	1 164	-252
Other contracts and eliminations	-195	241
Total	1 779	-1 373

Of this:

- Non-current assets	2 733	2 206
- Current assets	4 945	4 471
- Long-term liabilities	-2 177	-3 863
- Current liabilities	-3 723	-4 187
Total	1 779	-1 373

Currency and interest rate derivatives - net position

NOK million	2013	2012
Interest rate swaps	-253	-289
Forward exchange rate contracts	-1 114	1 716
Combined interest rate and currency swaps	339	-3
Total	-1 028	1 424

Of this:

- Non-current assets	2 561	3 192
- Current assets	614	525
- Long-term liabilities	-3 537	-2 176
- Current liabilities	-667	-117
Total	-1 028	1 424

Derivatives - net position group

NOK million	2013	2012
Energy derivatives	1 779	-1 373
Currency and interest rate derivatives	-1 028	1 424
Total	751	51

Of this:

- Non-current assets	5 295	5 397
- Current assets	5 559	4 996
- Long-term liabilities	-5 713	-6 038
- Current liabilities	-4 389	-4 303
Total	751	51

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

Note 29 Cash and cash equivalents

NOK million	2013	2012
Cash and cash deposits	6 128	4 685
Money market funds, certificates, promissory notes, bonds	1 557	755
Total	7 685	5 440

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	2013	2012
Deposit account in connection with power sales on energy exchanges	35	67
Other restricted bank deposits ¹⁾	12	232
Total	47	299

¹⁾ Other restricted bank deposits is related to a back-to-back loan in subsidiaries, where bank deposits is given as collateral. See Note 34.

Cash collateral

Cash collateral comprises payments made to/from counterparties as security for the net unrealised gains and losses that Statkraft has on interest rate swaps, combined interest rate and currency swaps and forward exchange contracts. The table below shows net payments at year end from counterparties, who will eventually be repaid. See Notes 27 and 31.

NOK million	2013	2012
Cash collateral for financial derivatives	-252	2 666

Note 30 Provisions

NOK million	2013	2012
Deferred tax	8 116	9 514
Pension liabilities	2 252	2 100
Other provisions	9 048	8 421
Total provisions	19 416	20 035

Pension liabilities are discussed in more detail in Note 16, while deferred tax is covered in Note 21. Included in other provisions are liabilities in connection with equity instruments.

Note 31 Interest-bearing liabilities

NOK million	2013	2012
Short-term interest-bearing liabilities		
Certificate loans	-	700
First year's instalment on long-term liabilities	3 624	3 313
Debt connected to cash collateral	938	2 957
Overdraft facilities	-	96
Debt to Statkraft SF	2 427	-
Other short-term loans	24	42
Total short-term interest-bearing liabilities	7 013	7 108
Long-term interest-bearing liabilities		
Debt to Statkraft SF	400	400
Bond loans in the Norwegian market	8 936	12 919
Other loans raised in non-Norwegian markets	19 601	17 267
External loans in subsidiaries and other loans	4 428	2 931
Total long-term interest-bearing liabilities	33 364	33 517
Total interest-bearing liabilities	40 377	40 625

The Group's net borrowing in 2013 amounted to NOK 3849 million. Other changes are mainly explained by the sale of E.ON shares that have resulted in a repayment of debt, changes in cash collateral at NOK 2019 million, as well as changes in exchange rates on foreign currency loans. Debt to Statkraft SF at NOK 2427 million is unsettled group contribution. For further details, see Note 6-11.

Note 32 Other interest-free current liabilities

NOK million	2013	2012
Accounts payable	693	1 450
Indirect taxes payable	1 963	1 896
Debt to Statkraft SF	3	1 323
Other interest-free liabilities ¹⁾	6 522	4 640
Total	9 181	9 309

¹⁾ Of other interest-free liabilities NOK 4597 million is accrued, not due interest-free liabilities in 2013. In 2012 it amounted to NOK 3315 million.

Note 33 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, excess revenue arises, and if the invoiced amount is higher than the ceiling, a shortfall of revenue arises. Excess/shortfall of revenue will even out over time as the 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 is recognised in future periods.

Excess/shortfall of revenue distribution grid operations, closing balance

NOK million	2013	2012
Cumulative excess revenue transferred to subsequent years	264	405
Cumulative revenue shortfall transferred to subsequent years	-22	-22
Net excess/shortfall of revenue	243	383

DISPUTES

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

Note 34 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 1065 million. In addition, other subsidiaries have a total of NOK 1480 million in pledged assets. As of 31 December 2013, the carrying value of the pledged assets in Statkraft Energi AS totalled NOK 5355 million, and a total of NOK 5023 in other subsidiaries, mainly SN Power. Fjordkraft has available overdraft facilities amounting to NOK 1200 million, being pledged in trade receivables at a maximum of NOK 600 million. No funds were drawn at 31 December 2013.

GUARANTEES

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

NOK million	2013	2012
Parent company guarantees ¹⁾	15 392	14 292
Other	2 374	1 194
Total guarantees in Statkraft AS	17 766	15 486
Parent company guarantees	1 080	1 710
Guarantees in NASDAQ OMX Stockholm AB and other energy exchanges	1 212	1 647
Other	1 168	879
Total guarantees in subsidiaries	3 460	4 236
Total guarantees	21 226	19 722

¹⁾ Whereof the most material guarantees are regarding energy purchase of NOK 8939 million and liabilities to suppliers of NOK 4780 million.

CONTRACT OBLIGATIONS

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

- Long-term agreements to purchase CO₂ quotas.
- Agreements relating to purchase of gas equalling 43.4 TWh in the period to 2017.
- Obligation relating to a financial power exchange agreement on the order of NOK 407 million.
- A license agreement relating to the development, construction and operation of three hydropower plants which involves a responsibility estimated at EUR 707 million.
- An investment decision has been made to build several small-scale hydro power plant. The investment has a frame of NOK 256 million.
- SN Power decided in September 2010 to build the Cheves hydro-power plant in Peru. The plant will have an installed capacity of 173 MW and an expected annual production of 866 GWh. The investment, totaling 584 million U.S. dollars, of which 159 million U.S. dollars is remaining as of December 2013. In addition, parent company guarantees is provided for the completion of 278 million U.S. dollars of which 113 million U.S. dollars outstanding.
- SN Power decided in October 2011 to build hydropower plant Bajo Frio in Panama. The plant will have an installed capacity of 58 MW and an expected annual production of 260 GWh. The investment, totaling 234 million U.S. dollars (100%), of which 88 million U.S. dollars is remaining as of December 2013. In addition, parent company guarantees is provided, where SN Power covers 7 million U.S. dollars.

CONCESSIONARY POWER CONTRACTS

The Group recognises concessionary power as normal buying and selling in accordance with stipulated concessionary power prices upon delivery, regardless of whether the settlement takes place upon physical delivery or financial settlement. Concessionary power contracts are normally regarded as indefinite. The parties can however agree on financial settlement for a period of time.

For 2013 several concessionary power contracts were changed from financial settlement to physical delivery. At the end of 2013, the contracts with financial settlement had a total volume of around 86 GWh and an average price of NOK 0.11/kWh. For the remaining contracts with financial settlement, the estimated fair value at 31 December 2013 is around NOK 423 million.

Note 35 Leases

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

NOK million	Within 1 year of the end of the period	Between 1 and 5 years after the end of the period	More than 5 years after the end of the period	Total
Property rental agreements	127	574	1 271	1 973
Vehicles	7	17	17	41
Other leases	2	5	46	52
Total	136	595	1 334	2 065

Lease-related rent expensed in the period and specified in the following manner:

NOK million	Minimum lease	Variable lease	Sublease payments
Property rental agreements	81	-	-
Vehicles	11	-	-
Other leases	12	3	-
Total	105	3	-

In 2012, Statkraft established new business activity, offering market access to minor renewable energy producers.

Some of these activities are defined as leases with variable lease payments, and are presented as energy purchases, see notes 12 and 14.

The lease agreements have durations ranging from 1 to 17 years and the rent paid for 2013 was NOK 1200 million.

Statkraft has entered into a sale-leaseback agreement regarding transmission assets of an offshore wind farm. The agreement is assessed as a finance lease where a corresponding lease asset and liability have been recognised. As at 31 December 2013 the book value of the asset is NOK 672 million whereas the liability is NOK 729 million.

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

NOK million	Within 1 year of the end of the period	Between 1 and 5 years after the end of the period	More than 5 years after the end of the period	Total
Transmission assets	65	327	883	1 275

The net present value of future minimum lease payments in relation to non-cancellable leases for each of the following periods are:

NOK million	Within 1 year of the end of the period	Between 1 and 5 years after the end of the period	More than 5 years after the end of the period	Total
Transmission assets	63	265	400	729

The classification of lease liability of NOK 729 million is NOK 63 million as current liability and NOK 665 million as non-current liability.

Note 36 Fees paid to external auditors

Deloitte AS is the Statkraft Group's auditor and audits all subsidiaries subject to auditing requirements.

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

NOK thousand	2013	2012
Statutory auditing	14 798	15 243
Other certification services	1 301	711
Tax consultancy services	2 460	1 660
Other services	3 434	1 855
Total	21 993	19 469

⁴¹ The main items in the fees for other services in 2013 are related to quality and control procedures associated with the restructuring of the SN Power Group and the certification of the sustainability report .

Note 37 Benefits paid to executive management and the board

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

Salary and other benefits – executive management

NOK	Salary	Bonus ¹⁾	Benefits in kind	Salaries and other benefits
Christian Rynning-Tønnesen, President and CEO	4 492 131	-	161 029	4 653 160
Jens B. Staff, Executive Vice President	2 281 779	425 000	187 541	2 894 320
Jon Brandsar, Executive Vice President	2 277 475	400 000	134 675	2 812 150
Steinar Bysveen, Executive Vice President	2 419 926	300 000	186 931	2 906 857
Hilde Bakken, Executive Vice President	2 228 561	355 000	187 508	2 771 069
Asbjørn Grundt, Executive Vice President	2 617 761	405 000	180 534	3 203 295
Øistein Andresen, Executive Vice President	2 364 335	200 000	165 485	2 729 820

¹⁾ Bonus earned in 2012, but disbursed in 2013.

The Group management has not received any compensation or financial benefits from other companies in the same Group other than those shown above. No additional compensation for special services beyond normal managerial functions has been provided. For 2013, total salaries and other benefits paid to the executive management amounted to NOK 21 970 671.

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

NOK	Board remuneration	Audit Committee	Compensation Committee	Participation in board meetings
Olav Fjell, chair	445 750	-	45 900	9
Ellen Stensrud, deputy chair	313 150	-	-	6
Halvor Stenstadvold, director	258 100	85 700	-	9
Berit J. Rødseth, director	258 100	62 200	-	7
Inge Ryan, director ¹⁾	126 500	30 500	-	5
Silvija Seres, director	258 100	-	28 550	9
Erik Haugane ¹⁾	131 600	31 700	-	4
Odd Vanvik, employee-elected director	258 100	-	28 550	8
Thorbjørn Holøs, employee-elected director	258 100	62 200	-	8
Lena Halvari, employee-elected director	258 100	-	-	9

¹⁾ Inge Ryan left the board on 26 June 2013 and was replaced by Erik Haugane 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 surety been granted to directors of the Board. Total remuneration paid to the Board, Audit Committee and Compensation Committee in 2013 was NOK 2 565 600, NOK 272 300 and NOK 103 000, respectively.

Pension provisions - executive management

NOK	Pensions ¹⁾
Christian Rynning-Tønnesen, President and CEO	2 307 450
Jens B. Staff, Executive Vice President	872 625
Jon Brandsar, Executive Vice President	1 100 042
Steinar Bysveen, Executive Vice President	890 454
Hilde Bakken, Executive Vice President	927 059
Asbjørn Grundt, Executive Vice President	1 081 478
Øistein Andresen, Executive Vice President	860 318

¹⁾ The year's accounting cost for the pension scheme which reflects the period during which the individual has been an executive employee.

For 2013, the total pension provision for executive management was NOK 8 039 426.

Note 37 continued

THE BOARD'S STATEMENT REGARDING SALARIES AND OTHER REMUNERATIONS TO SENIOR EXECUTIVES – 2013

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

Statkraft's policy is to offer competitive conditions, but not take a leading position.

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

Organisation

The Board of Statkraft has established a separate Compensation Committee.

The mandate of the Committee is as follows:

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

Report on executive remuneration policy

The President and CEO is only compensated with a fixed salary, and corporate executives shall receive both a fixed salary and a variable payment.

Fixed salary The fixed salary is determined based on an assessment of the specific position and the market – as well as an assessment against Statkraft's policy of offering competitive terms, but not take a leading position. When deciding the annual salary regulation, the average salary increases of other employees are also considered.

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

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

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

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

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

Position change agreements The President and CEO and certain corporate executives have agreements regarding change of position after the age of 62. These are agreements where, at any time after the employee has reached 62 years of age, the executive or the company has a mutual right to request to resign, or be requested to resign, from his executive position without further justification. If any of the parties exercise this right, the executive should be offered another position with a salary of 75% of the executive's pay – and working hours of up to 50% until the agreed-upon retirement age.

The policy regarding executive remuneration has now been amended and the arrangement is closed to new employees.

Severance arrangements The mutual period of notice for the President and CEO is 6 months. For corporate executives, there is a mutual notice period of 3 months. After more than 2 years of employment, the employer's period of notice is 6 months.

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

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

Terms, President and CEO Fixed salary paid to the President and CEO for 2014 is NOK 4 630 000, with other terms as set out in this statement.

Note 38 Related parties

All subsidiaries, associates and joint ventures stated in Note 24 and Note 39 are related parties of Statkraft. Intercompany balances and transactions between consolidated companies are eliminated in Statkraft's consolidated financial statements and are not shown in this Note.

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

The individuals stated in Note 37 are members of the corporate management or the Board and are also related parties of Statkraft.

NOK million	2013	2012
Revenues	326	391
Expenses	487	851
Receivables at the end of the period	1 659	5 507
Liabilities at the end of the period	409	597

Significant transactions with the owner and companies controlled by the owner

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

NOK million	2013	2012
Gross operating revenues include:		
Concessionary sales at statutory prices	341	307
Net operating revenues includes:		
Energy purchases from Statoil	812	857
Transmission costs to Statnett	939	996
Operating expenses include:		
Property tax and licence fees to Norwegian authorities	1 222	1 095
Tax expenses include:		
Taxes payable to Norwegian authorities	3 272	2 975
Dividend and Group contribution from Statkraft AS to Statkraft SF	-	4 000

The energy purchase from Statoil shown above includes purchase of gas used either in the Group's electricity production or resold on the market. Volumes and prices are based on long-term contracts negotiated at commercial terms. Transmission costs to Statnett are mainly grid tariff. The prices in this market are stipulated by the Norwegian Water Resources and Energy Directorate. Other transactions with related parties are conducted at commercial terms and conditions.

Statkraft also has transactions and balances with other enterprises controlled by the Norwegian state, but their size, neither individually nor combined, have significance for Statkraft's financial statements.

The leased power plants Sauda HV, Svelgen I and II and Tyso II were transferred from Statkraft SF to Statkraft AS, and further to Statkraft Energi AS, on 1 April 2013. The transaction was recognised at fair value where net assets transferred amounted to NOK 3442 million. Of these, NOK 624 million were treated as capital contribution and NOK 2817 million as other paid-in equity.

Note 39 Consolidated companies

Shares in consolidated subsidiaries

Name	Registered office	Country	Parent company	Shareholding and voting share
Shares in subsidiaries				
Hitra Vind AS	Oslo	Norway	Statkraft AS	100.00%
Kjøllefjord Vind AS	Oslo	Norway	Statkraft AS	100.00%
Renewable Energies and Photovoltaics Spania S.L.	Malaga	Spain	Statkraft AS	70.00%
Smøla Vind 2 AS	Oslo	Norway	Statkraft AS	100.00%
Småkraft AS ¹⁾	Bergen	Norway	Statkraft AS	40.00%
Statkraft Albania Shpk.	Tirana	Albania	Statkraft AS	100.00%
Statkraft Asset Holding AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Carbon Invest AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Elektrik Enerjisi Toptan Satış Ltd. Şirketi	Istanbul	Turkey	Statkraft AS	100.00%
Statkraft Enerji AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Enerji A.S.	Istanbul	Turkey	Statkraft AS	100.00%
Statkraft Financial Energy AB	Stockholm	Sweden	Statkraft AS	100.00%
Statkraft Forsikring AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft France SAS	Lyon	France	Statkraft AS	100.00%
Statkraft Germany GmbH	Düsseldorf	Germany	Statkraft AS	100.00%
Statkraft Industrial Holding AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Norfund Power Invest AS	Oslo	Norway	Statkraft AS	60.00%
Statkraft Suomi Oy	Kotka	Finland	Statkraft AS	100.00%
Statkraft Sverige AB	Stockholm	Sweden	Statkraft AS	100.00%
Statkraft Treasury Centre GBP SA	Brussels	Belgium	Statkraft AS	100.00%
Statkraft Treasury Centre NOK SA	Brussels	Belgium	Statkraft AS	100.00%
Statkraft Treasury Centre SA	Brussels	Belgium	Statkraft AS	100.00%
Statkraft Treasury Centre SEK SA	Brussels	Belgium	Statkraft AS	100.00%
Statkraft UK Ltd.	London	Storbritania	Statkraft AS	100.00%
Statkraft Vind AB	Stockholm	Sweden	Statkraft AS	100.00%
Statkraft Värme AB	Kungsbacka	Sweden	Statkraft AS	100.00%
Statkraft Western Balkans d.o.o.	Belgrade	Serbia	Statkraft AS	100.00%
Södra Statkraft Vindkraft Utveckling AB	Stockholm	Sweden	Statkraft AS	90.10%
Statkraft Enerji AS				
Aursjøvegen AS	Sunnalsøra	Norway	Statkraft Enerji AS	33.00%
Baltic Cable AB	Malmö	Sweden	Statkraft Enerji AS	100.00%
Statkraft Varme AS	Oslo	Norway	Statkraft Enerji AS	100.00%
Statkraft Enerji A.S.				
Anadolu Elektrik A.S.	Istanbul	Turkey	Statkraft Enerji A.S.	100.00%
Çakıt Enerji A.S.	Istanbul	Turkey	Statkraft Enerji A.S.	100.00%
Çetin Enerji A.S.	Istanbul	Turkey	Statkraft Enerji A.S.	100.00%
Kargı Kızılırmak Enerji A.S.	Istanbul	Turkey	Statkraft Enerji A.S.	100.00%
Statkraft Energy Ltd.				
Rheidol 2008 Trustees Ltd.	London	United Kingdom	Statkraft Energy Ltd.	100.00%
Statkraft France SAS				
Plaine de l'Ain Power SAS	Lyon	France	Statkraft France SAS	100.00%
Statkraft Germany GmbH				
Statkraft Markets GmbH	Düsseldorf	Germany	Statkraft Germany GmbH	100.00%
Knapsack Power GmbH & Co KG				
Knapsack Power Verwaltungs GmbH	Düsseldorf	Germany	Knapsack Power GmbH & Co KG	100.00%
Statkraft Holding Knapsack GmbH				
Knapsack Power GmbH & Co KG	Düsseldorf	Germany	Statkraft Holding Knapsack GmbH	100.00%

Note 39 continued

Name	Registered office	Country	Parent company	Shareholding and voting share
Statkraft Markets GmbH				
Statkraft Holding Herdecke GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Holding Knapsack GmbH	Düsseldorf	Germany	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 Romania SRL	Bucharest	Romania	Statkraft Markets GmbH	100.00%
Statkraft South East Europe EOOD	Sofia	Bulgaria	Statkraft Markets GmbH	100.00%
Statkraft Trading GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Markets BV				
Devoll Hydropower Sh.A.	Tirana	Albania	Statkraft Markets BV	100.00%
Statkraft Industrial Holding AS				
Skagerak Energi AS	Porsgrunn	Norway	Statkraft Industrial Holding AS	66.62%
Fjordkraft AS ²⁾	Oslo	Norway	Statkraft Industrial Holding AS	3.15%
Fjordkraft AS				
Trondheim Kraft AS	Trondheim	Norway	Fjordkraft AS	100.00%
Skagerak Energi AS				
Skagerak Elektro AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Kraft AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Naturgass AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Nett AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Varme AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Kraft AS				
Grunnåi Kraftverk AS	Porsgrunn	Norway	Skagerak Kraft AS	55.00%
Sauland Kraftverk AS	Hjartdal	Norway	Skagerak Kraft AS	67.00%
Statkraft Vind AB				
Statkraft Leasing AB	Stockholm	Sweden	Statkraft Vind AB	100.00%
Statkraft SCA Vind AB	Stockholm	Sweden	Statkraft Vind AB	60.00%
Statkraft SCA Vind II AB	Stockholm	Sweden	Statkraft Vind AB	60.00%
Statkraft Södra Vindkraft AB	Stockholm	Sweden	Statkraft Vind AB	90.10%
Statkraft SCA Vind AB				
Statkraft SCA Vind Elnät AB	Stockholm	Sweden	Statkraft SCA Vind AB	100.00%
Statkraft Södra Vindkraft AB				
Statkraft Södra Vindarrrende AB	Växjö	Sweden	Statkraft Södra Vindkraft AB	100.00%
Vindpark EM AB	Stockholm	Sweden	Statkraft Södra Vindkraft AB	90.10%
Statkraft Sverige AB				
Gidekraft AB	Stockholm	Sweden	Statkraft Sverige AB	90.10%
Järnvägsforsen AB	Stockholm	Sweden	Statkraft Sverige AB	94.85%
Statkraft Sverige Vattendel 3 AB	Stockholm	Sweden	Statkraft Sverige AB	100.00%
Statkraft Suomi Oy				
Ahvionkoski Oy	Kotka	Finland	Statkraft Suomi Oy	100.00%
Statkraft UK Ltd.				
Baillie Windfarm Holdings Ltd.	London	United Kingdom	Statkraft UK Ltd.	80.00%
Berry Burn Wind Farm Limited	London	United Kingdom	Statkraft UK Ltd.	100.00%
Statkraft Wind UK Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Statkraft Energy Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%

Note 39 continued

Name	Registered office	Country	Parent company	Shareholding and voting share
SN Power				
Statkraft Norfund Power Invest AS				
Agua Imara AS	Oslo	Norway	Statkraft Norfund Power Invest AS	51.00%
SN Power Brasil AS	Oslo	Norway	Statkraft Norfund Power Invest AS	100.00%
SN Power Holding AS	Oslo	Norway	Statkraft Norfund Power Invest AS	100.00%
Agua Imara AS				
Agua Imara ACA Pte Ltd	Singapore	Singapore	Agua Imara AS	100.00%
Agua Imara ACA Pte Ltd				
Fountain Intertrade Corporation	Panama City	Panama	Agua Imara ACA Pte Ltd	50.10%
Lunsemfwa Hydro Power Company Ltd	Kabwe	Zambia	Agua Imara ACA Pte Ltd	51.00%
Lunsemfwa Hydro Power Company Ltd				
Muchinga Power Company Ltd.	Kabwe	Zambia	Lunsemfwa Hydro Power Company Ltd	100.00%
SN Power Brasil AS				
SN Power Investimentos Ltda	Florianopolis	Brazil	SN Power Brasil AS	100.00%
SN Power Investimentos Ltda				
SN Power Energia do Brasil Ltda	Florianopolis	Brazil	SN Power Investimentos Ltda	100.00%
SN Power Holding AS				
SN Power Holding Singapore Pte. Ltd.	Singapore	Singapore	SN Power Holding AS	100.00%
SN Power Holding Singapore Pte. Ltd.				
Himal Power Ltd.	Kathmandu	Nepal	SN Power Holding Singapore Pte. Ltd.	50.70%
SN Power Holding Chile 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 India Pvt. Ltd.	New Dehli	India	SN Power Holding Singapore Pte. Ltd.	100.00%
SN Power Invest Asia Pte. Ltd.	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd.	100.00%
SN Power Markets Pvt. Ltd.	New Dehli	India	SN Power Holding Singapore Pte. Ltd.	100.00%
SN Power Vietnam Pte. Ltd.	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd.	80.00%
SN Power Holding Chile Pte. Ltd.				
SN Power Chile Inversiones Eléctricas Ltda.	Santiago	Chile	SN Power Holding Chile Pte. Ltd.	100.00%
SN Power Chile Inversiones Electricas Ltda.				
SN Power Chile Tinguerrica y Cia.	Santiago	Chile	SN Power Chile Inversiones Electricas Ltda.	99.90%
SN Power Holding Peru Pte. Ltd.				
SN Power Peru Holding S.R.L	Lima	Peru	SN Power Holding Peru Pte. Ltd.	100.00%
SN Power Peru Holding S.R.L				
Empresa de Generacion Electrica Cheves S.A ³⁾	Lima	Peru	SN Power Peru Holding S.R.L	68.69%
SN Power Peru S.A	Lima	Peru	SN Power Peru Holding S.R.L	100.00%
SN Power Peru S.A				
Empresa de Generacion Electrica Cheves S.A ³⁾	Lima	Peru	SN Power Peru S.A	31.31%

¹⁾ Småkraft AS is owned 20% by Statkraft Kraft AS, Agder Energi AS and Bergenhalvøens Kommunale Kraftselskap AS. Statkraft AS owns 40% directly.

²⁾ 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.

³⁾ Power plants under construction.

Non-controlling interests' share of the Group's activities

There are significant non-controlling shareholdings in SN Power Invest AS and Skagerak Energi AS.

Their shares of the Group's activities and cash flows can be found in the following table:

NOK million	SN Power Group		Skagerak Energi Group	
	2013	2012	2013	2012
Gross revenues	622	1 506	2 875	2 710
Total comprehensive income	684	391	490	879
- of which allocated to non-controlling interests	-317	37	-2	-1
Assets	13 371	14 657	10 705	10 395
Debt	4 978	4 115	6 827	6 563
Equity	8 393	10 542	3 878	3 832
- of which accumulated non-controlling interests	1 083	865	31	28
Dividend disbursed to non-controlling interests	79	98	-	-
Net cash flow from operating activities	33	-140	912	-15

*The Førrevass Dam at
Blåsjø reservoir in
Rogaland county, Norway*



Statkraft AS Financial Statements

Income statement

Statkraft AS parent company

NOK million	Note	2013	2012
Operating revenues	4	514	478
Salaries and payroll costs	5, 6	-567	-430
Other operating expenses	7, 21	-797	-785
Depreciation	10	-38	-35
Operating expenses		-1 402	-1 250
Operating profit		-888	-772
Finance income	8	310	263
Finance costs	8	-1 642	-1 578
Net realised and unrealised securities	8	6 950	5 597
Net realised and unrealised currency and derivatives	8	-7 093	2 300
Net financial items		-1 475	6 583
Profit before tax		-2 363	5 811
Tax expense	9	1 487	-723
Net profit		-876	5 088
Allocation of net profit for the year			
Dividends payable	15	-	4 000
Transfer to (+)/from (-) other equity	15	-876	1 088


Balance Sheet


Statkraft AS parent company

NOK million	Note	31.12.2013	31.12.2012
Assets			
Deferred tax asset	9	807	-
Property, plant and equipment	10	290	151
Investments in subsidiaries, associates and joint ventures	11	111 120	104 047
Derivatives	20	1 112	2 075
Other non-current financial assets	12	90	88
Non-current assets		113 419	106 361
Receivables	13	7 590	9 085
Derivatives	20	364	602
Cash and cash equivalents	14	4 853	3 002
Current assets		12 807	12 688
Assets		126 226	119 049
EQUITY AND LIABILITIES			
Paid-in capital	15	46 193	45 569
Retained earnings	15	12 185	13 007
Equity		58 378	58 576
Deferred tax	9	-	757
Provisions	16	689	585
Long-term interest-bearing liabilities	3, 17	28 981	30 649
Derivatives	20	3 314	1 787
Long-term liabilities		32 984	33 778
Current interest-bearing liabilities	3, 18	33 323	20 639
Taxes payable	9	66	-
Derivatives	20	774	106
Other interest-free liabilities	19	701	5 950
Current liabilities		34 864	26 694
Equity and liabilities		126 226	119 049

The Board of Directors of Statkraft AS


Oslo, 26 March 2014


Olav Fjell
Chair of the Board


Ellen Stensrud
Deputy chair


Halvor Stenstadvold
Director


Berit Rødseth
Director



Silvija Seres
Director


Erik Haugane
Director


Odd Vanvik
Director


Lena Halvari
Director


Thorbjørn Holøs
Director


Christian Rynning-Tønnesen
President and CEO

Statement of Cash Flow

Statkraft AS parent company

NOK million	Note	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		-2 363	5 811
Depreciation	10	38	35
Write-downs/reversal of write-downs from previous years.	8	-2 360	1 474
Cash flow from operating activities		-4 685	7 320
Changes in long-term items		3 039	-938
Changes in other short-term items		3 073	-2 519
Net cash flow from operating activities	A	1 427	3 863
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	10	-177	-69
Investments in and proceeds from sale of other companies		-4 713	-6 982
Net cash flow from investing activities	B	-4 890	-7 051
CASH FLOW FROM FINANCING ACTIVITIES			
New debt *		11 729	8 424
Repayment of debt		-3 505	-4 310
Dividend and Group contribution paid		-2 910	-3 985
Net cash flow from financing activities	C	-5 314	129
Net change in cash and cash equivalents	A+B+C	1 851	-3 059
Cash and cash equivalents 01.01	14	3 002	6 061
Cash and cash equivalents 31.12	14	4 853	3 002

*) New debt in 2013 relates to changes in group cash pool balances in its entirety.

Notes

Statkraft AS parent company

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Note 1 Significant accounting policies

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

VALUATION AND CLASSIFICATION PRINCIPLES

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

Principles for recognition of income and expensing of costs

Recognition of revenues from sale of goods and services takes place when earned, while expensing of costs takes place in accordance with the accrual principle. Dividend and group contributions from subsidiaries are recorded as income in the earning year, while dividend from other companies is recognised as income in accordance with the cash basis of accounting. Gains/losses from sale of property, plant and equipment are treated as operating revenues or expenses.

Pension costs The pension schemes for Statkraft AS are defined benefit schemes. The net pension cost for the period is included under salaries and other payroll costs, and comprises the total of the pension benefits accrued during the period, the interest on the estimated liability and the projected yield from the pension fund assets. The effect of changes to the schemes is recognised directly in the income statements. Changes to the schemes that are not issued with retroactive effect are accrued over the remaining service time. Actuarial gains and losses are recognised directly against equity.

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

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

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

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

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

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

Investment in subsidiaries, associated companies and joint

ventures Subsidiaries are companies where the Group has controlling influence over financial and operational principles. Controlling influence is normally achieved when the company owns more than 50% of the voting shares. The investment is valued at cost for the shares unless impairment has been necessary. Impairment to fair value is done when the reduction in value is due to reasons that cannot be considered transitory. Impairment is reversed when the basis for the impairment no longer exists. Dividends and other disbursements received are recognised as income in the same year that the subsidiary allocated it. If the dividend exceeds the share of retained profits after the purchase, the excess part represents repayment of invested capital and the disbursements received are deducted from the value of the investment in the balance sheet. Associated companies are companies where Statkraft AS has significant influence. Significant influence is normally deemed to exist where the company owns or controls 20 to 50% of the voting shares. Joint ventures are where Statkraft shares control of a company together with another party.

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

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

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

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

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

Long-term liabilities Borrowing costs and early redemption penalty or discount are recognised in accordance with the effective interest rate method (amortised cost) for fixed interest debt. The first year's repayments relating to long-term liabilities are presented as current items.

FINANCIAL DERIVATIVES AND HEDGING

The accounting treatment of financial instruments follows the intention behind entering into of agreements. Upon entering into the agreement, it is either defined as a hedging transaction or a trading transaction. Classification of derivatives is performed in accordance with the general guidelines for such classification, with the exception of some derivatives that are hedging instruments in hedge accounting, where the derivatives are presented together with the hedging item.

Interest rate derivatives Statkraft uses interest rate derivatives to adapt interest rate exposure to the Group's debt portfolio. Recognition of gains and losses depends on whether the interest rate derivative has been classified as a hedging instrument and, if applicable, the type of hedging. Interest rate derivatives that are not hedging instruments are recorded at the lowest market value. Unrealised losses or gains are included in the financial result. Interest rate derivatives that are defined as hedging instruments are accrued in the same way as interest on hedged debts or receivables. Interest rate derivatives are classified as long-term fixed assets or long-term financial liabilities if the remaining term is longer than one year.

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

Note 1 continued

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

Hedging The accounting treatment of financial derivatives designated as hedging instruments is recorded in line with the principles for the hedging types asset hedging and cash flow hedging. In the event of hedging of assets or liabilities in the balance sheet, the derivative is recognised at fair value. The carrying value of the hedged asset or liability is adjusted for the value of the financial derivative's change in

value which is related to hedged risk. When hedging future cash flows, the unrealised gains and losses of the hedging instruments are not recorded in the balance sheet.

Currency Money items denominated in foreign currency are evaluated at the exchange rate on the balance sheet date. Realised and unrealised currency effects are presented net in the financial statements as finance income or finance cost. Transactions denominated in foreign currency are translated using the transaction date exchange rate.

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

Note 2 Market risk

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY

Risk management is about assuming the right risk based on the Group's ability and willingness to take risks, expertise, solidity and development plans. The purpose of the risk management is to identify threats and opportunities for the Group, and to manage the risk towards an acceptable level. The central treasury function in Statkraft AS coordinates and manages the financial risks relating to currency, interest rate and liquidity of the Group. A more detailed explanation of how these are managed will be provided in the following.

FOREIGN EXCHANGE AND INTEREST RATE RISK

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

Foreign exchange risk Statkraft AS incurs foreign exchange risk in the form of transaction risk in connection with investments and other cash flows in foreign currencies. Balance sheet risk is related to shareholdings in foreign subsidiaries.

Statkraft AS hedges its currency exposure related to cash flows from energy sales of physical contracts and financial trading on energy exchanges, investments, dividends and other currency exposures in accordance with the company's financial strategy. Exposure hedging is achieved by using financial derivatives and loans in foreign currencies as hedging instruments. Few of the hedging relationships fulfil the requirements of hedge accounting.

Interest rate risk Statkraft's interest rate exposure is mainly in connection with the debt portfolio. An interest rate management framework has been established based on a mix between fixed and floating interest rates. The floating interest percentage shall be in the 25-75% interval. The part of the portfolio exposed to fixed interest rates shall have a

remaining maturity of at least five years. The strategy for managing interest rate risk has been established based on an objective of achieving the most cost-efficient financing, coupled with the aim of a certain stability and predictability in finance costs. A management framework has also been established to limit the interest rate exposure in currencies other than NOK. The currency positions that are to be entered into are assessed on an ongoing basis, given the market conditions observed for the currency and the overall exposure that exists for that currency in the Group.

LIQUIDITY RISK

Statkraft assumes a liquidity risk because the terms of its financial obligations are not matched to the cash flows generated by its assets. Statkraft has good borrowing opportunities from the Norwegian and international money markets and in the banking market. Drawdown facilities have been established to secure access to short-term financing.

Liquidity forecasts are prepared as an important step in the daily liquidity management and for planning future financing requirements. The liquidity reserve is a tool for the finance department's risk management and functions as a buffer in relation to the liquidity forecast.

CREDIT RISK

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

Placement of surplus liquidity is mainly divided among institutions rated A- or better. There are established exposure limits with individual counterparties, which are used for short-term placements.

For financial derivatives, credit risk is reduced by surety 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 year-end.

Note 3 Market and liquidity risk analysis

Specification of loans by currency

NOK million	2013	2012
Loans in NOK	13 530	15 533
Loans in SEK	1 845	2 569
Loans in EUR	12 315	15 353
Loans in GBP	4 699	-
Interest rate swaps	1 413	1 043
Total	33 801	34 498

The specification includes long-term interest-bearing liabilities, the first-year instalment on liabilities, certificate loans, interest rate swaps and combined interest rate and currency swaps.

Nominal average interest rate, NOK	4.80%	4.50%
Nominal average interest rate, SEK	1.30%	2.50%
Nominal average interest rate, EUR	3.60%	3.60%
Nominal average interest rate, GBP	0.80%	-

Fixed interest rate loan portfolio

NOK million	Future interest rate adjustments				Total
	2014	1-3 years	3-5 years	5 years and later	
Loans in NOK	9 186	-2 466	1 960	4 850	13 530
Loans in SEK	1 845	-	-	-	1 845
Loans in EUR	6 539	-5	1 242	4 538	12 315
Loans in GBP	-	4 699	-	-	4 699
Interest rate swaps	-3 796	2 674	3 066	-533	1 413
Total	13 775	4 902	6 268	8 856	33 801

The specification includes long-term interest-bearing liabilities, the first-year instalment on liabilities, certificate loans, interest rate swaps and combined interest rate and currency swaps.

Repayment schedule

NOK million	2014	2015	2016	2017	2018	After 2018	Total
Loan from Statkraft SF (back-to-back agreement)	-	-	-	-	-	400	400
Bond loans in the Norwegian market	3 452	2 149	4 287	-	-	2 500	12 388
Other loans raised in non-Norwegian markets	-	4 176	-	5 450	-	9 974	19 601
Interest rate swaps and combined	39	356	85	121	182	628	1 413
Total	3 491	6 681	4 372	5 572	182	13 502	33 801

The specification includes long-term interest-bearing liabilities, the first-year instalment on liabilities, certificate loans, interest rate swaps and combined interest rate and currency swaps.

Note 4 Operating revenues

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

Note 5 Payroll costs and number of full-time equivalents

NOK million	2013	2012
Salaries	374	261
Employers' national insurance contribution	67	45
Pension costs	106	105
Other benefits	19	19
Total	567	430

The parent company employed an average of 418 full-time equivalents in 2013. The corresponding figure for 2012 was 298. Pension costs are described in further detail in Note 6. For information about salaries and payroll costs for the Group management and the board of directors, see Note 37 in the Group accounts.

Note 6 Pensions

Group pension schemes

The company is obliged to operate an occupational pension scheme under the Norwegian Act on Mandatory Occupational Pension Schemes. Statkraft AS operates an occupational scheme for its employees through the Norwegian Public Service Pension Fund (SPK) which meets these requirements. The benefits are retirement, disability, surviving spouse and child's pensions. For individuals qualifying for the full entitlement, the scheme provides retirement and disability pension benefits amounting to 66% of pensionable income, up to a maximum of 12 times the National Insurance Scheme's basic amount (G). The company's employees are also entitled to retire early under the early retirement (AFP) scheme from the age of 62. Pension benefits from the SPK are guaranteed by the Norwegian state (Section 1 of the Pension Act). 418 employees and 34 pensioners were covered by benefit schemes as of 31 December 2013.

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

The pension benefit scheme in the Nation Pension Fund (SPK) was closed 1 January 2014, and existing members as of 31 December 2013 may choose to enter into a new defined contribution scheme. The new defined contribution scheme in Statkraft entails contributions of 6% of the pensionable salary up to 7.1 of the National Insurance Scheme's basic amount (G), and 18% of the pensionable salary between 7.1G and 12G.

Unfunded pension liabilities

Statkraft AS 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. Due to new guidelines for companies owned by the Norwegian state, as stated by the Government on 31 March 2011, the agreement was closed 30 April 2012. Existing members will still be covered by the agreement. Existing members of the closed agreement who leave the company before pensionable age receive a deferred pension entitlement for the scheme above 12G, provided they have at least three years' pension entitlements.

Note 6 continued

Breakdown of pension costs for the period

NOK million	2013	2012
Present value of accrued pension entitlements for the year	79	80
Interest costs on pension liabilities	33	23
Projected yield on pension assets	-13	-6
Employee contributions	-6	-4
Employers' national insurance contribution	13	13
Net pension costs	106	105

Reconciliation of pension liabilities and pension fund assets

NOK million	2013	2012
Present value of accrued pension entitlements for funded defined benefit schemes	712	464
Fair value of pension assets	410	273
Actual net pension liability for funded defined benefit schemes	302	191
Present value of accrued pension entitlements for unfunded defined benefit schemes	235	243
Employers' national insurance contribution	75	61
Net pension liabilities	612	495

Movement in actuarial gains and losses recognised directly in equity

NOK million	2013	2012
Cumulative amount recognised directly in equity before tax 01.01	94	331
Actuarial gains and losses recognised in equity during the year	-39	-237
Actuarial gains and losses from the merge with Statkraft Development AS	59	-
Cumulative amount recognised directly in equity before tax 31.12	114	94
Of which recognised against equity	82	68
Of which recognised in deferred tax	32	26

Economic assumptions

	31.12.2013	01.01.2013	31.12.2012
Discount rate and projected yield	4.10%	3.80%	3.80%
Salary adjustment	3.75%	3.75%	3.75%
Adjustment of current pensions	2.75%	2.75%	2.75%
Adjustment of the National Insurance Scheme's basic amount (G)	3.50%	3.50%	3.50%
Forecast annual exit			
– Up to age 45	3.50%	3.50%	3.50%
– Between ages 45 and 60	0.50%	0.50%	0.50%
– Over age 60	0.00%	0.00%	0.00%
Rate of inflation	1.75%	1.75%	1.75%
Tendency to take early retirement (AFP)	10.00%	10.00%	10.00%

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

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

The discount rate is set at 4.10% for Norwegian pension schemes and is based on high-quality corporate bonds (OMF). Statkraft is of the opinion that the OMF market represents a deep and liquid market with relevant durations that qualify as discount rate according to IAS 19.

Note 7 Other operating expenses

NOK million	2013	2012
Materials	17	13
Purchase of third-party services	495	442
Other operating expenses	285	330
Total	797	785

Note 8 Finance income and costs

Finance income

NOK million	2013	2012
Interest income	203	191
Other finance income	107	73
Total	310	263

Finance costs

NOK million	2013	2012
Interest expenses	-1 620	-1 563
Other finance costs	-22	-15
Total	-1 642	-1 578

Net realised and unrealised securities

NOK million	2013	2012
Dividend	4 598	7 092
Write-downs/reversal of write-downs from previous years.	2 360	-1 474
Gains and losses on securities, realised and unrealised	-8	-22
Total	6 950	5 597

Net realised and unrealised currency and derivatives

NOK million	2013	2012
Currency gains and losses, realised	-924	284
Currency gains and losses, unrealised	-5 786	2 343
Gains and losses derivatives, realised	-2	-11
Gains and losses derivatives, unrealised ¹⁾	-381	-315
Total	-7 093	2 300

¹⁾Includes NOK 7 million in gains on ineffective hedging (see Note 20).

Net financial items	-1 475	6 583
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Note 9 Taxes

The tax expense comprises the following

NOK million	2013	2012
Income tax	66	-
Correction relating to tax assessment for previous years	-	-11
Change in deferred tax	-1 553	734
Total tax expense in the income statement	-1 487	723

Income tax payable

NOK million	2013	2012
Income taxes payable on the profit for the year	66	-
Income tax payable	66	-

Reconciliation of nominal tax rate and effective tax rate

NOK million	2013	2012
Profit before tax	-2 363	5 811
Expected tax expense at a nominal rate of 28%	-662	1 627
Effect on taxes of:		
Tax-free income	-195	-1 337
Changes relating to previous years	-1	6
Changes in tax rates	30	-
Impairment/reversal of impairment previous years	-661	412
Other permanent differences, net	2	15
Tax expense	-1 487	723
Effective tax rate	63%	12%

Breakdown deferred tax

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

NOK million	2013	2012
Current assets/current liabilities	-999	-657
Derivatives	-1 331	1 671
Other long-term items	-	2 228
Property, plant and equipment	-46	-41
Pension liabilities	-612	-496
Total temporary differences and tax loss carry forwards	-2 988	2 705
Total deferred tax (+)/deferred tax asset (-)	-807	757
Applied tax rate	27%	28%
Deferred tax (+)/deferred tax asset (-) as of 01.01	757	-44
Recognised during the period	-1 553	734
Merged deferred tax from Statkraft Development AS	-22	-
Recognised directly in equity	11	66
Deferred tax (+)/deferred tax asset (-) as of 31.12	-807	757

Note 10 Property, plant and equipment

NOK million	Operating equipment and fixtures and fittings	Plants under construction	Total
Cost 01.01	291	44	335
Additions	49	127	177
Transferred from facilities under construction	11	-11	-
Cost 31.12	351	160	511
Accumulated depreciation and impairment 31.12	-221	-	-221
Carrying value 31.12	130	160	290
Depreciation for the year	-38	-	-38
Depreciation time	3–8 years		

Note 11 Shares in subsidiaries and associates

Beløp i mill. kroner	Registered office	Shareholding and voting share	Carrying value
Shares in subsidiaries			
Hitra Vind AS	Oslo	100.00%	95
Kjøllefjord AS	Oslo	100.00%	102
Renewable Energies and Photovoltaics Spain S.L.	Malaga	70.00%	4
Smøla Vind 2 AS	Oslo	100.00%	150
Småkraft AS ¹⁾	Bergen	40.00%	372
Statkraft Vind AB	Stockholm	100.00%	1 428
Statkraft Albania Shpk.	Tirana	100.00%	19
Statkraft Asset Holding AS	Oslo	100.00%	-
Statkraft Carbon Invest AS	Oslo	100.00%	4
Statkraft Elektrik Enerjisi Toptan Satış Ltd. Şirketi	Istanbul	100.00%	44
Statkraft Enerji AS	Oslo	100.00%	14 295
Statkraft Enerji A.S.	Istanbul	100.00%	2 499
Statkraft Financial Energy AB	Stockholm	100.00%	-
Statkraft Forsikring AS	Oslo	100.00%	80
Statkraft France SAS	Lyon	100.00%	49
Statkraft Germany GmbH	Düsseldorf	100.00%	8 313
Statkraft Industrial Holding AS	Oslo	100.00%	10 440
Statkraft Norfund Power Invest AS	Oslo	60.00%	6 442
Statkraft Suomi Oy	Kotka	100.00%	911
Statkraft Sverige AB	Stockholm	100.00%	6 053
Statkraft Treasury Centre GBP SA	Brüssel	100.00%	-
Statkraft Treasury Centre NOK SA	Brüssel	100.00%	-
Statkraft Treasury Centre SA	Brüssel	100.00%	55 525
Statkraft Treasury Centre SEK SA	Brüssel	100.00%	1
Statkraft UK Ltd.	London	100.00%	3 292
Statkraft Värme AB	Kungsbacka	100.00%	642
Statkraft Western Balkans d.o.o.	Beograd	100.00%	28
Södra Statkraft Vindkraft Utveckling AB	Stockholm	90.10%	-
Total subsidiaries			110 788
Associates and joint ventures			
SN Power AS	Oslo	50%	-
Naturkraft AS	Tysvær	50.00%	76
Statkraft Agder Energi Vind DA ²⁾	Kristiansand	62.00%	256
Total associates and joint ventures			332
Total			111 120

¹⁾ Småkraft AS is owned 20% by Skagerak Kraft AS, Agder Energi AS and Bergenhalvøens Kommunale Kraftselskap AS. Statkraft AS owns 40% directly.

²⁾ A shareholder's agreement indicates joint control in Statkraft Agder Energi Vind DA.

Note 12 Other non-current financial assets

NOK million	2013	2012
Loans to Group companies	15	12
Other shares and loans	75	76
Total	90	88

Note 13 Receivables

NOK million	2013	2012
Accounts receivable	7	-
Interest-bearing restricted funds related to cash collateral (see Note 14)	1 009	291
Other receivables	98	84
Group cash pooling receivable	1 421	1 364
Short-term receivables from group companies	5 056	7 345
Total	7 590	9 085

As of 31 December 2013, no need to recognise a provision for bad debts had been identified.

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

Note 14 Cash and cash equivalents

NOK million	2013	2012
Cash and cash deposits	3 388	2 263
Certificates and promissory notes	1 465	739
Total	4 853	3 002

Cash collateral

Cash collateral is payments to/from counterparties as security for the net unrealised gains and losses that Statkraft has on interest rate swaps, combined interest rate and currency swaps and forward exchange contracts. The table below shows net payments at year end from counterparties, who will eventually be repaid. See Notes 13 and 18.

NOK million	2013	2012
Cash collateral for financial derivatives	-71	2 666

Statkraft AS has long-term committed drawing facilities of up to NOK 12 000 million and a bank overdraft of up to NOK 1000 million. Neither had been used as of 31 December 2013.

Note 15 Equity, shares and shareholder information

NOK million	Paid-in capital			Retained earnings	Total equity
	Share capital	Share premium account	Other paid-in capital		
Equity as of 31.12.11	30 000	15 553	16	11 748	57 318
Profit for 2012	-	-	-	5 088	5 088
Actuarial gains/losses pensions	-	-	-	171	171
Dividends 2012	-	-	-	-4 000	-4 000
Equity as of 31.12.12	30 000	15 553	16	13 007	58 576
Profit for 2013	-	-	-	-876	-876
Actuarial gains/losses pensions	-	-	-	29	29
Fusion with Statkraft Development AS	-	-	-	25	25
Capital contribution	600	24	-	-	624
Equity as of 31.12.13	30 600	15 577	16	12 185	58 378

The company has a share capital of NOK 30.6 billion, divided into 200 million shares with a par value of NOK 153. All shares are owned by Statkraft SF. Statkraft Development AS merged with Statkraft with an effective date for both tax and accounting purposes at 1 January 2013. The merger happened according to the continuity method where group continuity was applied as the company was 100% owned by Statkraft AS.

Note 16 Provisions

NOK million	2013	2012
Pension liabilities	612	495
Other provisions	77	90
Total	689	585

Pension liabilities are described in further detail in Note 6.

Note 17 Interest-bearing long-term liabilities

NOK million	2013	2012
Loan from Statkraft SF (back-to-back agreement)	400	400
Bond loans in the Norwegian market	8 936	12 919
Other loans raised in non-Norwegian markets	19 601	17 267
Other loans	45	63
Total	28 981	30 649

Note 18 Current interest-bearing liabilities

NOK million	2013	2012
First year's instalment of liabilities	3 452	2 204
Group cash pooling liability	26 507	14 778
Certificate loans	-	700
Cash collateral (see Note 14)	938	2 957
Current liabilities to Group companies	2 427	-
Total	33 323	20 639

Note 19 Other interest-free liabilities

NOK million	2013	2012
Other interest-free liabilities	402	348
Tax withholding and employers' national insurance contribution owed	37	26
Current liabilities to Group companies	262	5 575
Total	701	5 950

Note 20 Derivatives

Statkraft trades in financial derivatives for different purposes. Accounts will depend on the purpose as described in the accounting policies note.

Currency and interest rate agreements

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

NOK million	31.12.2013		31.12.2012	
	Carrying value	Fair value	Carrying value	Fair value ¹⁾
Derivatives – non-current assets				
Currency and interest rate derivatives				
Interest rate swaps	-	1 536	-	1 935
Forward exchange rate contracts	1 112	1 112	2 075	2 075
Combined interest rate and currency swaps	-	386	-	-
Total	1 112	3 034	2 075	4 010

Derivatives – current assets

NOK million	31.12.2013		31.12.2012	
Currency and interest rate derivatives				
Interest rate swaps	-	33	-	2
Forward exchange rate contracts	364	364	563	563
Combined interest rate and currency swaps	-	303	39	39
Total	364	699	602	604

Derivatives – Long-term liabilities

NOK million	31.12.2013		31.12.2012	
Currency and interest rate derivatives				
Interest rate swaps	1 020	1 020	973	973
Forward exchange rate contracts	1 982	1 982	814	814
Combined interest rate and currency swaps	312	312	-	-
Total	3 314	3 314	1 787	1 787

Derivatives – current liabilities

NOK million	31.12.2013		31.12.2012	
Currency and interest rate derivatives				
Interest rate swaps	-	11	6	6
Forward exchange rate contracts	738	738	95	95
Combined interest rate and currency swaps	35	35	5	5
Total	774	785	106	106

¹⁾ Fair value doesn't include accrued interest.

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

The interest rate swaps, including the interest portion of combined interest rate and currency swaps, are part of risk management and are accounted for as hedging or at the lowest value principle, depending on whether the requirements for hedge accounting are achieved. The fair value of interest rate swaps designated as hedging (fair value) totalled NOK -2 million at 31 December 2013, while the interest rate swaps at the lowest value principle amounted to NOK -1368 million. Ineffectiveness on fair value hedges in 2013 is recognised as a net profit in the amount of NOK 7 million. The hedges expire in 2014-2022. The fair value of derivatives in cash flow hedges is not recognised and amount to NOK -11million.

Note 21 Fees paid to external auditors

Deloitte AS is the Statkraft Group's auditor. The total fees paid for auditing and other services for Statkraft AS (excluding VAT) for 2013 were as follows:

NOK thousand	2013	2012
Statutory auditing	3 188	2 938
Other certification services	459	181
Tax consultancy services	713	164
Other services ¹⁾	2 004	1 043
Total	6 364	4 326

¹⁾ The main items in the fees for other services in 2013 are related to quality and control procedures associated with the restructuring of the SN Power Group and the certification of the sustainability report.

Note 22 Obligations and guarantees

Statkraft AS has guarantees and off-balance-sheet obligations totalling NOK 17 766 million. Of this, NOK 15 392 concerns parent company guarantees.

Statkraft rents an office building at Lilleakerveien 6, Oslo. The lessor is Mustad Eiendom AS. Due to rental of a new building (at Lilleakerveien 4), the lease has been renewed by 5 years to a total 15 years from 1 January 2013, with an option to renew for a further ten years. The annual rent totals NOK 86 million.

Note 23 Related parties

The Company's related parties are considered to be:

- Directly owned subsidiaries, see specification in Note 11
- Other group companies, see specification in Note 39 to the Consolidated Financial Statements
- The parent company of the Group, Statkraft SF
- Associated companies, see specification in Note 11
- Group management and the board of directors, see specification in Note 37 to the Consolidated Financial Statements

Transactions with subsidiaries and associated companies relate mainly to the following:

- Statkraft AS sells intra-group services from centralised service centres
- Dividends and group contributions are accrued through Statkraft AS' own shareholdings
- Statkraft AS is also the borrower for the majority of the Group's external borrowings and is the owner of the cash pooling facilities. The central treasury function in Statkraft AS coordinates and manages the financial risks relating to currency, interest rates and liquidity of the Group.

All intra-group transactions are conducted at market terms.

	2013	2012
Operating revenues	506	472
Other operating expenses	93	182
Interest income from group companies	65	67
Interest expense to group companies	365	393
Dividend and group contribution from group companies	4 598	7 092

Intercompany balances are specified in Notes 12, 13, 17, 18 and 19. Guarantees related to group companies are listed in Note 22. NOK 240 million of the current and non-current asset derivatives are derivatives entered into on behalf of group companies. Similarly, NOK 205 million of the short-term and long-term liability derivatives are derivatives entered into on behalf of other group companies.

Statkraft AS has in 2013 transferred several shares in subsidiaries to other group companies as capital contribution. All the shares in Statkraft Leasing AB, Statkraft SCA Vind AB and Statkraft Södra Vindkraft AB are transferred to Statkraft Vind AB. Shares in HPC Byske AB, HPC Røan AB, HPC Ammerån AB and HPC Edsox AB are transferred to Statkraft Sverige AB. The shares in Bio Varne AS are transferred to Statkraft Energi AS.

Statkraft's 50% ownership share in Devoll Hydropower SHA was sold to Statkraft Markets BV in 2013.

The leased power plants Sauda I-IV, Svelgen I and II and Tysso II were transferred from Statkraft SF to Statkraft AS, and further to Statkraft Energi AS, on 1 April 2013. The transaction was recognised at fair value where net assets transferred amounted to NOK 3442 million.

Auditor's Report



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To the Annual Shareholders' Meeting of Statkraft AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Statkraft AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2013, and the income statement and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet as at 31 December 2013, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as the Board of Directors and the President and CEO determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion on the financial statements for the parent company

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

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 Medlemmer av Den norske Revisorforening
 Organisasjonsnummer: 980 211 282



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

Opinion on the financial statements for the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Statkraft AS as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

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

Opinion on Registration and Documentation

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

Oslo, 26 March 2014
Deloitte AS

Ingebret G. Hisdal
State Authorised Public Accountant (Norway)



Corporate Responsibility Statement

Power generation and district heating production

Installed capacity ¹⁾ per technology and geography (MW)

	Unit of measurement	2013	2012	2011
Installed capacity	MW	16 715	16 967	16 430
Of which hydropower	MW	12 886	13 522	13 249
Of which small-scale hydropower ²⁾	MW	128	117	94
Of which wind power ³⁾	MW	514	528	321
Of which gas power ³⁾	MW	2 600	2 178	2 178
Of which bio power	MW	40	29	16
Of which district heating	MW	674	710	666
Installed capacity per geography				
Norway	MW	11 868	11 811	11 556
Other Nordic countries	MW	1 504	1 573	1 575
Other European countries	MW	3 009	2 446	2 288
Rest of the world	MW	334	1 138	1 010

Installed capacity ¹⁾ per technology and geography (%)

	Unit of measurement	2013	2012	2011
Installed capacity per technology				
Hydropower	%	77.1	79.7	80.6
Wind power ³⁾	%	3.1	3.1	2.0
Gas power ³⁾	%	15.6	12.8	13.3
Bio power	%	0.2	0.2	0.1
District heating	%	4.0	4.2	4.1
Installed capacity per geography				
Norway	%	71.0	69.6	70.3
Other Nordic countries	%	9.0	9.3	9.6
Other European countries	%	18.0	14.4	13.9
Rest of the world	%	2.0	6.7	6.1

Capacity under development ^{1), 4)} per technology and geography (MW)

	Unit of measurement	2013	2012	2011
Capacity under development	MW	1681	1 792	1 923
Of which hydropower	MW	1172	910	1 037
Of which small-scale hydropower ²⁾	MW	19	0	28
Of which wind power ³⁾	MW	500	361	344
Of which gas power ³⁾	MW	0	430	430
Of which district heating	MW	8	91	112
Capacity under development per geography		1681		
Norway	MW	216	236	176
Other Nordic countries	MW	454	296	209
Other European countries	MW	902	1 158	1 357
Rest of the world	MW	109	101	181

Capacity under development ^{1), 4)} per technology and geography (%)

	Unit of measurement	2013	2012	2011
Capacity under development per technology				
Hydropower	%	69.7	50.8	54
Wind power	%	29.8	20.1	18
Gas power ³⁾	%	0.0	24	22
District heating	%	0.5	5.1	6
Capacity under development per geography				
Norway	%	12.9	13.2	9
Other Nordic countries	%	27.0	16.5	11
Other European countries	%	53.6	64.6	71
Rest of the world	%	6.5	5.6	9

Power generation and district heating production ¹⁾ per technology and geography (TWh)

	Unit of measurement	2013	2012	2011
Power generation	TWh	55.9	60.0	51.5
Of which hydropower	TWh	52.6	57.6	46.0
Of which small-scale hydropower ²⁾	TWh	0.3	0.3	0.3
Of which wind power ³⁾	TWh	1.4	0.8	0.8
Of which gas power ³⁾	TWh	1.5	1.5	4.6
Of which bio power	TWh	0.3	0.1	0.1
District heating	TWh	1.1	1.1	0.9
Renewable production	%	97.0	97.2	90.8
Power generation per geography				
Norway	TWh	45.1	49.0	39.4
Other Nordic countries	TWh	5.4	7.5	6.4
Other European countries	TWh	2.3	2.1	4.3
Rest of the world	TWh	3.0	2.5	2.3

Power generation and district heating production ¹⁾ per technology and geography (%)	Unit of measurement	2013	2012	2011
Power generation and district heating production per technology				
Hydropower	%	92.3	94.3	87.8
Wind power ³⁾	%	2.5	1.3	1.5
Gas power ³⁾	%	2.6	2.5	8.8
Bio power	%	0.5	0.2	0.2
District heating	%	1.9	1.8	1.7
Power generation per geography				
Norway	%	80.7	80.2	75.2
Other Nordic countries	%	9.7	12.3	12.2
Other European countries	%	4.1	3.4	8.2
Rest of the world	%	5.4	4.1	4.4

Efficiency of thermal plants ⁶⁾	Unit of measurement	2013	2012	2011
Gas power plants	%	43 - 59	43 - 59	43 - 59
District heating plants	%	85 - 100	85 - 90	80 - 100
Bio power plants	%	30 - 31	30 - 31	30 - 31

¹⁾ Includes Statkraft's shareholdings in subsidiaries where Statkraft has a major interest.

²⁾ Installed capacity <10 MW.

³⁾ Includes the jointly controlled Herdecke (Germany), Kårstø (Norway) and Scira (United Kingdom) power plants.

⁴⁾ Includes projects with an investment decision.

⁵⁾ Non-renewable production covers gas power and share of district heating based on fossil fuel.

⁶⁾ Ratio of net energy output (electricity and heat) against gross energy input. Efficiency is reported per plant.

Climate

Greenhouse gas emissions	Unit of measurement	2013	2012	2011
Emissions of CO ₂ equivalents, consolidated activities ¹⁾				
Of which from gas power plants	Tonnes	460 900	483 900	1 161 900
Of which from district heating plants ²⁾	Tonnes	77 200	75 600	81 000
Of which from SF ₆ emissions	Tonnes	1200	600	600
Of which from halon emissions	Tonnes	27	0	0
Of which from fuel consumption ³⁾	Tonnes	22 500	10 100	8 400
Of which from business travel ⁴⁾	Tonnes	2 400	2 800	3 000
Emissions of CO ₂ equivalents ⁵⁾ , associated gas power plants ⁶⁾				
SF ₆ emissions	kg	53	26	25
Halon emissions	kg	20	0	0

¹⁾ Statkraft's ownership is >50%.

²⁾ Fossil share of emissions.

³⁾ CO₂ from fuel consumption from the Group's equipment and machinery.

⁴⁾ Comprises air travel and mileage reimbursements for private vehicle use in the Norwegian operations.

⁵⁾ Statkraft's share.

⁶⁾ Statkraft's ownership is 20-50%.

The GHG-protocol (from the World Business Council for Sustainable Development and World Resources Institute) divides greenhouse gas emissions into three types. Type 1 emissions are direct emissions from own activities. Type 2 emissions are indirect emissions from purchased electricity and district heating, while Type 3 emissions are other indirect emissions. All the emissions in the table above are Type 1, except for business travel, which falls under Type 3. The electricity consumption in Statkraft is guaranteed renewable, resulting in zero Type 2 emissions. For 2013, the Group's Type 1 emissions totalled 458 500 tonnes, while the Type 3 emissions totalled 2 400 tonnes.

Relative greenhouse gas emissions ¹⁾	Unit of measurement	2013	2012	2011
CO ₂ -equivalent emissions per MWh generated, total	kg/MWh	9	11	34
CO ₂ -equivalent emissions per MWh generated, gas power	kg/MWh	273	377	368
CO ₂ -equivalent emissions per MWh generated, district heating	kg/MWh	70	69	101

¹⁾ Includes Statkraft's share of production and direct fossil CO₂ emissions from the production process. Includes also Statkraft's share of production and emissions of CO₂ in the jointly controlled power plants Herdecke (Germany), Kårstø (Norway) and Scira (UK).

Allocated CO₂-quotas	Unit of measurement	2013	2012	2011
Allocated CO ₂ -quotas, consolidated activities ¹⁾				
Of which Norway	Tonnes	86 300	2 001 000	2 001 000
Of which other Nordic countries	Tonnes	28 800	19 300	19 300
Of which other European countries	Tonnes	57 500	0	0
Of which rest of the world	Tonnes	0	1 981 700	1 981 700
Allocated CO ₂ -quotas, associated activities ²⁾ (Statkraft's share)				
Of which Norway	Tonnes	0	643 200	643 200
Of which other Nordic countries	Tonnes	0	161 700	161 700
Of which other European countries	Tonnes	0	0	0
Of which rest of the world	Tonnes	0	481 500	481 500
Of which rest of the world	Tonnes	0	0	0

¹⁾ Statkraft's ownership is >50%.

²⁾ Statkraft's ownership is 20-50%.

Interventions on nature and biodiversity

Impacts ¹⁾ on watercourses	Unit of measurement	2013 ²⁾	2012 ²⁾	2011 ²⁾
Affected river courses with:				
Anadromous fish	Number	47	45	45
Catadromous fish	Number	1	1	1
Affected national salmon rivers	Number	12	12	12
Affected protected rivers	Number	12	12	12

¹⁾ Impact entails change of waterflow, water levels or other living conditions for fish.

²⁾ SN Power is not included

Fish cultivation ¹⁾	Unit of measurement	2013	2012	2011
Restocking of fish and smolt ²⁾	Number	913 100	773 600	935 000 ²⁾
Stocking of fish roe ⁴⁾	Number	317 800	143 000	1 301 000

¹⁾ Includes water courses in Norway, Sweden and Wales.

²⁾ Includes salmon, sea trout, inland trout and char.

³⁾ Includes salmon, inland trout, grayling and eel (2012 and 2013).

⁴⁾ Includes salmon roe in Norway (2012 and 2013).

Red list species ¹⁾	Unit of measurement	2013 ³⁾	2012 ³⁾	2011 ²⁾
Red list species in areas where Statkraft has activities	Number	50	41	40

¹⁾ Red list species as defined by IUCN (International Union for Conservation of Nature) or national nature protection authorities.

²⁾ Registered red list species includes Skagerak Energi and SN Power.

³⁾ Registered red list species includes Statkraft's wind power activities and the companies Skagerak Energi and SN Power.

Distribution grid and cables	Unit of measurement	2013 ¹⁾	2012 ¹⁾	2011 ¹⁾
Overhead lines				
High voltage (≥ 1 kV)	km	3 600	3 600	3 400
Low voltage (< 1 kV)	km	3 800	4 200	4 100
Underground and undersea cables	km	10 400	10 700	10 500
District heating main	km	415	373	341

¹⁾ SN Power is not included.

Energy and resource consumption

Consumption	Unit of measurement	2013 ¹⁾	2012 ¹⁾	2011 ¹⁾
Electricity				
Of which pumped-storage power	GWh	882	1 202	1 150
Of which electric boilers for district heating	GWh	591	955	885
Of which other operations	GWh	87	95	37
Of which certified renewable (RECS)	%	100	100	100
Energy loss, transformer stations and power lines	GWh	682	681	411 ²⁾
Fossil fuel				
Natural gas, gas-fired power plants	Million Nm ³	173	200	519
Fuel gas, district heating plants	Tonnes	5 810	5 727	6 408
Fuel oil	Tonnes	2 937	3 369	5 430
Engine fuel ³⁾	Tonnes	10 390	3 542	2 651
Other fuel				
Waste for district heating plants	Tonnes	225 495	199 400	199 100
Waste for bio power plants	Tonnes	285 764	283 700	245 900
Bio fuel	Tonnes	168 746	87 800	124 400
Process water ⁴⁾	m ³	1 361 200	1 220 400	2 907 600

¹⁾ SN Power is not included.

²⁾ Does not include Statkraft's business unit Power Generation.

³⁾ Includes consumption of fuel for own equipment and machinery.

⁴⁾ Includes process water (cooling water) in gas fired power plants, bio power plants and district heating plants.

Inventories	Unit of measurement	2013 ¹⁾	2012 ¹⁾	2011 ¹⁾
PCB in transformer oils and condensers	kg	0	0	0
SF ₆	kg	31 452	24 471	29 915
Halon	kg	2 126	2 126	2 126

¹⁾ SN Power is not included.

Statkraft has been temporarily exempted from the requirements to phase out halon as an explosion suppression medium in transformer rooms.

Air pollution

Emissions to air	Unit of measurement	2013	2012	2011
SO ₂ from district heating plants	Tonnes	48	25	37
NO _x	Tonnes	874	862	1 020
Of which from gas power plants	Tonnes	173	228	615
Of which from district heating plants	Tonnes	415	344	288
Of which from bio power plants	Tonnes	286	290	117

Waste

Waste	Unit of measurement	2013	2012	2011
Hazardous waste	Tonnes	86 400	78 800	96 700
Of which from waste incineration plants ¹⁾	Tonnes	53 600	47 200	64 800
Of which from bio power plants	Tonnes	32 000	31 200	31 700
Of which other hazardous waste	Tonnes	770	450	290
Other waste	Tonnes	8 800	8 200	7 700
Of which separated waste	Tonnes	6 500	5 600	3 900
Of which residual non-hazardous waste	Tonnes	2 300	2 700	3 800

¹⁾ Consists of slag, filter dust and filter cake.

Environmental assessment and compliance

Environmental assessment	Unit of measurement	2013	2012	2011
Environmental assessment result, total	Rating	B+	B-	-
Environmental management	Rating	B	B	-
Products and services	Rating	B+	C+	-
Eco-efficiency	Rating	A-	C+	-

¹⁾ Environmental assessment from the rating company oekom research AG. Rating from E- to A+ (highest), where rating B- and above is considered as leading by oekom research.

Environmental incidents and issues	Unit of measurement	2013	2012	2011
Serious environmental incidents	Number	0	0	0
Less serious environmental incidents	Number	127	128	185
Undesirable environmental conditions	Number	117	145	166

Definitions:

Serious environmental incidents: An incident (something that has occurred) that causes significant negative environmental impact.

Less serious environmental incident: An incident (something that has occurred) that does not cause significant environmental impact.

Undesired environmental situation: A situation discovered (something that has not yet occurred) that poses a high or low risk to the environment and/or the Group's reputation.

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

Penal sanctions, environment	Unit of measurement	2013	2012	2011
Penal sanctions for non-compliance with environmental legislation	Number	0	1 ¹⁾	0
Fines for non-compliance with environmental legislation	NOK million	0	0.4	0

¹⁾ In 2011, Small Scale Hydro (at Skarelva, Narvik) performed soil work outside permitted area. In 2012, Norwegian Water Resources and Energy Directorate issued a fine of 0.4 million NOK.

Contribution to society

Value creation	Unit of measurement	2013	2012 ¹⁾	2011
Gross operating revenues	NOK million	49 564	37 550	22 371
Unrealised changes in the value of energy contracts ²⁾	NOK million	-	-	-1 098
Paid to suppliers for goods and services ³⁾	NOK million	28 740	22 667	7 493
Gross value added	NOK million	20 824	14 883	13 780
Depreciation and amortisation	NOK million	3 045	4 933	3 564
Net value added	NOK million	17 779	9 950	10 216
Financial income	NOK million	237	5 464	2 015
Unrealised changes in value currency and interest rates ²⁾	NOK million	-	-	-4 024
Share of profit from associates	NOK million	1 101	871	898
Minority interests	NOK million	482	230	264
Values for distribution	NOK million	18 635	16 055	8 841

¹⁾ As from 1 January 2013 Statkraft has implemented IFRS 11 Joint Arrangements. The effect of this is that some companies that prior were using the equity method now are using proportionate consolidation. Figures for 2012 have been restated to reflect Statkraft's financial position and results based on IFRS 11.

²⁾ Unrealised changes are from 2012 included in Gross operating revenues

³⁾ Includes energy purchases, transmission costs and operating expenses.

Distribution of value created	Unit of measurement	2013	2012 ¹⁾	2011
Employees				
Gross salaries and benefits	NOK million	2 788	2 720	2 453
Lenders/owners				
Interest	NOK million	11 830	3 123	1 630
Dividend ²⁾	NOK million	0	4 000	4 288
Taxes ³⁾	NOK million	4 291	5 891	4 987
The company				
Change in equity	NOK million	-274	321	-4 517
Total wealth distributed	NOK million	18 635	16 055	8 841

¹⁾ As from 1 January 2013 Statkraft has implemented IFRS 11 Joint Arrangements. The effect of this is that some companies that prior were using the equity method now are using proportionate consolidation. Figures for 2012 have been restated to reflect Statkraft's financial position and results based on IFRS 11.

²⁾ Includes dividend and Group contribution from Statkraft AS to Statkraft SF, and minority interest.

³⁾ Includes taxes, property tax and employers' contribution.

Taxes ¹⁾	Unit of measurement	2013	2012	2011
Total	NOK million	3 503	3 239	3 396
Of which Norway	NOK million	3 369	3 116	2 706
Of which in other Nordic countries	NOK million	30	3	424
Of which in other European countries	NOK million	87	61	219
Of which in the rest of the world	NOK million	17	60	47

¹⁾ Taxes payable in the balance sheet.

Tax contribution ¹⁾ to Norwegian municipalities	Unit of measurement	2013 ²⁾	2012 ²⁾	2011
Total	NOK million	1 518	1 360	1 411
Total, the ten municipalities which receive the most (2013)				
Vinje	NOK million	107	101	96
Hemnes	NOK million	96	91	90
Suldal	NOK million	96	89	83
Rana	NOK million	83	77	76
Odda	NOK million	76	36	32
Eidfjord	NOK million	65	61	58
Tokke	NOK million	63	59	56
Meløy	NOK million	61	58	57
Nore og Uvdal	NOK million	54	50	47
Luster	NOK million	52	49	47

¹⁾ Includes property tax, natural resource tax and licence fees paid directly to the local authorities.

²⁾ Includes only transfers from Statkraft Energi AS

Support schemes	Unit of measurement	2013	2012	2011
Sponsorship agreements	NOK million	31.86	15.73	27.34
Donations to associations and organisations	NOK million	6.56	6.07	1.61
The Statkraft Fund ¹⁾	NOK million	-	-	5.0
Agreements with voluntary humanitarian organisations	NOK million	1.55	1.1	-
Agreements with humanitarian organisations	NOK million	3.14	2.4	-

¹⁾ The Statkraft Fund was phased out in 2012.

Access to electricity

Power outage	Unit of measurement	2013	2012	2011
Power outage frequency (SAIFI) ¹⁾	Index	1.34	1.22	1.14
Average power outage duration (SAIDI) ²⁾	Index	85.8	76.5	91.0

¹⁾ System average interruption frequency index (measured based on IEEE standard)

²⁾ System average interruption duration index (measured based on IEEE standard)

Ethics

Whistleblower cases	Unit of measurement	2013	2012	2011
Whistleblower cases registered by Statkraft Corporate Audit	Number	2	0	0

Penal sanctions, ethics ¹⁾	Unit of measurement	2013	2012	2011
Penal sanctions for non-compliance with legislation related to ethics	Number	0	0	0
Fines for non-compliance with legislation related to ethics	NOK million	0	0	0

¹⁾ Penal sanctions imposed for breaches of laws and regulations related to accounting fraud, price cooperation, corruption and discrimination.

Labour practices

Employees	Unit of measurement	2013	2012	2011
Employees 31.12	Number	3 734	3 615	3 414
Of which in Norway	Number	2454	2 386	2 288
Of which in other Nordic countries	Number	205	197	177
Of which in other European countries	Number	708	625	506
Of which in the rest of the world	Number	367	407	443
Full-time employees 31.12	%	97	97	97
Staff turnover rate ¹⁾	%	6.0	5.7	6.8
Service time				
Average service time	Years	10.9	10.8	10.7
Average service time for employees resigned or dismissed	Years	5.3	6.6	8.3
Apprentices employed 31.12	Number	76	75	79
Trainees employed 31.12	Number	17	15	22
Nationalities represented among Statkraft's employees	Number	50	48	46

¹⁾ Excluding retirements.

Gender equality	Unit of measurement	2013	2012	2011
Percentage of women				
Total	%	23	24	23
In Norway	%	25	25	25
In other Nordic countries	%	19	16	15
In other European countries	%	23	21	20
In the rest of the world	%	18	22	20
In management positions	%	22	21	20
In Norway	%	25	24	24
In other Nordic countries	%	12	9	3
In other European countries	%	17	15	15
In the rest of the world	%	11	13	14
In the Statkraft Board of Directors	%	14	14	14
In Group management	%	44	44	44
New employees	%	23	29	23
New managers	%	26	9	16
Full-time employees	%	20	23	20
Part-time employees	%	60	58	69

Equal salary ¹⁾	Unit of measurement	2013	2012	2011
Equal salaries, employees	Ratio	0.92	0.88	0.85
In Norway	Ratio	0.96	0.94	0.92
In other Nordic countries	Ratio	1.05	0.79	0.95
In other European countries	Ratio	0.76	0.77	0.76
In the rest of the world	Ratio	1.08	0.54	0.56
Equal salaries, managers	Ratio	0.85	0.86	0.90
In Norway	Ratio	0.92	0.94	0.93
In other Nordic countries	Ratio	0.87	0.73	0.84
In other European countries	Ratio	0.67	0.69	0.75
In the rest of the world	Ratio	0.47	0.43	1.14

¹⁾ Average salary for women in relation to average for men.

Labour practices cont.

Statkraft as employer	Unit of measurement	2013	2012	2011
Organisation and leadership evaluation ¹⁾				
Result	Scale 0-100	73	73	72
Response rate	%	86	84	83
Employees fulfilled the performance and career development review	%	92	89	81
Ranking as preferred employer ²⁾ among				
Business students	Ranking	43	33	30
Technology students	Ranking	7	7	7
Business professionals	Ranking	35	17	12
Technology professionals	Ranking	13	9	6

¹⁾ Statkraft's internal annual organisation and leadership evaluation survey. Statkraft's score can be compared with the European Employee Index Norway 2013 result of 69.

²⁾ Ranking among final-year students and professionals, as defined and measured in the annual Universum Graduate Survey for Norway and the Universum Professional Survey for Norway respectively.

Health and safety

Fatalities	Unit of measurement	2013	2012	2011
Consolidated operations ¹⁾				
Employees	Number	0	0	0
Contractors	Number	1	2	1
Third party	Number	1	2	0
Associates ²⁾				
Employees	Number	0	0	1
Contractors	Number	0	0	3
Third party	Number	0	0	0

¹⁾ Activities where Statkraft has > 50% ownership.

²⁾ Activities where Statkraft has 20 - 50% ownership.

In 2013, there were two fatalities in Statkraft, of which one was work-related. The work-related fatality occurred in SN Power's development project Cheves in Peru. The fatal accident that affected a third party occurred in Peru where one person was found drowned at the Pariac power plant.

Injuries ¹⁾	Enhet	2013	2012	2011
Employees				
Lost-time injuries (LTI) ²⁾	Number	25	64	62
Lost-time injuries per million hours worked	LTI rate	2.5	4.1	4.5
Total recordable injuries (TRI) ³⁾	Number	41	112	137
Total recordable injuries per million hours worked	TRI rate	4.1	7.1	10
Lost days ⁴⁾	Number	169	-	907
Lost days per million hours worked	Lost-days rate	17	-	66
Contractors				
Lost-time injuries (LTI) ²⁾	Number	82	74	79
Lost-time injuries per million hours worked	LTI rate	4.4	3.6	3.4
Total recordable injuries (TRI) ³⁾	Number	124	127	143
Total recordable injuries per million hours worked	TRI rate	6.5	6.3	6.2
Third parties				
Injuries ⁵⁾	Number	1	-	-
Statkraft, total				
Lost-time injuries per million hours worked	LTI rate	3.5	3.8	4.0
Total recordable injuries per million hours worked	TRI rate	6.6	6.6	7.7
Operations				
Lost-time injuries per million hours worked	LTI rate	2.9	4.0	4.9
Total recordable injuries per million hours worked	TRI rate	6.3	7.3	9.4
Projects				
Lost-time injuries per million hours worked	LTI rate	4.3	3.6	3.2
Total recordable injuries per million hours worked	TRI rate	6.9	5.9	6.2

¹⁾ Includes activities where Statkraft has > 20% ownership.

²⁾ Work-related injuries which have resulted in absence extending beyond the day of the injury.

³⁾ Work-related injuries, with and without absence. Includes injuries which resulted in absence, medical treatment or need for alternative work assignments.

⁴⁾ Number of days of recorded absence due to work-related injuries.

⁵⁾ Recorded injuries requiring treatment by a doctor.

Hazardous conditions and near-misses ¹⁾	Unit of measurement	2013	2012	2011
Hazardous conditions ²⁾	Number	9 415	8 239	6 125
Near-misses	Number	1 531	363	365
Unwanted occurrences ⁴⁾	Frequency ⁵⁾	0.56	0.39	-

¹⁾ Includes activities where Statkraft has > 20% ownership.

²⁾ Recorded matters involving personal safety risk.

³⁾ Recorded unforeseen incidents that could have resulted in personal injuries.

⁴⁾ Hazardous conditions and near-misses.

⁵⁾ Number of unwanted occurrences per year and employee

Sickness absence	Unit of measurement	2013	2012	2011
Sickness absence, total	%	2.9	3.1	3.4
Of which short-term absence (16 days or less)	%	1.6	1.4	1.5
Of which long-term absence (more than 16 days)	%	1.4	1.7	1.9

Penal sanctions, health and safety	Unit of measurement	2013	2012	2011
Penal sanctions for non-compliance with health and safety legislation	Number	0	0	0
Fines for non-compliance with health and safety legislation	NOK million	0	0	0



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To the management of Statkraft AS

Independent Auditor's Report on the Statkraft Corporate Responsibility Report 2013

We have reviewed certain aspects of Statkraft Corporate Responsibility Report 2013 ("the Report") and related management systems and procedures. The Report is part of the Statkraft Annual Report 2013 on the Internet (www.annualreport2013.statkraft.com). The Report includes the Corporate Responsibility Statement published also in the printed Statkraft Annual Report 2013. The Report is the responsibility of and has been approved by the management of Statkraft AS ("the Company"). Our responsibility is to draw a conclusion based on our review.

We have based our work on the international standard ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. The objective and scope of the engagement were agreed with the management of the Company and included those subject matters on which we have concluded below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters. We have performed interviews with management responsible for corporate responsibility aspects at corporate and at selected reporting units represented by the head office of Wind Power Onshore – Sweden (head-office in Stockholm), South East Europe – the Devoll development project in Albania and the head-office for Statkraft Turkey (Istanbul) and the subsidiary Skagerak Energi (head-office in Porsgrunn, Norway).

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed.

Conclusions

In conclusion, in all material respects, nothing has come to our attention causing us not to believe that:

- Statkraft has established management processes and systems to manage material aspects related to corporate responsibility, as described in the Report.
- Statkraft has applied procedures to identify, collect, compile and validate information for 2013 to be included in the Report, as described in the Report. Information presented for 2013 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- The management systems referred to above have been implemented and locally adopted as necessary at the reporting units that we have visited, as specified above. Information for 2013 from these units has been reported according to the procedures noted above and is consistent with source documentation presented to us.
- Statkraft applies a reporting practice for its corporate responsibility reporting aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (version 3.1) reporting principles and the reporting fulfils Application Level B+ according to the GRI guidelines. The GRI Index presented in the Report appropriately reflects where information on each of the elements and indicators of the GRI guidelines is to be found within the Statkraft Annual Report 2013 on the Internet.

Oslo, 26 March, 2014
Deloitte AS

Ingebret G. Hisdal
State Authorized Public Accountant (Norway)

Frank Dahl
Deloitte Sustainability

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Annual Report 2013 Statkraft AS

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