Statkraft

2011

ANNUAL REPORT

FINANCIAL KEY FIGURES

STATKRAFT AS GROUP	UNIT	2011	2010	2009	2008	2007
From the income statement						
Gross operating revenues	NOK mill	22 371	29 252	25 675	25 061	17 619
Net operating revenues	NOK mill	17 094	23 176	16 983	23 601	13 261
EBITDA	NOK mill	9 767	15 955	9 769	18 171	8 881
Operating profit	NOK mill	6 203	12 750	7 027	16 618	7 242
Share of profit from associates	NOK mill	898	766	1 179	935	2 613
Net financial items	NOK mill	-3 635	-917	4 281	20 267	-1 090
Profit before tax	NOK mill	3 466	12 599	12 487	37 820	8 765
Net profit	NOK mill	40	7 451	7 716	33 262	6 632
Items exluded from underlying business						
Unrealised changes in value energy contracts	NOK mill	-1 152	62	-2 182	3 921	-651
Non-recurring items	NOK mill	-1 035	70	-108	307	-
Underlying business **						
Gross operating revenues	NOK mill	22 298	28 990	25 044	25 422	17 531
Net operating revenues	NOK mill	18 120	22 721	19 165	19 680	13 912
EBITDA	NOK mill	10 851	15 161	11 951	14 250	9 532
Operating profit	NOK mill	8 390	12 618	9 316	12 390	7 893
From the balance sheet						
Property, plant & equipment and intangible assets	NOK mill	84 348	80 772	80 516	77 035	57 817
Investments in associates	NOK mill	16 109	17 090	16 509	14 387	32 131
Other assets	NOK mill	43 421	58 105	46 980	52 877	20 164
Total assets	NOK mill	143 878	155 967	144 005	144 299	110 112
Total equity	NOK mill	65 651	75 302	64 901	72 324	44 418
Interest-bearing debt	NOK mill	36 887	40 486	45 660	40 791	37 284
Capital employed, basic [1]	NOK mill	62 546	66 722	65 486	67 584	42 628
Cash flow						
Net change in cash flow from operating activities	NOK mill	9 523	13 577	12 714	11 499	7 720
Dividend for the year to owner (incl. minority interests)	NOK mill	9 400	7 964	10 260	8 396	6 462
Depreciation	NOK mill	3 564	3 205	2 743	1 553	1 639
Maintenance investments [2]	NOK mill	1 129	1 000	1 308	796	571
Expansion investments in new generating capasity [3]	NOK mill	5 217	1 852	2 447	1 196	1 413
Investments in shareholdings [4]	NOK mill	1 923	888	1 152	581	1 800
Cash and cash equivalents	NOK mill	8 284	20 052	6 663	2 209	3 150
Unused drawing rights	NOK mill	14 200	9 074	8 785	8 400	5 400
Financial variables						
FFO interest coverage [5]	x	7,3	10,5	5,7	7,5	5,3
FFO/net debt	%	33,1	72,0	21,9	37,9	20,6
Interest-bearing debt ratio [6]	%	36,0	35,0	41,3	36,1	45,6
Equity ratio [7]	%	45,6	48,3	45,1	50,1	40,3
Long-term rating – Standard &Poor's		A-	A-	A-	BBB+	BBB+
Long-term rating – Moody's		Baa1	Baa1	Baa1	Baa1	Baa1
Key figures, accounts						
EBITDA-margin, accounts [8]	%	44	55	38	73	50
EBITDA-margin, underlying [8]	%	49	52	48	56	54
ROACE before tax [9]	%	13,9	19,7	14,2	27,2	17,5
Net return on investments in associated companies [10]	%	5,6	4,5	7,1	6,5	8,1
Return on total assets after tax [11]	%	0,8	6,0	7,0	27,9	7,4
Return on total equity after tax [12]	%	0,1	11,8	11,9	57,0	16,7
Tax rate [13]	%	98,9	40,9	38,2	12,1	24,3
Key figures, upstream business *						
Production cost/KWh [14]	Øre/kWh	7,3	7,1	7,0	6,4	5,9
Production capacity ***	TWh	52,2	51,7	51,2	50,0	42,4
Production, actual	TWh	51,5	57,4	57,0	53,4	44,9
Installed capacity	MW	16 430	16 010	15 806	15 478	12 028
Wholly and partly owned power plants	Number	301	282	277	264	170
Key figures, downstream business *						
No. of distribution grid customers	1000	181	181	275	273	271
Energy supplied	TWh	7,1	7,8	10,0	9,1	9,1
Distribution grid capital (NVE capital) [15]	NOK mill	2 690	2 782	3 627	3 614	3 657
No. of end user costumers	1000	408	400	397	401	401
Total volume supplied	TWh	11,9	13,0	11,6	11,4	2,2
No. of distric heating customers	1000	12	11	10	8	3
Distric heating supplied	TWh	0,8	1,0	0,9	0,5	0,5
Market variables						
System price, Nord Pool	EUR/MWh	47,2	53,1	35,0	44,7	27,9
Spotprice, European Energy Exchange	EUR/MWh	51,1	44,6	38,9	65,8	38,0
Electricity consumption in the Nordic market	TWh	376	393	381	390	395
Electricity generated in the Nordic market, actual	TWh	371	374	372	391	393
Statkraft's share of Nordic electricity production	%	13,9	15,3	15,3	13,7	11,4

The numbers for 2007–2011 are in accordance with IFRS.

* Key figures include consolidated companies (not associates) in Norway.
** Ajusted for unrealised changes in values and material non-recurring items.
*** Exclusive of gas production and district heating.

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

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

[3] Book value of investments to expand generating capacity.

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

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

[6] Interest-bearing debt x 100
(Interest-bearing debt + equity)

[7] Total equity x 100
Total assets

[8] Operating profit before depreciation x 100
Gross operating revenues

[9] Operating profit x 100
Average capital employed, basic

[10] Share of profit from associates x 100
Investments in associates

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

[12] Net profit x 100
Average total equity

[13] Tax expense x 100
Profit before tax

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

[15] Key figure used to calculate the revenue ceiling.

NON-FINANCIAL KEY FIGURES

The table presents Statkraft's most important results as regards environment, health and safety, corporate citizenship and employees for the period 2007-2011. More detailed results can be found in the corporate social responsibility statement.

	UNIT	2011	2010	2009	2008 [b]	2007
Environmentally friendly energy [a]						
Installed capacity	MW	16 430	16 010	15 806	15 478	12 335
Of which hydropower	MW	13 249	12 969	12 774	12 546	10 573
Of which wind power	MW	321	304	305	245	245
Of which gas power [c]	MW	2 178	2 178	2 160	2 130	1 210
Of which biopower	MW	16	16	16	16	-
Of which district heating	MW	666	544	548	541	327
Capacity under development [d]	MW	1 923	-	-	-	-
Of which hydropower	MW	1 037	-	-	-	-
Of which wind power	MW	344	-	-	-	-
Of which gas power [c]	MW	430	-	-	-	-
Of which district heating	MW	112	-	-	-	-
Power production, actual	TWh	51.5	57.4	56.9	53.4	44.9
Of which hydropower	TWh	46.0	50.1	50.1	47.4	42.7
Of which wind power	TWh	0.8	0.6	0.6	0.6	0.7
Of which gas power [c]	TWh	4.6	6.6	6.1	5.4	1.5
Of which biopower	TWh	0.1	0.1	0.1	-	-
District heating	TWh	0.8	1.1	0.9	0.5	0.5
Percentage of renewable power production [e]	%	90.8	88.1	89.1	89.7	96.4

[a] Includes Statkraft's shareholdings in subsidiaries where Statkraft has a majority interest.
[b] Installed capacity includes power plants and district heating plants included in the E.ON transaction and the consolidation of SN Power, effective January 2009.
[c] Includes the jointly controlled Herdecke (Germany) and Kårstø (Norway) power plants.
[d] Includes projects where an investment decision has been made.
[e] Non-renewable production includes gas power and district heating based on fossil fuels.

	UNIT	2011	2010	2009	2008	2007
Emissions and environmental incidents						
Emission of CO_2 equivalents	Tonnes	1 161 900	1 693 400	1 600 100	1 604 700	291 600
Environmental incidents [a]						
Serious environmental incidents	Quantity	0	0	0	1 [b]	-
Less serious environmental incidents	Quantity	185	92	118	21 [b]	-

[a] The definitions for environmental incidents were changed in 2008. Environmental incidents for 2006-2007 are recorded in a different format and results from this period are therefore not comparable with 2008–2010.
[b] Covers only July–December.

	UNIT	2011	2010	2009	2008	2007
Health and safety						
Fatal accidents						
Consolidated operations	Quantity	1	0	2	0	0
Associated operations	Quantity	4	5	6	9	5
LTI rate						
Employees	Frequency [a]	4.5 [c]	3.4	3.8	4.6	5.9
Contractors	Frequency [a]	3.4 [c]	13.6	8	-	-
TRI rate						
Employees	Frequency [b]	10.0 [c]	6.8	8.4	12.1	16.5
Contractors	Frequency [b]	6.2 [c]	16.4	-	-	-
Absence due to illness	%	3.4	3.4	3.3	3.9	3.9

[a] Lost-time injuries per million hours worked.
b Injuries per million hours worked.
c From 2011, all businesses with a shareholding > 20% is included in the results. Earlier, only businesses with a shareholding > 50% was included.

	UNIT	2011	2010	2009	2008	2007
Contribution to society						
Distribution of value created						
Owner [a]	NOK mill	4 288	5 973	3 740	10 000	6 837
The Norwegian state and municipalities [b]	NOK mill	4 987	6 679	6 202	5 524	3 301
Lenders	NOK mill	1 630	1 607	3 756	3 066	1 717
Employees	NOK mill	2 453	2 092	2 253	1 594	1 419
The company	NOK mill	-4 517	1 121	3 792	23 382 [c]	-371

[a] Includes dividend and Group contribution from Statkraft AS to Statkraft SF, and minority interests.
[b] Taxes and fees include taxes, property tax, licence fees and employers' contribution.
[c] Changes in equity are mainly related to the E.ON asset swap.

	UNIT	2011	2010	2009	2008	2007
Employees and recruitment						
Full-time equivalents at 31 Dec.	Quantity	3 358	3 301	3 378	2 633 [a]	2 287
Percentage of women						
Total	%	23	23	22	24	24
In management positions	%	20	22	23	21	22
Apprentices employed 31 Dec.	Quantity	79	79	93	48	49
Trainees employed 31 Dec.	Quantity	22	26	29	35	23
Preferred employer [b]						
Economics students	Ranking	30	17	25	43	53
Engineering students	Ranking	7	5	5	15	28

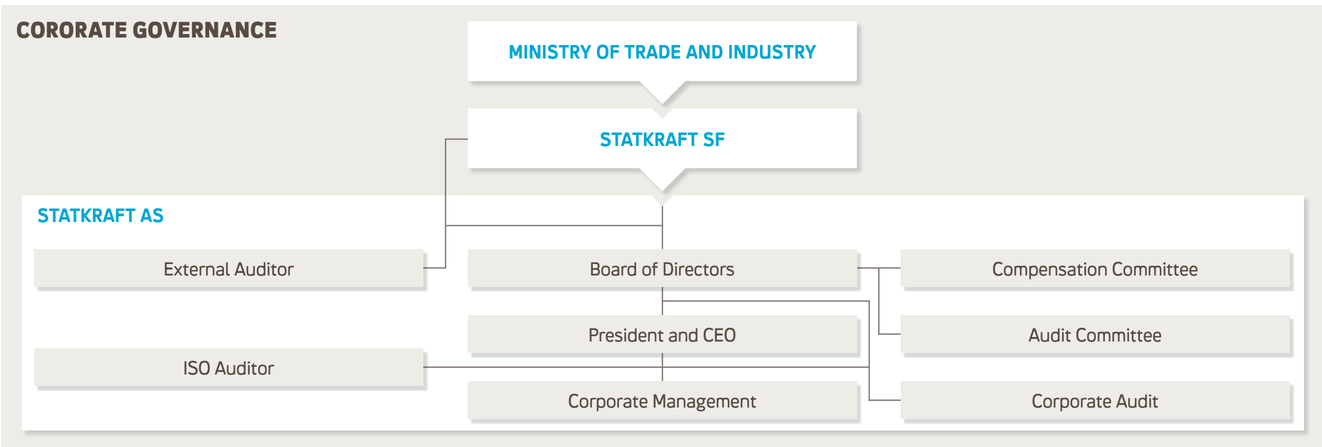
[a] Includes 183 full-time equivalents in connection with the E.ON agreement.
[b] Ranking of preferred employer among graduate students. Source: Universum Graduate Survey

ABOUT STATKRAFT'S ANNUAL REPORT

The annual report is published both on web and in printed edition. The printed copy of annual report contains financial statements, report from Board of Directors and corporate responsibility statement. Complete annual report including corporate responsibility reporting , Corporate governance reporting and additional information can be viewed and downloaded from www.statkraft.com or directly from arsrapport2011.statkraft.com

Good corporate governance contributes to value creation

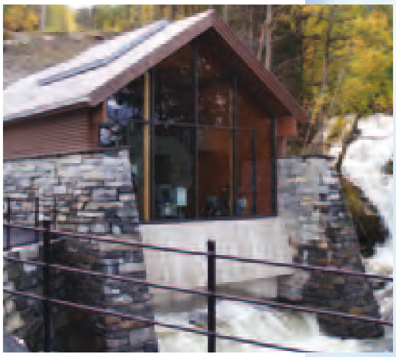
Statkraft's corporate governance shall contribute to sustainable and lasting value creation in the Group. The company will create long-term value for shareholders, employees and other stakeholders through good and transparent governance. Statkraft will build confidence in its surroundings through predictability and credibility. Good relations with the community and especially those third-parties who are affected directly by the business will be obtained and maintained by open and accessible communication.



STATKRAFT

➔ LEADER IN RENEWABLE ENERGY

➔ CREATING SIGNIFICANT VALUE



9 bill NOK
GROSS INVESTMENTS IN 2011

5 bill NOK
TOTAL TAXES AND FEES IN NORWAY

PRESENT IN ABOUT
200
MUNICIPALITIES

51.5 TWh
TOTAL POWER GENERATION

DELIVERS
21 TWh
TO THE INDUSTRY ANNUALLY

3400
EMPLOYEES

As a European leader in renewable energy, Statkraft creates significant value for Norwegian society. Statkraft's Board and corporate management focus on efficient operations and being well-positioned through long term investments, good utilisation of market positions, human resources and opportunities. The fundamental basis for value creation is energy prices, water management and power production.

NORWAY

The revenues comes from sales of own production in the spot market, sales of contracts to the industry, financial trading, network operations as well as district heating and power sales to end users. The strategic focus areas are hydropower, wind power and bio-energy. The power production in 2011 amounted to almost 31 per cent of Norway's power production. The Group also owns and develops district heating.

The activities take place all over Norway, in more than 200 municipalities, and contribute significantly to value creation for businesses and local communities. In 2011, Statkraft allocated more than NOK 4 billion in dividend to the Norwegian state. Total taxes and fees to the state and local authorities in Norway amounted to almost NOK 5 billion. The largest disbursements were between NOK 64 million and NOK 96 million and went to the local authorities in Vinje, Hemnes, Suldal, Rana and Odda.

In 2011, the company invested a total gross of NOK 9 billion, of which NOK 3.64 billion in Norway. The company purchased goods and services for almost NOK 6 billion from 8000 suppliers.

Statkraft participates in the development of small-scale hydropower plants in cooperation with local landowners through its shareholding in Småkraft AS. Statkraft is a main supplier of power for the power-intensive industry and delivers more than 20 TWh to the industry annually. This is about one-third of the company's total production.

The company has three R&D programmes closely linked to the Group's strategic focus areas. Innovation and R&D leads to better utilization of resources.

Several upgrade and expansion projects in older hydropower plants exemplify this. In Høyanger on the Norwegian west coast, two old power plants are now being replaced by three new ones built inside the mountain, while pipelines and cables are underground.

INTERNATIONALLY

The biggest part of Statkrafts production is in the Nordic countries (hydropower) and Germany (water and gas). In addition, the Group is exposed in other European markets as well as markets outside Europe. The Statkraft group has 3 400 employees in countries in the Nordic region, Europe, Asia and South America. The Group is a significant developer of hydropower internationally through the company SN Power. Statkraft also builds hydropower in Turkey. In Sweden, several wind farms are under development and the Sheringham Shoal offshore wind farm in the UK will be completed this year.

The growth is driven by growing demand and need for energy with the lowest possible carbon emissions.

In Europe, Nordic hydropower will play a significant role as the need for flexible power grows with the increasing share of solar and wind power. The flexible hydropower production, combined with more cables for power exchange between the Nordic region and the Continent, represents a significant potential for long-term, sustainable value creation.

REPORT FROM THE BOARD OF DIRECTORS 2011

2011 was a year characterised by major fluctuations in the resource situation in the Nordic region. At the start of the year, the situation was tight and power prices high, but the situation improved significantly through the year and the reservoir water levels in the Nordic region were far higher than normal at year-end. The Nordic power prices fell as the reservoir water levels rose, and were on average 11% lower than in 2010. Statkraft's power plants had high uptime rates, but hydropower production was lower than in 2010 due to the market situation. The gas power production was also lower than in 2010 as a result of periods with negative margins. Total production in 2011 was 51.5 TWh, 10% lower than in 2010. Due to negative unrealised changes in value and non-recurring items, the result for the year after tax was slightly positive. Underlying operations were solid with an EBITDA margin of 49%. The amounts invested increased in accordance with the strategy, reaching a gross total of about NOK 9 billion.

IMPORTANT EVENTS AND STRATEGY ACHIEVEMENT IN 2011

In 2010, Statkraft's strategy was focused on areas where its comparative advantages were considered to be best suited to create maximum values for the owner and society in general. The new strategy aimed for growth in five areas:

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

In 2011, the Group reached several milestones in its focus areas.

Nordic and other European flexible power production and market operations Statkraft increased the long-term power contract volume, and several new contracts were entered into in 2011. The new power agreements starting delivery in 2011 and 2012 amount to a total annual volume of 6.6 TWh, and the Group's total long-term contract volume is now about 20 TWh per year. These are agreements entered into with mainly Norwegian companies.

In Norway, Statkraft is upgrading its hydropower plants with a budget exceeding NOK 1 billion. In Sogn og Fjordane County, Statkraft is constructing the Eiriksdal and Makkoren hydropower plants to replace three older power plants which will be shut down, and Nedre Røssåga power plant in Nordland County is also undergoing modernisation. The Eiriksdal and Makkoren development is scheduled for completion in 2014, while the modernisation of Nedre Røssåga is scheduled for completion in 2015. In addition, efforts are underway to expand Svartisen power plant in Nordland with a new unit. The expansion has been delayed 15 months due to technical problems, and is expected to resume operation in late 2012. The total investment for the Svartisen expansion is about NOK 400 million.

The supply of new renewable energy to the market over the course of 2011, combined with falling power prices and high gas prices, resulted in low margins for gas power plants in Germany. The German power market is in substantial and rapid change, and this, combined with low demand, has caused Statkraft to write down the gas and biopower plant portfolio and to decide that the older Emden 4 gas power plant in Germany will be put in cold reserve with reduced workforce. This capacity will be replaced by expansion of a different gas power plant, Knapsack II (430 MW), where construction started in 2011 and will be completed in 2013. The total investment for the plant is about NOK 3 billion.

International hydropower Statkraft decided to start construction of the Cetin project in south-eastern Turkey. The project will consist of two power plants of 401 MW and 116 MW, respectively, combined with a regulation reservoir. The project is scheduled for completion in the second half of 2015. The expected cost is about NOK 4 billion. In addition, Statkraft is constructing the Kargi hydropower plant in Turkey. The 102 MW plant is scheduled for completion in late 2013, and has an investment ceiling of NOK 2 billion.

Through the subsidiary SN Power, acquisitions were made in the Brazilian company Enerpar and an agreement entered into to acquire 40.65% of the shares in the Brazilian company Desenvix. Enerpar (wholly owned) is a power trading company, while Desenvix develops, builds and owns small and medium-sized hydropower plants. The acquisition of the stake in Desenvix was completed on 9 March 2012.

The total rehabilitation of the Ambuklao power plant in the Philippines, which SN Power owns together with Aboitiz, was completed and the power plant is now in full production. The plant has an installed capacity of 105 MW and an annual mean production of about 332 GWh.

SN Power's subsidiary Agua Imara has decided to develop the Bajo Frio power plant in Panama. The project will be realised with a local partner. The 58 MW power plant is scheduled for completion in the summer of 2014 and has a development cost of about USD 200 million.

SN Power acquired the remaining 20% of the shares in Norvind and now wholly owns a 46 MW wind farm in Chile. The acquisition took place in combination with SN Power divesting itself of Hidroeléctrica Trayenko in Chile.

At the end of 2011, the Group had five power plants under construction outside of Northern Europe – Kargi (102 MW) and Cetin (401 MW and 116 MW) in Turkey, Cheves (168 MW) in Peru and Bajo Frio (58 MW) in Panama. The total investment for these developments is expected to reach about NOK 9.5 billion. In addition, Statkraft SF has a 20% shareholding in Theun Hinboun in Laos, which will be expanded by two power plants to increase the capacity from 220 MW to 500 MW.

Wind power The Group approved and started the construction of three wind farms. Stamåsen (60 MW) and Mörttjärnberget (85 MW) in Sweden are scheduled for completion in 2012 and 2013, respectively, and Baillie in Scotland (52.5 MW) is scheduled for completion in 2012. The total investment for these projects is about NOK 2.8 billion.

In addition, Statkraft and Statoil are building the Sheringham Shoal offshore wind farm (317 MW) off the coast of the UK. At the end of 2011, 21 wind turbines had been installed, of which ten were in operation. The farm is scheduled for completion in 2012. This is the Group's first offshore wind construction project. The project has suffered cost overruns and delays, and the value of the plant has been written down.

District heating Statkraft was awarded a licence to develop 45 GWh of district heating in Ås. The initial heating delivery has been scheduled for 2012. The total investment amounts to about NOK 170 million, and Statkraft has been granted NOK 38 million in subsidies from Enova.

Statkraft acquired Bio Varme. The business includes 80 GWh in operation, 50 GWh under development and 70 GWh under planning.

Small-scale hydro Småkraft started operations at four new plants in 2011. At the end of the year, the company had 28 power plants in operation (annual production of 328 GWh) as well as 21 legally binding licences (183 GWh).

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

Other important events Statkraft sold the real estate company Sluppen Eiendom AS in Trondheim with a booked gain of NOK 126 million.

Fjordkraft AS sold the shareholding in Scanenergi AS and Scanenergi Elsalg AS with a booked gain of NOK 123 million.

Changes in the corporate management team Jens Bjørn Staff became the new CFO on 1 October. In addition, the corporate management team consists of Christian Rynning-Tønnesen (President and CEO), Hilde Bakken (Staffs), Asbjørn Grundt (Market operations and IT), Steinar Bysveen (Generation and Industrial Ownership), Øistein Andresen (International Hydropower) and Jon Brandsar (Wind Power and Technologies).

Health and safety There was one fatal accident in consolidated operations and four in associates. A contractor died in connection with a development project in Turkey, where Statkraft owns 100%, three contractor employees died in connection with a development project in Theun Hinboun Power Company in Laos, where Statkraft SF owns 20%, and one employee died in the Istad Group in Norway, where Statkraft owns 49%. All accidents have been investigated and followed up. To achieve the goal of zero working accidents with serious consequences, the work to follow up and implement preventive activities in the operations and projects will be strengthened. Furthermore, high safety requirements are also set for partners and suppliers.

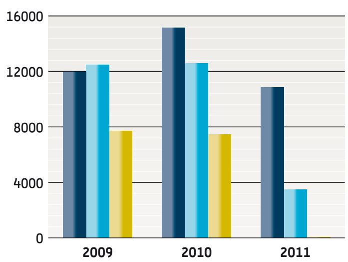
MAJOR TRANSACTIONS IN RECENT YEARS

In recent years, Statkraft has carried out several transactions, with the asset swap with E.ON AG at the end of 2008 and the acquisition of SN Power in 2009 being the largest. The former transaction entailed that E.ON AG acquired Statkraft's shareholding of 44.6 % in E.ON Sverige AB in return for assets and a 4.17 shareholding in E.ON AG. The swap trade yielded a gain of NOK 25.6 billion. The acquisition from 50% to 60% in SN Power meant that the company went from being a joint venture to a subsidiary.

Parts of the business Statkraft acquired from E.ON AG have had a satisfactory development and have generated positive results. The E.ON AG shareholding has fallen significantly in value, and the value was NOK 10.8 billion at the end of 2011. This is NOK 12.3 billion lower than at the acquisition on 31 December 2008. More than one-third of the lower value is due to unrealised currency losses. Investments in E.ON Sverige AB (formerly Sydkraft) have yielded a return, from the shares were acquired, of about 10% annually based on the current value of the assets and the E.ON shares.

EBITDA AND NET PROFIT*

NOK mill.



EBITDA, underlying operations*
Profit before tax, underlying operations*
Net profit, financial

* Unrealised changes in value exclusive trading and origination, material non-recurring items are not included.

SN Power represents one of the Group's focus areas and has a high activity level in connection with project developments. In spite of relatively high costs in connection with growth, the company has had a positive development since Statkraft's acquisition, and the contribution from associates and joint ventures has increased in recent years and amounted to NOK 459 million in 2011.

FINANCIAL PERFORMANCE [1)]

A tight resource situation in the first half and relatively low spot prices in the second half of the year as a result of high inflow and mild weather resulted in the Group's overall production at spot prices being substantially lower than in 2010. Compared with 2010, a year with significant higher prices and production, the Group had a considerable decline in revenues. The recorded net operating revenues totalled NOK 17094 million and the operating profit NOK 6203 million. This represents a decline of 26% and 51%, respectively, compared with 2010. The lower spot sales revenues were partly offset by a high percentage of contract sales.

[1] Figures in parentheses show the comparable figures for 2010.

The Group's recorded pre-tax profit amounted to NOK 3466 million and the result after tax was NOK 40 million.

In addition to lower revenues, the result for 2011 was adversely affected by write-downs for bio and gas power plants in Germany and the Sheringham Shoal offshore wind farm in the UK, as well as unrealised losses on energy contracts and the shareholding in E.ON AG.

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

Return Measured in ROACE – Returns on Average Capital Employed – the Group achieved a return of 13.9% in 2011 (19.7%). The decline of 5.8 percentage points from 2010 is mainly due to a lower operating profit.

Based on the recorded result, the return on equity after tax was 0.1% (11.8%), and the return on total capital after tax was 0.8% (6.0%). The decline is primarily due to a weaker result, mainly as a result of lower Nordic power prices and hydropower production at spot prices, write-downs and unrealised changes in value. Average equity and total assets increased somewhat as a result of the equity injection from the owner in December 2010.

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

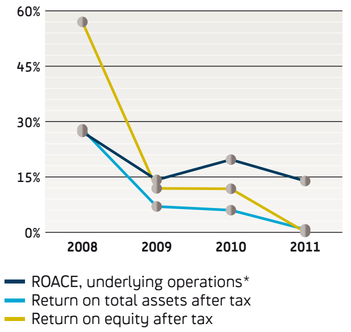
The power market The majority of Statkraft's production is generated in the Nordic region and Germany. The Group is also exposed in other European markets as well as markets outside Europe through its subsidiary SN Power.

Power prices in the Nordic region fell through 2011, and the average system price on Nord Pool ended at 47.2 EUR/MWh, 11% lower than in 2010. Power prices in Germany were higher than in 2010 for most of the year, and the average spot price (base) on the European Energy Exchange (EEX) ended at 51.1 EUR/MWh, 15% higher than in 2010. Compared with the average prices for the years 2006-2010, the price was 13% higher in the Nordic region and 7% higher in Germany. The average gas price at the Title Transfer Facility (TTF) in the Netherlands was 21.9 EUR/MWh, an increase of 26% from 2010.

Power consumption in the Nordic region is relatively high compared with other European countries as a result of the combination of cold winters and a high percentage of electric heating, as well as a relatively high percentage of power-intensive industry. In 2011, the demand for power fell by 4% in the Nordic region and 5% in Norway compared with the preceding year. Total production in Norway was 125.2 TWh, an increase of 4% from 2010, and 3.2 TWh was exported (corresponding to 3% of the production). 7.6 TWh was imported in 2010. Overall, 370.5 TWh was produced in the Nordic region, a decline of 1% from 2010, and 5.2 TWh was imported (corresponding to 1% of the consumption). 19.2 TWh was imported in 2010.

At the end of December, the overall water level in the Nordic region's reservoirs was 112% of normal, corresponding to 95 TWh. The water level was 79% of maximum capacity, which is 121 TWh. Measured in TWh, this represents an increase in the reservoir water levels of about 75% compared with the end of 2010, when the water level was 45% of maximum capacity and 64% of normal.

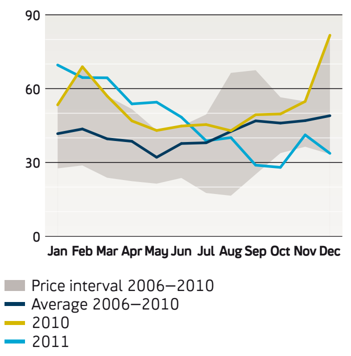
RETURN ON CAPITAL



* Unrealised changes in value, exclusive trading and origination, material non-recurring items are not included.

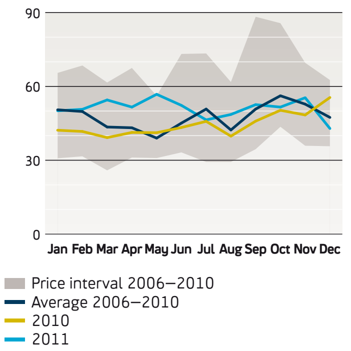
SYSTEM PRICE, NORD POOL

EUR/MWh

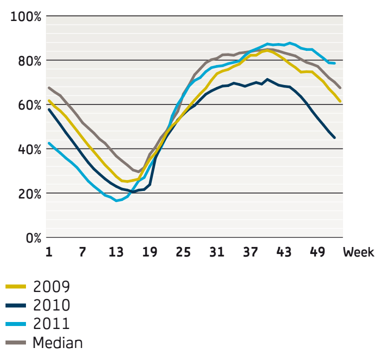


SPOT PRICE, EEX

EUR/MWh



NORDIC RESERVOIR WATER LEVELS



Source: Nord Pool

Production Statkraft's production is determined by capacity, access to resources (hydrological balance and wind), spark spread (margin between power and gas price) and power optimisation. At the end of 2011, the installed capacity amounted to 16 430 MW, with hydropower contributing 13 249 MW, gas power 2178 MW, wind power 321 MW, district heating 666 MW and biopower 16 MW.

The Group's energy production totalled 51.5 TWh, as well as 0.9 district heating, declines of 10% and 14%, respectively. The hydropower production declined by 8% and the gas power production by 30% to 46.0 TWh and 4.6 TWh, respectively. The wind power production, which amounts to a relatively small percentage of the Group's upstream production, increased by 24% to 0.8 TWh. Biopower production amounted to 0.1 TWh, a decline of 11%.

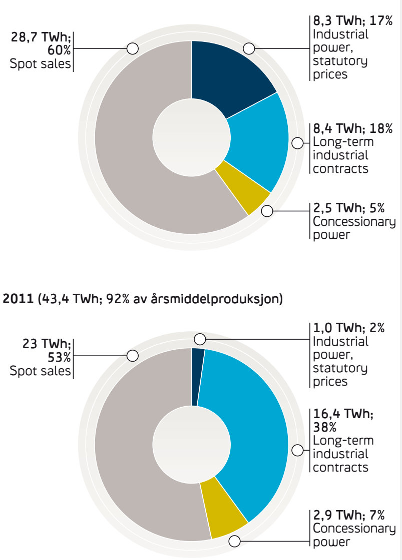
The demand for power varies through the day and through the year, and the power markets are dependent on capacity that can be adjusted in line with demand. Statkraft's large share of flexible production capacity, combined with sound expertise in analysis and production, contribute to the Group's consistently sound water resource management. This is achieved through carefully planned power optimisation as well as available power plants in peak demand periods. This expertise is also used in the flexible power production on the Continent. Statkraft's 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, the production can be kept high in periods with high prices and lower in periods with low prices or when concerns for the reliability of supply dictate otherwise.

Statkraft's Nordic hydropower production in 2011 was about 92% of the annual mean production. As a consequence of a lot of precipitation through large parts of the year, the resource situation at year-end is sound.

Underlying operating revenues Gross operating revenues fell by 23% to NOK 22 298 million, while net operating revenues fell by 20% to NOK 18 120 million.

The power production is primarily sold in the spot market, under long-term industrial contracts and in the end-user market. In addition, the Group also delivers power at terms set by the authorities (concessionary power and lease agreements for industrial power). The production revenues are optimised through financial power trading, and the Group also engages in trading activities. District heating and Industrial ownership are reported as separate segments.

NORDIC HYDROPOWER PRODUCTION



UNDERLYING OPERATING REVENUES

Figures in NOK mill.	2011	2010
Net physical spot sales, incl. green certificates	7 762	13 887
Concessionary sales at statutory prices	401	308
Sales of electricity to industry at statutory prices	130	1 535
Long-term commercial contracts	5 880	3 054
Nordic and Continental dynamic asset management portfolio	(124)	308
Trading and Origination	834	732
Distribution grid	1 114	1 421
End-users	4 902	5 986
District heating	581	634
Other/eliminations	(50)	45
Sales revenues	**21 431**	27 911
Other operating revenues	868	1 080
Gross operating revenues	**22 298**	28 990
Energy purchase	(2 964)	(4 674)
Transmission costs	(1 215)	(1 595)
Net operating revenue	**18 120**	22 721

Long-term agreements with the power-intensive industry Statkraft is a major supplier to the energy-intensive industry, and some of this power has historically been sold at terms stipulated by the authorities. These contracts have successively expired over the past years, and the last expired in July 2011. As these contracts have expired, the number of new contracts with the power-intensive industry has grown. New power agreements with delivery starting in 2011/12 amounted to an annual volume of 6.6 TWh at the end of 2011, and the Group's total long-term contract volume was about 20 TWh per year, corresponding to about 45% of the Group's annual mean production for Nordic hydropower. These agreements have mainly been entered into with Norwegian industry. Most of this takes place under the auspices of the Statkraft AS Group, but the volume also includes lease agreements that Statkraft SF has with the power-intensive industry. The majority of the volume is contracted to 2020. In 2011, a total of 17.4 TWh was delivered to the Nordic industry, an increase of 5%, and the revenues amounted to NOK 6010 million, an increase of 31%. The volume corresponded to 40% of the Group's Nordic hydropower production.

ELLEN STENSRUD
Deputy chair, Board member since 2007

Concessionary sales at statutory prices 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 the average production cost, which is substantially lower than the power market price. In 2011, the revenues from concessionary power amounted to NOK 401 million (NOK 308 million), and the volume amounted to 7% of the Group's Nordic hydropower production.

Portfolio management To mitigate risk related to uncertainty in future price and production volumes, as well as to increase the long-term revenues, the company hedges production revenues through financial power trading. The share of the production that is hedged changes in line with market development expectations. As power prices are influenced by other commodity prices such as coal, oil, gas and CO_2, and as these prices can both be input factors in gas power production (gas and CO_2), and price adjustment factors in contracts, Statkraft also engages in financial trading with these commodities.

Statkraft's analysis activities occupy a key position in the trading. The analysis activities are based on collection and processing of hydrological data and other market data. The data are used to estimate market prices and optimise the flexible production. In 2011, the result from the Nordic and Continental portfolio management amounted to NOK -124 million, compared with a positive contribution of NOK 308 million in 2010. The negative value in 2011 relates to losses on sales contracts in the first quarter. These contracts were entered into before power prices rose sharply in the latter half of 2010. In addition, losses were incurred on sales contracts for coal as a result of relatively high coal prices.

Trading and origination Statkraft is also engaged in relatively short-term positioning with financial standard contracts (trading) and trading with structured products and customised agreements for industry and industry and commerce (origination). The realised income can vary substantially from period to period and year to year. In 2011, realised and unrealised income from trading and origination amounted to NOK 834 million, an increase of 14% from the preceding year. The origination activities generated the bulk of the improvement, partly as a result of the activities expanding into new markets.

Downstream activities The downstream activities in Statkraft consist of grid operations, district heating and power sales to end users. The sales revenues from these activities are large, but the margins are low compared with the other activities. In total, the revenues from the downstream activities amounted to NOK 6597 million, a decline of 18%. The decline in grid revenues is due to the divestment of Trondheim Energi Nett AS in the first half of 2010, while the revenues from end-user sales and district heating declined as a result of lower prices and demand.

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

Other operating revenues amounted to NOK 868 million, a decline of 20%. The decline is primarily due to revenues lost due to the sale of Skagerak Fibernett AS in early 2011 and compensation from Statkraft SF for an agreement in connection with Oksla power plant in 2010.

Energy purchases amounted to NOK 2964 million, a decline of 37%. The decline is primarily due to Fjordkraft buying a larger share of the power for the end-user business internally in the Group, as well as lower gas purchases for power production.

Transmission costs associated with the transport of power totalled NOK 1215 million, a decline of 24%. The decline is mainly due to lower production.

Underlying operating expenses Operating expenses for 2011 amounted to NOK 9730 million, a decline of 4% from 2010.

UNDERLYING OPERATING EXPENSES

Figures in NOK mill.	2011	2010
Salaries and payroll costs	2 759	2 726
Depreciation	2 461	2 543
Property tax and license fees	1 254	1 236
Other operating expenses	3 256	3 598
Operating expenses	**9 730**	**10 103**

Salaries and payroll costs increased by 1%. The increase is due to ordinary wage development, increased activity in the segments International hydropower and Wind Power, acquisition of activities, as well as insourcing of the operation of Swedish hydropower. The sale of Skagerak Fibernett AS and Trondheim Energi Nett AS in summer 2010, as well as provisions in 2010 in connection with restructuring, has the opposite effect.

Depreciation declined by 3% from 2010. The decline is primarily due to the Group writing down assets by a total of NOK 2.3 billion over the last two years as well as the sale of Trondheim Energi Nett AS.

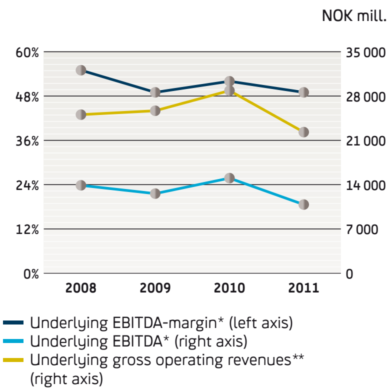
Property tax and licence fees increased by 2% from 2010. The calculation basis for property tax on power plants is based on an average of the results for the power plant over the last five years, and high power prices will therefore influence tax costs. Statkraft's license fees are relatively stable and 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. Property tax increased by 3% to NOK 970 million. The increase relates primarily to an increase in the Swedish property tax from 2.2% to 2.8%. Licence fees remained on a par with 2010.

Other operating expenses include external services, materials, costs of power plants operated by third parties as well as compensation payments. In addition, other operating expenses include rent, IT expenses, marketing, insurance and travel expenses. In 2011, these expenses totalled NOK 3256 million, a decline of 10%. The decline is primarily due to insourcing of the operation of Swedish hydropower plants and the sale of Skagerak Fibernett AS and Trondheim Energi Nett AS.

Underlying EBITDA and underlying operating profit EBITDA – earnings before interest, tax, depreciation and amortisation - amounted to NOK 10 851 million in 2011 and the operating profit was NOK 8390 million, declines of 28% and 34%, respectively, from 2010.

Historically, Statkraft has had high EBITDA margins as a result of operating expenses in connection with hydropower production being low. This to some extent offset by higher tax

UNDERLYING EBITDA



* Unrealised changes in values, exclusive trading, origination and material non-recurring items.
** Including unrealised changes in values for trading and origination.

rates for Norwegian hydropower production through economic rent taxation. The EBITDA margin was 49% in 2011 (52%). The decline in the margin was mainly a result of lower Nordic prices and production. Lower operating expenses, excluding depreciation, offset the decline somewhat.

Items excluded from the underlying operating profit

Figures in NOK mill.	2011	2010
Unrealised changes in value energy contracts (excl. Trading and origination)	-1 152	62
Significant non-recurring items	-1 035	70
- Gain on sale, Sluppen Eiendom	126	
- Gain on sale, Trondheim Energi Nett		393
- Plan changes, pension reform		339
- Accumulated depreciations	-74	
- Impairments of fixed assets and receivables	-1 087	(662)

Total unrealised changes in value and material non-recurring items in 2011 amounted to NOK -2187 million (NOK 132 million).

Unrealised changes in value on energy contracts Unrealised changes in value on energy contracts, excluding trading and origination, amounted to NOK -1152 million (NOK 62 million).

In the second quarter, Statkraft decided to change its accounting practice for power sales agreements entered into in EUR where the other contractual party uses NOK as its functional currency. Changes in value recognised in the income statement in this connection amounted to NOK -1082 million and relate primarily to agreements entered into in 2009 when the EUR was exchanged at slightly more than NOK 9.

The change in contract terms from the fourth quarter of 2011 has resulted in the power purchase agreement with Herdecke being evaluated at fair value. Statkraft's percentage of unrealised losses associated with this contract impacted the annual result with NOK -505 million.

Other unrealised changes in value are partly due the to Group's contracts being indexed against various commodities, currencies and indices. In 2011, higher gas prices were the primary influences on these unrealised items.

Significant non-recurring items Non-recurring items excluded from the calculation of the underlying profit amount to NOK -1035 million in 2011 (NOK 70 million).

In the second quarter, Statkraft sold the real estate company Sluppen Eiendom AS to Trondheim Næringspark AS with a booked gain of NOK 126 million.

Non-current assets and receivables in connection with gas and biomass power plants in Germany were written down by NOK 1029 million and NOK 58 million, respectively, NOK 1087 million in total

Share of profit from associated companies and joint ventures The Group has major shareholdings in the Norwegian regional power companies BKK AS and Agder Energi AS. Outside of Norway, the growth in several instances takes place through ownership in partly-owned companies. The share of profit from the Group's associates amounted to NOK 898 million in 2011, an increase of 17%.

The Sheringham Shoal offshore wind farm in the UK (50% shareholding) was written down by NOK 338 million, primarily as a result of delays and cost overruns. However, increased

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

SILVIJA SERES

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

contributions from BKK, Agder Energi and SN Power's associates companies in the Philippines caused a positive change in the profit shares compared with 2010.

Financial items Net financial items amounted to NOK -3635 million in 2011 (NOK -917 million), of which NOK 390 million was realised. Statkraft's external debt was considerably higher than financial investments, and this resulted in realised net interest charges of NOK 936 million in 2011. However, other financial items, mainly dividend from E.ON AG and realised currency gains from internal loans, were positive, amounting to a total of NOK 1326 million.

Financial income amounted to NOK 2015 million (NOK 2060 million). Statkraft places significant amounts in banks and securities at times, particularly ahead of major payments. Counterparties are continually followed up to reduce the risk of losses. The return on investments was NOK 290 million higher in 2011 as a result of higher average invested amounts and somewhat higher market interest rates. At the end of 2010, Statkraft received a contribution of capital from the owner of NOK 14 billion, increasing cash and cash equivalents in 2011. Other financial income (total financial income exclusive of interest income) fell by NOK 318 million mainly due to lower currency gains on realised external debt.

Financial expenses amounted to NOK 1625 million (NOK 1607 million). Interest costs (including guarantee premiums to the State) fell by NOK 38 million compared with 2010 as a result of lower average debt. The effect of the lower debt was somewhat offset by higher market interest rates. Other financial expenses (total financial expenses exclusive of interest income) were NOK 56 million higher in 2011.

Unrealised changes in value for financial items amounted to NOK -4025 million, and the reduction of NOK 2656 million compared with 2010 relates primarily to lower unrealised currency gains on internal loans and lower write-down on E.ON AG shares than in 2010.

Unrealised currency gains on internal loans amounted to NOK 246 million in 2011, a reduction of NOK 3127 million from 2010. The large gain in 2010 was the result of a marked strengthening of the NOK and SEK in relation to EUR, while the strengthening of NOK and SEK against EUR was moderate in 2011.

Statkraft owns 83 415 119 shares in E.ON AG, corresponding to a shareholding of 4.17%. At year-end, the shareholding was entered in the balance sheet with market value of NOK 10 782 million. The change in value in 2011 was NOK -4085 million, of which NOK -4103 million has been recognised as a loss under unrealised changes in value, and where NOK 18 million has been recognised in comprehensive income. The share price fell from EUR 22.87 to EUR 16.67 per share in 2011. The part of the unrealised loss that is attributable to the lower share price amounts to NOK 3988 million (NOK 3625 million), and the weakening of the EUR against NOK explains NOK 97 million (NOK 1193 million).

The Group has four loan portfolios in NOK, SEK, EUR and USD, respectively. The portfolios are exposed to both variable and fixed interest rates, with exposure to variable interest rates amounting to 63%. The average current interest rates in 2011 for loans denoted in NOK were 4.6%, in SEK 2.9%, in EUR 3.9% and in USD 3.6%. Debt in USD is in relation to project financing in SN Power.

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

Taxes The recorded tax expense was NOK 1721 million lower than in 2010, and amounted to NOK 3427 million. The decline in tax costs was primarily due to a lower result before tax, but was partly offset by recording negative resource rent income carryforwards in 2010 of about NOK 1400 million as income. Lower power prices and production have resulted in a reduction in the payable resource rent tax of NOK 648 million.

Cash flow and capital structure

CASH FLOW

Figures in NOK mill.	2011	2010
Net cash flow from operating activities	9 523	13 577
Net cash flow from investing activities	(8 202)	(2 297)
Net cash flow from financing activities	(13 099)	2 092
Net change in cash and cash equivalents	(11 778)	13 372
Currency effect on cash flows	10	17
Cash and cash equivalents 01.01.	20 052	6 663
Cash and cash equivalents 31.12.	**8 284**	20 052
Restricted cash	(786)	(774)

The operating activities generated a cash flow of NOK 7585 million in 2011 (NOK 13 307 million). Long and short-term items experienced a positive change of NOK 299 million (negative change of NOK 876 million). Dividend received from associates was NOK 1639 million (NOK 1146 million). Net liquidity change from operating activities amounted to NOK 9523 million (NOK 13 577 million).

For the year as a whole, a gross total of NOK 9038 million (NOK 3768 million) was invested, of which NOK 1708 million through loans to associates. The largest investment items in 2011 were in connection with hydropower in Norway, Turkey and Peru, gas power in Germany, land-based wind power in the UK and Sweden as well as an increased shareholding in Baltic Cable AB. Sale of business and fixed assets contributed NOK 836 million (NOK 1471 million).

The net liquidity change from financing amounted to NOK -13 099 million, down NOK 15 191 million from 2010. The reduction is due to the contribution of new equity from the owner of NOK 14 billion in December 2010. New borrowings totalled NOK 376 million (NOK 4431 million), while downpayment of debt amounted to NOK 5169 million (NOK 8282 million).

Dividend disbursed and group contribution to Statkraft SF and minorities amounted to NOK 9400 million in 2011 (NOK 7964 million).

The net change in liquidity in 2011 was negative and amounted to NOK 11 778 million (positive change of NOK 13 372 million). The Group's cash and cash equivalents totalled NOK 8284 million, compared with NOK 20 052 million at the beginning of the year.

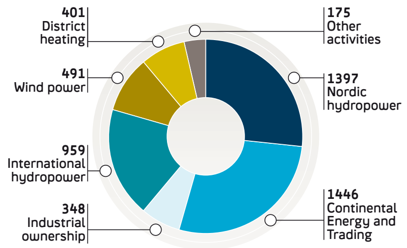
At the end of 2011, the interest-bearing debt amounted to NOK 36 887 million, compared with NOK 40 486 million at the beginning of 2011. The interest-bearing debt-to-equity ratio was 36.0%, compared with 35.0% at year-end 2010. The increase is primarily due to lower equity.

Loans from Statkraft SF to Statkraft AS amounted to NOK 400 million at the end of the year.

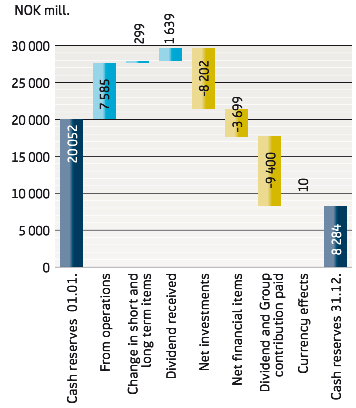
At the end of 2011, current assets, except cash and cash equivalents, totalled NOK 18 661 million and current interest-free debt amounted to NOK 15 430 million.

At the end of 2011, Statkraft's equity totalled NOK 65 651 million, compared with NOK 75 302 million at the start of the year. This corresponds to 45.6% of total assets. The decline of 2.7 percentage points from 2010 is mainly due to disbursement of dividend and group contributions to Statkraft SF.

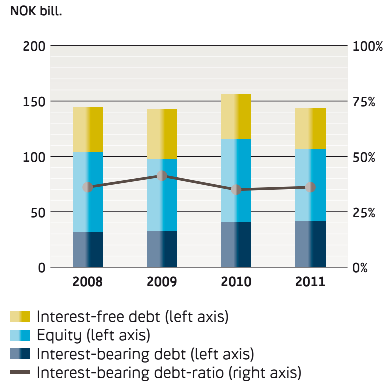
INVESTMENTS IN NEW CAPACITY



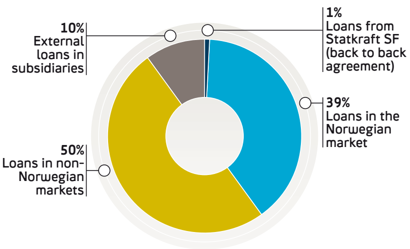
CASH FLOW 2011



INTEREST-BEARING DEBT RATIO

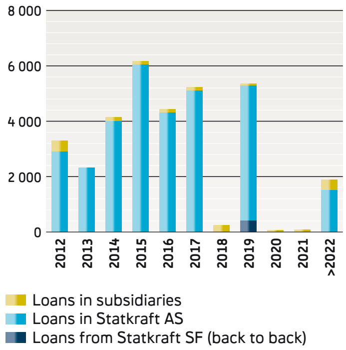


DISTRIBUTION OF EXTERNAL DEBT



LONG-TERM LIABILITIES, DEBT REDEMPTION PROFILE

NOK mill.



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

STATKRAFT'S ACTIVITIES

Statkraft is Europe's largest producer of renewable energy. As a result of a change in the Group's strategy, Statkraft was reorganised in 2010. This reorganisation was finalised with the implementation of new segments effective as of 1 January 2011. The segment structure is presented on the basis of the internal management information which the management systematically reviews and uses for resource allocation and 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 business.

Nordic hydropower is the largest segment and includes hydropower plants in the Nordic region. The production assets are mainly flexible and include 169 hydropower plants in Norway (107), Sweden (59) and Finland (4), with a total installed capacity of more than 10 500 MW. The segment's revenues come mainly from sale of power in the spot market as well as long-term contracts, the latter mostly with 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.

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. Total installed capacity for the segment's 20 power plants is slightly less than 2500 MW, while Baltic Cable has a capacity of 600 MW. 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. This enables the Group to exploit its overall market expertise in the best possible manner. The trading involves extensive use of standardised and structured power contracts, gas, coal, oil and carbon.

International hydropower operates in emerging economies with expected high growth and substantial need for energy. Statkraft focuses on selected markets where the Group's hydropower expertise can be applied. 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 interests in 20 hydropower plants in South America, Asia and Africa, as well as one wind farm and one thermal power plant in South America. These power plants have a total installed capacity of 990 MW (SN Power's share). In addition, SN Power owns two hydropower plants totalling 197 MW (SN Power's percentage) under construction. SN Power is also engaged in power trading in Brazil. In Turkey, Statkraft owns a hydropower plant of 20 MW, while three hydropower plants totalling 619 MW are under construction. Investments are often made in partnership with local players or international investors. The segment's result is characterised by expensing substantial costs in connection with project development.

Wind power includes Statkraft's investments in land-based and offshore wind power. The segment has five land-based wind farms in operation in Norway, Sweden and the UK, with a total installed capacity of 276 MW. The revenues mainly derive from sale of power at spot prices as well as green certificates. In addition, the segment has three wind farms – two in Sweden and one in the UK – under construction. These will have an installed capacity totalling 129 MW (Statkraft's share), and are scheduled for completion in 2012 and 2013. In Norway and Sweden, the segment has a large project portfolio within land-based wind, where the priority is to achieve final licences so that construction can start. Offshore wind concentrates on the UK market. Statkraft and Statoil own the offshore wind farm Sheringham Shoal 50-50. The wind farm will have an installed capacity of 317 MW and is scheduled for completion in 2012. Together with three partners, the offshore wind projects at Dogger Bank are being developed towards the licence application stage. In addition to the write-down on the investment in Sheringham Shoal, the result has also been characterised by expensing of project development costs. Project development costs will for a period continue to impact the segment result.

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. The total installed capacity is 377 MW in Norway and 231 MW in Sweden. In Norway, about 700 commercial customers and about 9000 households are supplied with district heating, while about

KEY FIGURES 2011 – SEGMENTS

	Unit	Statkraft AS Group	Nordic hydropower	Continental energy and trading	International hydropower	Wind power	District heating	Industrial ownership	Other
Income statement									
Gross operating revenues	NOK mill	22 298	12 674	4 106	1 065	350	555	7 842	-4 295
Net operating revenues	NOK mill	18 120	12 045	1 230	796	329	357	3 198	165
EBITDA, underlying	NOK mill	10 851	9 119	-17	219	-0	146	1 746	-363
Operating profit, underlying	NOK mill	8 390	8 002	-413	-1	-104	40	1 297	-430
Unrealised changes in value and non-recurring items	NOK mill	-2 187	-765	-1 347	-92	-	-	59	-42
Operating profit	NOK mill	6 203	7 236	-1 760	-93	-104	40	1 356	-472
Share of profit from assosiates and joint ventures	NOK mill	898	0	-98	449	-389	4	933	-2
Balance sheet									
Investments in associated companies and joint ventures	NOK mill	16 109	-0	533	5 875	650	1	9 050	0
Other assets	NOK mill	127 768	48 761	5 759	8 467	2 711	2 660	13 899	45 511
Total assets	NOK mill	143 878	48 761	6 292	14 342	3 361	2 661	22 949	45 511
Investments, maintenance	NOK mill	1 129	469	303	69	1	8	248	32
Investments, new capacity	NOK mill	5 217	1 397	1 446	959	491	401	348	175
Investments in shares	NOK mill	1 923	0	585	1 051	187	97	2	-
Upstream business									
Installed capacity	MW	15 763	10 555	2 474	1 010	276	-	1 355	94
Production, actual	TWh	51.5	38.2	4.9	2.4	0.7	-	4.9	0.3
– of which hydropower	TWh	46.0	38.2	0.3	2.3	-	-	4.9	0.3
– of which gas power	TWh	4.6	-	4.6	-	-	-	-	-
– of which wind power	TWh	0.8	-	-	0.1	0.7	-	-	-
– of which bio power	TWh	0.1	-	0.1	-	-	-	-	-
District heating									
Installed capacity	MW	665	-	-	-	-	608	57	-
Heating supplied	GWh	815	-	-	-	-	771	44	-
Number of customers	Thousand	12	-	-	-	-	11	1	-
Downstream business									
Number of distribution grid customers	Thousand	181	-	-	-	-	-	181	-
Energy supplied	TWh	7.1	-	-	-	-	-	7.1	-
Number of end-user customers	Thousand	408	-	-	-	-	-	408	-
Total volume supplied	TWh	11.9	-	-	-	-	-	11.9	-

1600 customers in Sweden receive district heating. 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. In Norway, the customer basis is being strengthened through mandatory connection.

Industrial ownership includes management and development of Norwegian shareholdings. The segment comprises the companies Skagerak Energi AS, Fjordkraft AS, BKK AS (49.9% shareholding), Istad AS (49%) and Agder Energi AS (45.5%). The two former companies are included in the consolidated financial statements, while the other three companies are reported as associates. Skagerak Energi's activities are concentrated around the production of power, district heating operations, distribution grid operations, electrical contracting activities and natural gas distribution. The production assets comprise 45 wholly and partly-owned hydropower plants with a total installed capacity of 1355 MW, as well as 57 MW of district heating. The company has about 181 000 distribution grid customers and more than 700 district heating customers. Fjordkraft's activities are concentrated around the sale of electricity to households and companies, and the company had more than 400 000 customers at the end of 2011.

Other activities includes Small-scale hydropower, the shareholding of 4.17% in E.ON AG, real estate management in Trondheim (sold in 2011), innovation, group functions and eliminations. The pro forma figures for 2010 also include Trondheim Energi Nett AS and the solar energy activities, which were divested in 2010.

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

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

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

Statkraft's strategy is based on an evaluation of the market's attractiveness and Statkraft's ability to create value. In December 2010, Statkraft received NOK 14 billion in new equity from the owner to implement the Group's strategy.

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

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

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

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

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

Statkraft is developing hydropower production in the Turkish market, and is planning development of the Devoll project in Albania together with the Austrian company EVN. SN Power prioritises development of hydropower in Peru, Chile, Nepal, India and the Philippines, where company already owns production capacity. SN Power also develops investment opportunities in Brazil and Vietnam. Agua Imara, a subsidiary of SN Power, is considering investment opportunities in southern Africa and in Central America.

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

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

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

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

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

Corporate governance Statkraft's corporate governance will contribute to sustainable and lasting value creation in the Group. Efficient and transparent management and control of the business will form the basis for creating long-term values for the owner, employees,

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

other stakeholders and society in general, and will help inspire confidence among stakeholders through predictability and credibility. Open and accessible communication will ensure that the company has a good relationship with society in general and the stakeholders who are affected by the company's activities in particular.

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

Corporate governance and management, and an account of business management pursuant to Section 3-3b of the Accounting act are described in detail in the chapter "Corporate governance" in the annual report on Statkraft's website.

The work of the Board of Directors There were no changes in the Board's composition in 2011.

The Board of Statkraft AS held 12 board meetings in 2011. In addition to day-to-day operations and the Board's follow-up of new industrial power agreements, a significant share of the Board's work in 2011 was in relation to SN Power's investment decisions and development of hydropower plants in Asia and South America. Statkraft is also in the process of establishing a presence as a significant hydropower player in Turkey, onshore wind power in the Nordic region and offshore wind power in the UK. Over the course of 2011, Statkraft also became an important player in district heating in the Nordic region.

The Board has appointed an audit committee consisting of four of the directors. The audit committee has held five meetings during the course of the year. The Board also has a compensation committee consisting of the chair of the Board and two of the Board members. The compensation committee has held two meetings during the course of the year.

Risk management The key risk factors for Statkraft relate to market operations, treasury management, project execution, operating activities and framework conditions. The international growth contributes to increased project risk, both in the development and construction phases. Handling of risk is important for value creation and is an integrated part of all business activities. The administration has a central investment committee that evaluates risk, profitability and strategic adaptations related to individual investments and across the project portfolio. The most important risks from the individual units and risks that are relevant to the Group as a whole are aggregated and included in Statkraft's corporate risk map. The risk map is reported to and followed up by the Corporate management and Board.

There are substantial volume and price risks related to power production and trading. In the Nordic power market, precipitation levels and winter temperatures are of great significance and cause considerable fluctuations in both prices and output volumes. In addition, power prices are influenced by the price of gas, coal, oil and carbon. In addition, gas power production is directly exposed to both gas, oil, electricity and carbon. Statkraft manages this market risk by trading in physical and financial instruments in several markets. The increased integration of the energy markets is of great significance for business models and risk management, and great emphasis is placed on analysing the different markets in connection. Internal mandates have been established for all trading, and these are subject to continuous follow-up.

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

All processes in the value chain are exposed to operational risk. There are many risks and challenges related to the execution of the Group's investment projects and operations. The safety of our employees and contractors is critical and requires high level of attention, both as regards injuries, accidents and security. The most critical aspects are in connection with the development of Statkraft's international activities. Major attention is given to development of sound systems and learning, establishing barriers and ensuring compliance to avoid delays, cost overruns and incidents.

Risk associated with framework conditions and the effect of political decisions is significant, and Statkraft has implemented systems for handling of regulatory issues. Exposure to subsidy schemes in connection with the development of clean energy in a number of markets and uncertainty in relation to their future development are emphasised when making investment decisions.

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

Statkraft has a management system that includes all governing documents and facilitates an efficient, systematic and uniform management of the Group with sufficient degree of formalisation, documentation and compliance.

RESEARCH AND DEVELOPMENT

The purpose of Statkraft's activities within innovation, technology and research and development (R&D) is to strengthen the company's competitive advantages within the core activities, and monitor trends and developments that may influence the markets Statkraft operates in.

The operational R&D work is performed in the business areas, and in cooperation with external R&D units with complementary expertise. Results are measured on the basis of generated value creation. Statkraft is the largest industrial player in the scheme Centres for Environment-friendly Energy Research (FME) and expensed NOK 150 million on R&D in 2011.

Three R&D programmes have been established to strengthen the competitiveness of the company. These are Future hydropower, Competitive wind power and Energy from biomass.

Projects concluded in 2011 have contributed to (i) improved production planning for power plants through further development of power optimisation and risk management tools, (ii) increased effect in the low load range for Francis turbines through implementation of a nozzle system for reduction of pressure pulsations, (iii) new methods for optimal management and maintenance monitoring of wind turbines, (iv) new qualification routines for risk

THORBJØRN HOLØS

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

ODD VANVIK

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

reduction in the development of offshore wind turbines, as well as (v) reduced energy costs and emissions in the district heating activities through optimisation of the combustion process in some bio-based district heating plants.

In addition, activities have been established in areas that may affect Statkraft's markets or, in the longer term, become new business opportunities:

Osmotic power uses the osmotic potential arising between fresh water and salt water, and Statkraft opened the world's first osmotic power prototype at Tofte in 2009. Statkraft is working with the aim of developing an osmotic power pilot of 1-2 MW. A cooperation agreement was entered into in 2011 with the Japanese company Nitto Denko, one of the largest global players in membrane production.

Flexible power generation is a central pillar of Statkraft's activities and analyses are therefore prepared of various other storage technologies (battery technologies, flywheels, compressed air storage) that are alternatives to water reservoirs.

Optimised use of smart grids, distributed energy resources and consumer flexibility aim to provide higher reliability, higher efficiency in the energy distribution and improved flexibility as regards demand.

Statkraft is looking into the possibility of establishing a district heating plant based on geothermal energy in connection with one of Statkraft's district heating plants.

CORPORATE RESPONSIBILITY

Corporate responsibility in Statkraft Responsible practice is the basis for all of Statkraft's activities. This means that the Group's activities must be conducted in accordance with applicable laws and regulations, and in line with Statkraft's internal guidelines and good international practice in areas such as health and safety, environment, human rights and anti-corruption. Corporate responsibility is a line responsibility and an integrated part of the business - from assessment of country risk and project development to day-to-day operations.

Statkraft is a member of the UN's Global Compact and is committed to following up the initiative and its ten principles.

The following is a brief summary of Statkraft's work and results in the corporate responsibility area in 2011. A more detailed review can be found in the Corporate Responsibility report.

Sound business practice Statkraft's fundamental ethical principles are described in Statkraft's Code of conduct. The Code of conduct applies to all companies and employees in the Statkraft Group, and Statkraft's business partners are expected to have standards that are consistent with Statkraft's Code of conduct. In 2011, Statkraft also further developed its ethical guidelines aimed at the Group's suppliers.

Dilemma training for both managers and employees form an important component of the ethics work in Statkraft. To support these efforts, handbooks and training programmes on anti-corruption and- health and safety were launched in 2011. In addition, corporate responsibility was a topic in several workshops and training sessions for both managers and new employees.

Statkraft encourages employees to blow the whistle on questionable conditions and has facilitated this through the Group audit, which is an independent whistleblowing channel. No whistleblower cases were registered in 2011.

Role in society Statkraft creates values for owners and local communities where the Group is present. It is important for Statkraft to maintain good relations with all stakeholders and the Group therefore emphasises an open dialogue and collaboration with everyone affected by the company's activities.

Over the course of 2011, Statkraft contributed NOK 8841 million (NOK 17 472 million) in financial value creation, of which NOK 4288 million (NOK 5973 million) was returned to the owner as dividend, while taxes and fees to the state and municipalities amounted to NOK 4987 million (NOK 6679 million). Statkraft's total investments in the balance sheet of 2011 amounted to NOK 8269 million (NOK 3740 million), of which NOK 3641 million (NOK 1999 million) in Norway and NOK 4628 million (NOK 1741 million) abroad. Of these investments, 63% were connected to expansion of production capacity.

In 2011, as in previous years, the Statkraft Fund awarded NOK 5 million to organisations and projects that in various ways focus on the connections between energy, climate and sustainable development.

Corporate responsibility in projects In 2011, Statkraft has further developed a decision-making model for the execution of major development projects. The model presents a system of common terms and concepts and ensures a comprehensive approach from the early phase and through stepwise decision processes in the Group. The basic principle is that each main decision must be accompanied by structured and documented information on several topics, including corporate responsibility, as part of the basis for decisions. The model will be further developed in 2012 with focus on training.

Environmental impact No serious environmental incidents were registered in 2011. However, 185 less serious environmental incidents were registered (92), of which three with high environmental risk and 51 breached applicable license terms. Most of the environmental incidents were short-term breaches of the operations provisions, minor oil spills and non-conformities in connection with waste management. These incidents had little or no effect on the environment.

Statkraft works to map and limit the activities' impact on biodiversity in Norwegian water regulation areas. A mapping of the Nore catchment area was completed in 2011. Mapping of another four water regulation areas has started and will be completed in 2012.

As regards follow-up of the operations' impact on biodiversity, the focus is on migrating fish – in particular salmon and eel (hydropower), birds of prey - in particular sea eagles and golden eagles (onshore wind power) and marine mammals (offshore wind power).

Statkraft's greenhouse gas emissions amounted to 1 161 900 tonnes of CO_2 equivalents in 2011 (1 693 400 tonnes), of which 93% was from the Group's gas power activities. The Group buys emission quotas in the voluntary CO_2 quota market to neutralise greenhouse gas emissions from fuel consumption, business travel and accidental emissions. In 2011, about 91% of the Group's power and district heating production was based on renewable energy sources.

In 2011, Statkraft consumed 1150 GWh of electricity (737 GWh). All electricity consumed in the Group has been certified as renewable in accordance with RECS (Renewable Energy Certificate System). A major energy efficiency project was initiated at the production unit's Norwegian hydropower plants in 2010. The goal is to reduce energy consumption by 35 GWh/year. The first part of the project (Nore, Rana and Aura power plant groups) was completed in 2011 and will be continued in more power plant groups in 2012. The efficiency drive primarily involves installation of control systems for pumps, ventilation, heating and lighting.

In 2011, Statkraft generated 96 700 tonnes of hazardous waste from power and heat production. This is treated in accordance with applicable regulations. The main part of this (99.7%) is residual products from waste incineration plants and bio combustion plants.

Employees and organisation At the end of 2011, the Group had 3358 full-time equivalents (3301). This is an increase of 2% compared with 2010. The Group has employees in 24 countries, and 33% (28%) of the staff work outside Norway. The average service time in Statkraft is 10.7 years and the employee turnover in 2011 was 6.8%.

Statkraft strives to attain a more even gender distribution in the Group, and more women in managerial positions. In 2011, 23% of the Group's employees were women (23%) and the percentage of women in managerial positions was 20% (22%). The female percentage in Norway (25 %) is somewhat higher than in other countries. The female percentage among new employees was 23%. The Group strives to obtain a more even gender distribution in the manager development programme. 44% of Statkraft's board members are women. The Board follows up the work to achieve an even gender balance, including compliance with statutory requirements relating to gender distribution in the Boards of subsidiaries and companies where Statkraft has major ownership interests.

Statkraft wants a diverse working environment and considers equal treatment a tenet in its recruitment and HR policy. Employees and others involved in Statkraft's activities will be selected and treated in a non-discriminatory manner.

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 popular trainee programme which was continued with 6 new trainees in 2011.

Good leadership and a positive working environment which provides development opportunities are strategically important areas in Statkraft. Statkraft's management platform was revised in 2011. The platform highlights the most important drivers for sound management as regards the company's further development and to achieve the Group's strategic ambitions. In 2011, an employee survey was held in Statkraft, Skagerak Energi and SN Power. The purpose of the survey was to improve Statkraft as a workplace, and the results will be followed up by each individual department.

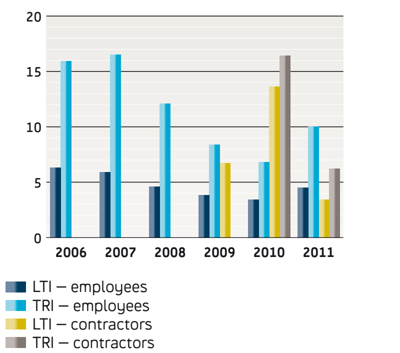
In 2010, Statkraft entered into an agreement with the European Federation of Public Service Unions (EPSU) concerning the establishment of a European works council (Statkraft European Works Council, SEWC). The works council was established in 2011 with employee representatives from Norway, Sweden, Germany and the UK. SEWC ensures a good flow of information about decisions that affect the organisation in different ways, and provides employee representatives from the different countries with a formal and accepted arena where they can meet the corporate management.

Health and safety Statkraft has a clear goal of zero working accidents with serious consequences, but this has not been achieved in 2011. The same goals and requirements relating to health and safety apply wherever Statkraft has activities. Clear requirements and close follow-up in all operations and project phases are decisive to achieve safe and sound workplaces and good results.

In 2011, five fatal accidents took place in connection with Statkraft's activities.

In the Istad Group in Norway, where Statkraft owns 49%, an employee died in February when a tracked vehicle tipped over. In December, a contractor died in the Kargi development project in Turkey, where Statkraft owns 100%, when he was hit by scaffolding elements and then fell from a height.

LOST-TIME AND TOTAL RECORDABLE INJURIE RATES FOR EMPLOYEES AND SUPPLIERS



Three fatal accidents took place in the expansion project at Theun Hinboun (THXP) in Laos, where Statkraft SF owns 20%. In January, a contractor died after being crushed by the boom of a forklift during work in a head race tunnel. In March, a contractor died from electrocution during work below a 22 kV power line, while one contractor died in November in connection with power line construction.

In addition to police investigation, all fatal accidents have been reviewed by independent investigations immediately following the incidents. The investigation reports, including improvement measures, have then been presented to and followed up in the respective boards.

A number of measures have been implemented following the accidents, for example increased focus on applicable guidelines for working at heights and use of safety equipment. In general, all projects emphasise sound health and safety expertise among own employees and basic safety training of all employees with contractors and subcontractors to an even greater extent.

The indicator for lost-time injuries, LTI rate, was 4.5 (3.4) among the Group's employees in 2011, while the indicator for all types of injuries, TRI rate, was 10.0 (6.8). For contractor employees, LTI rate was 3.4 (13.6) and TRI rate was 6.2 (16.4) in 2011. In total, 280 injuries (81) were recorded, of which 141 (52) were lost-time injuries, among the Group's employees and contractor employees. The total number of injuries has risen significantly in 2011, primarily due to the fact that all activities where Statkraft's shareholding exceeds 20% as of 2011 have now been included. Earlier figures only included businesses where Statkraft's shareholding exceeded 50%. There was a marked decline in the injury frequency for contractor employees from 2010 to 2011. The decline is assumed to be the result of both the injury-preventive work and a safer and more complete registration of hours worked, but the result is far from satisfactory as there have been several fatal accidents involving contractor employees.

The Group emphasises learning from injuries, near-misses and unsafe conditions. In 2011, 6125 unsafe conditions and 365 near-misses were recorded. There has been a special focus on implementing common routines for investigation of serious incidents and further highlighting health and safety requirements in all project phases. This has been supported by training measures on different levels, which will be continued in 2012. Several focused campaigns have also been initiated, including a traffic safety campaign in SN Power aiming to reduce the risk of traffic accidents and a health and safety campaign in the production unit aiming especially to reduce the number of eye injuries.

Absence due to illness in Statkraft was 3.4% in 2011 (3.4%), which was below the target of 4.0 %. All Norwegian companies in the Group have entered into Inclusive workplace (IA) agreements, with active follow-up of absence and close cooperation with the company health service.

RESULT ALLOCATION

The Board of Statkraft SF proposes a dividend of NOK 4288 million, corresponding to 85% of the dividend basis. The dividend basis is calculated as the consolidated result for Statkraft SF after tax and minority interests, adjusted for unrealised gains and losses. The dividend will be disbursed from Statkraft SF, and in order to provide Statkraft SF with sufficient ability to disburse dividend, the Board proposes the following allocation of the net profit in Statkraft AS:

Amounts in NOK million	
Net profit in Statkraft AS' company accounts	1 838
Allocation of net profit for the year:	
Allocated dividend from Statkraft AS to Statkraft SF	4 900
Transfer from (-) other equity	-3 062

The parent company's distributable equity was NOK 11 704 million at year-end.

LENA HALVARI
Employee-elected Board member, Board member since 2010

OUTLOOK

Statkraft is well-positioned at the beginning of 2012. High inflow and mild weather combined with relatively low production in the Nordic region in the fourth quarter have resulted in a positive resource situation. The Group has secured a solid flexibility which provides the opportunity to step up production in response to high demand.

In accordance with the Group's strategy, the project activity level is high, especially within wind power, hydropower and district heating. Statkraft is a significant developer of hydropower, nationally and internationally, through its own organisation and SN Power. The growth is driven by growing demand for energy internationally and the need for energy with the lowest possible carbon emissions. In Europe, Nordic hydropower is expected to gain an even more important role as the need for flexible power increases with the increasing share of solar and wind power. The flexible hydropower production, combined with more cables for power exchange between the Nordic region and the Continent, represents a significant potential for long-term, sustainable value creation.

In Germany, Statkraft will replace the phased-out older gas power in Emden with an ongoing expansion at Knapsack. Statkraft has several wind farms under construction, and assumes that the continuation of subsidy regimes for wind power and cost cuts will ensure profitability in new projects as well.

Statkraft's Board and Corporate management focus on efficient operations and further profitable development through long-term investments, as well as good exploitation of market positions, human resources and opportunities.

The Board of Directors of Statkraft AS
Oslo, 14 March 2012

Svein Aaser
Chair

Ellen Stensrud
Deputy chair

Berit Rødseth
Board member

Halvor Stenstadvold
Board member

Silvija Seres
Board member

Inge Ryan
Board member

Thorbjørn Holøs
Board member

Odd Vanvik
Board member

Lena Halvari
Board member

Christian Rynning-Tønnesen
President and CEO

DECLARATION FROM THE BOARD AND CEO

We confirm to the best of our knowledge that the consolidated financial statements for 2011 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 2011 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, 14 March 2012

Svein Aaser
Chair

Ellen Stensrud
Deputy chair

Berit Rødseth
Board member

Halvor Stenstadvold
Board member

Silvija Seres
Board member

Inge Ryan
Board member

Thorbjørn Holøs
Board member

Odd Vanvik
Board member

Lena Halvari
Board member

Christian Rynning-Tønnesen
President and CEO

Statement of Comprehensive Income

STATKRAFT AS GROUP

NOK million	Note	2011	2010
RESULTS			
Sales revenues	6, 7	20 924	27 780
Other operating revenues	8	1 447	1 473
Gross operating revenues	6	22 371	29 252
Energy purchases	9	-2 964	-4 674
Transmission costs		-1 215	-1 595
Unrealised changes in the value of energy contracts	10	-1 098	193
Net operating revenues		17 094	23 176
Salaries and payroll costs	11	-2 759	-2 387
Depreciation, amortisation and impairments	6, 17, 18	-3 564	-3 205
Property tax and licence fees	13	-1 254	-1 236
Other operating expenses	14	-3 314	-3 598
Operating expenses		-10 891	-10 426
Operating profit	6	6 203	12 750
Share of profit from associates and joint ventures	6, 19	898	766
Financial income	15	2 015	2 060
Financial expenses	15	-1 625	-1 607
Unrealised changes in value of financial items	15	-4 025	-1 369
Net financial items		-3 635	-917
Profit before tax		3 466	12 599
Tax expense	16	-3 427	-5 148
Net profit		40	7 451
Of which non-controlling interest		264	357
Of which majority interest		-224	7 094
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of financial instruments		-103	-4 107
Reversed change in value of financial instruments, recognised as loss under financial items		-	3 625
Estimate deviation pensions		-936	-274
Items recorded in comprehensive income in associates and joint arrangements		-517	-79
Currency translation effects		-171	-2 583
Translation differences		-1 727	-3 418
Total comprehensive income		-1 687	4 033
Of which non-controlling interest		186	243
Of which majority interest		-1 873	3 869

Balance Sheet

STATKRAFT AS GROUP

NOK million	Note	31.12.11	31.12.10
ASSETS			
Intangible assets	17	3 108	2 981
Property, plant and equipment	18	81 240	77 791
Investments in associates and joint ventures	6, 19	16 109	17 090
Other non-current financial assets	20	12 163	16 382
Derivatives	24	4 315	3 842
Non-current assets		116 935	118 085
Inventories	21	973	1 013
Receivables	22	12 010	10 748
Short-term financial investments	23	455	424
Derivatives	24	5 223	5 645
Cash and cash equivalents (incl restricted funds)	25	8 282	20 052
Current assets		26 943	37 882
Assets		143 878	155 967
EQUITY AND LIABILITIES			
Paid-in capital		45 569	45 569
Retained earnings		12 840	22 449
Non-controlling interests		7 241	7 284
Equity		65 651	75 302
Provisions	12, 26	21 403	15 758
Long-term interest-bearing liabilities	27	31 443	34 251
Derivatives	24	4 507	2 494
Long-term liabilities		57 353	52 502
Short-term interest-bearing liabilities	27	5 444	6 235
Taxes payable	16	3 396	3 458
Other interest-free liabilities	28	6 525	11 609
Derivatives	24	5 509	6 861
Short-term liabilities		20 874	28 163
Equity and liabilities		143 878	155 967

The Board of Directors in Statkraft AS
Oslo, 14 March 2012

Svein Aaser
Chair

Ellen Stensrud
Deputy chair

Berit Rødseth
Board member

Halvor Stenstadvold
Board member

Silvija Seres
Board member

Inge Ryan
Board member

Thorbjørn Holøs
Board member

Odd Vanvik
Board member

Lena Halvari
Board member

Christian Rynning-Tønnesen
President and CEO

Statement of Cash Flow

STATKRAFT AS GROUP

NOK million	Note		2011	2010
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax			3 466	12 599
Profit+/loss- on sale of non-current assets			-34	26
Depreciation, amortisation and impairments	17, 18		3 564	3 205
Profit from the sale of shares and associates			-111	-
Profit from the sale of activities			-240	-371
Share of profit from associates and joint ventures	19		-898	-766
Unrealised changes in value			5 122	1 176
Taxes paid			-3 284	-2 562
Cash flow from operating activities			7 585	13 307
Changes in long-term items			244	252
Changes in short-term items			55	-1 128
Dividend from associates			1 639	1 146
Net cash from operating activities		A	9 523	13 577
CASH FLOW FROM INVESTING ACTIVITIES				
Investments in property, plant and equipment, maintenance	6		-1 129	-1 000
Investments in property, plant and equipment, new capacity [1)]	6		-4 793	-1 852
Sale of property, plant and equipment			318	67
Capital reduction in associates and joint ventures			-	46
Business divestments, net liquidity accruing to the Group			452	1 358
Business combinations, net liquidity outflow from the Group	4		-766	-
Proceeds from sale of associates			66	-
Loans to third parties			-1 708	-222
Repayment of loans			298	194
Investments in other companies			-940	-888
Net cash flow from investing activities		B	-8 202	-2 297
CASH FLOW FROM FINANCING ACTIVITIES				
New debt	27		376	4 431
Repayment of debt	27		-5 169	-8 282
Capital increase			-	14 000
Reduction of capital to non-controlling interests			-	-334
Dividend and group contribution paid			-9 400	-7 964
Share issue in subsidiary to non-controlling interests			1 094	241
Net cash flow from financing activities		C	-13 099	2 092
Net change in cash and cash equivalents		A+B+C	-11 778	13 372
Currency exchange rate effects on cash and cash equivalents			10	17
Cash and cash equivalents 01.01	25		20 052	6 663
Cash and cash equivalents 31.12	25		8 284	20 052
Unused committed credit lines			12 000	8 000
Unused overdraft facilities			2 200	1 074
Restricted cash	25, 39		-786	-774

[1)] Investments in new capacity in 2011 are NOK 424 million lower than investments in new capacity in note 6 Segment Information, due to investments not yet paid at year-end.

Statement of Changes in Equity

STATKRAFT AS GROUP

NOK million	Paid-in capital	Other equity	Accu-mulated translation differences	Retained equity	Total majority	Non-controlling interests	Total equity
Balance as of 01.01.2010	31 569	31 091	-5 026	26 065	57 634	7 267	64 901
Profit for the year		7 094		7 094	7 094	357	7 451
Items in other comprehensive income that recycle over profit/loss:							
Changes in fair value of financial instruments		-461		-461	-461	-21	-482
Estimate deviation pensions		-275		-275	-275	-106	-381
Income tax related to estimate deviation pensions		77		77	77	30	107
Items recorded in comprehensive income in associates		-79		-79	-79	-	-79
Currency translation effects			-2 566	-2 566	-2 566	-17	-2 583
Total comprehensive income for the period		6 356	-2 566	3 790	3 790	243	4 033
Dividend and group contribution		-7 420		-7 420	-7 420	-101	-7 521
Transactions with non-controlling interests		14		14	14	-32	-18
Capital increase	14 000			-	14 000	241	14 241
Capital decrease				-	-	-334	-334
Balance as of 31.12.2010	45 569	30 041	-7 592	22 449	68 018	7 284	75 302
Profit for the year		-224		-224	-224	264	40
Items in other comprehensive income that recycle over profit/loss:							
Changes in fair value of financial instruments		-23		-23	-23	-80	-103
Estimate deviation pensions		-1 096		-1 096	-1 096	-204	-1 300
Income tax related to estimate deviation pensions		307		307	307	57	364
Items recorded in comprehensive income in associates		-474		-474	-474	-43	-517
Currency translation effects			-363	-363	-363	192	-171
Total comprehensive income for the period		-1 510	-363	-1 873	-1 873	186	-1 687
Dividend and group contribution		-7 432		-7 432	-7 432	-280	-7 712
Business combinations		-316		-316	-316	-5	-321
Divestments				-	-	-120	-120
Transactions with non-controlling interests		12		12	12	109	121
Capital increase				-	-	1 094	1 094
Liability from the option to increase shareholding in subsidiary				-	-	-1 027	-1 027
Balance as of 31.12.2011	45 569	20 795	-7 955	12 840	58 409	7 241	65 651

Statkraft's general assembly has in June 2011 approved a group distribution of NOK 9255 million, NOK 7432 million after tax, to be paid to Statkraft SF. The group distribution for 2010 amounted to NOK 7863 million, NOK 7420 million after tax. In respect of the current year, the directors propose that a dividend of NOK 4900 million will be paid to Statkraft SF. This dividend is subject to approval by the general assembly and has not been included as a liability in these consolidated financial statements.

Notes

STATKRAFT AS GROUP

INDEX OF NOTES TO THE GROUP FINANCIAL STATEMENTS

01 GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

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

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

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

Standards applied with effect for the 2011 accounting year:

- IAS 1 (improvement project) – Presentation of Financial Statements. With effect for financial statements issued after 1 January 2011, some minor changes in IAS 1 are effective. An analysis of other comprehensive income by item should be disclosed, either in the statement of changes in equity, or in the notes to the financial statements. Statkraft has chosen to disclose this information in the statement of changes in equity. Furthermore, the items in other comprehensive income should be classified into two groups, items that will be reclassified subsequently to profit or loss when specific conditions are met, and items that will not be reclassified to profit or loss. Statkraft has disclosed this in the statement of changes in equity.
- IAS 24 (revised) – Related party disclosures. With effect from 1 January 2011, IAS 24 has been revised on the following two aspects: The definition of a related party has been changed, and a partial exemption from the disclosure requirements for government-related entities has been introduced. Such transactions should now only be disclosed if they are individually or collectively material to the financial statements. The change of definition has no material effect for Statkraft. Statkraft discloses only material transactions with other entities owned by the government.

Relevant standards and interpretations issued at the time of presentation of the financial statements, but not adopted by Statkraft are (with expected implementation date in parenthesis):

- IFRS 9 – Financial instruments (Effective for annual periods beginning on or after 1 January 2013)
- IFRS 10 – Consolidated financial statements (Effective for annual periods beginning on or after 1 January 2013)
- IFRS 11 – Joint arrangements (Effective for annual periods beginning on or after 1 January 2013)
- IFRS 12 – Income Taxes. Disclosure of interests in other entities (Effective for annual periods beginning on or after 1 January 2013)
- IFRS 13 – Fair value measurement (Effective for annual periods beginning on or after 1 January 2013)
- IAS 12 (amendments) – Deferred tax, recovery of underlying assets (Effective for annual periods beginning on or after 1 January 2012)
- IFRS 7 (amendments – Disclosures, transfers of financial assets (Effective for annual periods beginning on or after 1 July 2011)
- IAS 27 (revised) – Separate financial statements (Effective for annual periods beginning on or after 1 January 2013)
- IAS 28 (revised) – Investments in associates and joint ventures (Effective for annual periods beginning on or after 1 January 2013)

IAS 19 (revised) – employee benefits is also changed, effective for annual periods beginning on or after 1 January 2013. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets, where the use of the "corridor approach" has been eliminated, requiring the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur. Statkraft does not use the corridor approach permitted under the previous version of IAS 19, hence the implementation effect is expected to be minimal.

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

SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES

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

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

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

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

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

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

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

Revenues

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

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

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

Dividend Dividends received from companies other than subsidiaries, associates and joint ventures are recognised in income 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 profit/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 connected to the activity that the subsidy is intended to cover. Where the subsidy is connected to projects that are recognised in the balance sheet, the subsidy is treated as a reduction of the amount recognised in the balance sheet.

Foreign currency Subsidiaries prepare their accounts in the company's functional currency, normally the local currency in the country where the company operates. Statkraft AS uses Norwegian Crones (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 at 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 denominated in foreign currency are translated to the market price on the transaction date, while the balance sheet items are evaluated at the balance sheet date rates. Currency effects are recognised under financial items. Gains and losses resulting from changes in exchange rates on debt to hedge net investments in a foreign entity are recognised directly in comprehensive income, and reclassified to the income statement upon sale of the foreign entity.

Financial instruments

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

Measurement of different categories of financial instruments

1) **Financial instruments valued at fair value through profit or loss** Derivatives are financial instruments that must be measured at fair value in the balance sheet. Derivatives must always be recognised in the category designated at fair value through profit or loss. Financial contracts for the purchase and sale of energy and CO_2 quotas must always be designated as derivatives. Physical contracts for the purchase and sale of energy and CO_2 quotas that are entered into as a result of mandates resulting from trading, or which are financially settled, will be deemed to be financial instruments and are measured at fair value through profit or loss. Physical contracts for the purchase and sale of energy, CO_2 quotas and gas that are entered into as a result of mandates connected to Statkraft's own requirements for use or procurement in own production normally fall outside the scope of IAS 39, as long as such contracts are not resold or do not contain written options in the form of volume flexibility. Other financial instruments held for trading purposes are also valued at fair value in the balance sheet. Changes in value are recognised through profit or loss.

   In the case of derivatives used as hedging instruments in a hedging arrangement, changes in value will have no impact on the income statement. In a fair value hedge, any change in the value of hedging instruments will be offset by a corresponding change in the value of the hedging object. In the case of cash flow hedges and hedges of net investments in a foreign operation, changes in value are recognised directly in comprehensive income. Derivatives consist of both stand-alone derivatives, and embedded derivatives that are separated from the host contract and recognised at fair value as if the derivative were a stand-alone contract.

2) **Loans and receivables** are measured at fair value on initial recognition together with directly attributable transaction costs. In subsequent periods, loans and receivables are measured at amortised cost using the effective interest rate method, 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 classified 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 recorded against comprehensive income. Assets classified as available for sale must be tested for impairment, regardless of the fact that they are evaluated at fair value in the balance sheet in each financial statement. A significant decline (Statkraft policy: 25%) or a decline over a longer period (Statkraft policy: 6–12 months) in the fair value of an investment in such an asset to below the instrument's cost price is an indication of impairment. In the event of a write-down, changes in value that have previously been recognised in comprehensive income will be reclassified and recognised in the income statement. Future positive changes are recognised in comprehensive income. Additional decline compared with cost price will result in additional write-down and be recognised in the income statement.

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

Financial instruments used in hedge accounting 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. See also the more detailed description of hedge accounting in Note 30.

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

Taxes

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

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

Resource rent tax Resource rent tax is a profit-dependent tax that is calculated at a rate of 30% of the net resource rent revenue generated by each power plant. Resource rent revenue is calculated on the basis of the individual power plant's production hour by hour, multiplied by the spot price for the corresponding hour. The actual contract price is applied for deliveries of concessionary power and power subject to physical contracts with a term exceeding seven years. Actual operating expenses, depreciation and a tax-free allowance are deducted from the calculated revenue in order to arrive at the tax base. The tax-free allowance is set each year on the basis of the taxable value of the power plant's operating assets, multiplied by a normative interest rate set by the Ministry of Finance. The relevant normative interest rate for 2011 has been set at 2.1%. From 2007 onwards negative resource rent revenues per power plant can be pooled with positive resource rent revenues for other power plants owned by the same tax entity. Negative resource rent revenues per power plant from the 2006 fiscal year or earlier years can only be carried forward with interest offset against future positive resource rent revenues from the same power plant. Deferred tax assets linked to negative resource rent carry-forwards and deferred tax linked to other temporary differences are calculated on the basis of power plants where it is probable that the deferred tax asset will be realised within a time horizon of ten years. The applied rate is a nominal tax rate of 30%. The tax-free allowance is treated as a permanent difference in the year it is calculated for, and therefore does not affect the calculation of deferred tax connected with resource rent.

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

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

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

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

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

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

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

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

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

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

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

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

Inventories CO_2 quotas that are received or acquired in connection with Statkraft's emission requirements are measured at cost price and classified as intangible assets. All other CO_2 quotas are deemed to be held for trading purposes and are recognised as inventories. Inventories of CO_2 quotas and green certificates held for trading purposes are measured at net realisable value. Other inventories are measured at the lower of cost price and net realisable value. The cost price includes the purchase price and other expenses that have been incurred in bringing the inventories to their current condition and location. Net realisable value is measured as sales value less expected costs to sell.

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

Cash and cash equivalents The item cash and cash equivalents also includes certificates and bonds with short residual terms at the time of acquisition. The item also includes restricted funds. The amount of restricted funds is specified below the cash flow statement and in note 25. The market settlement for derivatives connected with financial activities (cash collateral) is recognised in the balance sheet.

Equity Dividends proposed at the time of approval of the financial statements are classified as equity. Dividends are reclassified as current liabilities once they have been declared 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 probable that an outflow of resources embodying financial benefits will be required to settle the obligation. The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If material, account should be taken of present values in calculating the size of the provision. All estimates regarding provisions are evaluated at the end of each reporting period to reflect the final best estimate. Provisions for decommissioning costs are also evaluated by an outside third party every five years.

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

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

Licence fees are paid annually to central and local government authorities for the increase in generating capacity that is obtained from regulated watercourses and catchment transfers. These licence fees are charged as expenses as they accrue. The value of future licence fees recognised in the balance sheet is estimated and disclosed in Note 13.

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

Pensions

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

Estimate deviations attributable to changes in actuarial assumptions or base data are recognised in other comprehensive income on an ongoing basis after provisions for deferred tax.

Changes in defined benefit pension liabilities attributable to changes in retirement benefit plans that have retrospective effect, where these rights are not contingent on future service, are recognised directly in the income statement. Changes that are not issued with retrospective effect are recognised in the income statement over the remaining service time.

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

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

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

SEGMENTS

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

CASH FLOW STATEMENT

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

02 ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

ACCOUNTING JUDGEMENTS

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

Non-financial energy contracts IAS 39 prescribes that non-financial energy contracts that are covered by the definition of "net financial settlements" shall be treated as if these were financial instruments. This will typically apply to contracts for physical purchases and sales of electricity and gas. Using its best judgement, and based on the criteria contained in IAS 39, management has assessed which contracts are covered by the definition of financial instruments, and which contracts fall outside the definition, primarily as a result of the "own use" exception. Contracts that are defined as financial instruments in accordance with IAS 39 are recognised at fair value in the balance sheet with changes in value through profit or loss, while those contracts that are not covered by the definition are recognised as normal buying and selling of power.

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

At the end of 2011 concessionary power contracts with financial settlement had a total volume of around 500 GWh and an average price of NOK 95/MWh. Although agreements for financial settlement apply for a limited period, the calculation of fair value is based on the perpetual horizon of the underlying concessionary power contracts. With these assumptions, the estimated fair value as of 31 December 2011 would have been negative with about NOK 3655 million and changes in fair value in 2011 would have been about NOK 1015 million.

ESTIMATES AND ASSUMPTIONS

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

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

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

Deferred tax assets The Group has recognised deferred tax assets associated with negative resource rent revenues in the balance sheet. Deferred tax assets relating to resource rent revenue 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 production and power prices.

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

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

03 EVENTS SINCE THE BALANCE SHEET DATE

In August 2011, an agreement to acquire a 40.65% stake in Desenvix (Brazil) for BRL 706 million (NOK 2260 million). was entered into. During the first three months of 2012, two additional agreements regarding this transaction have been made. The transaction was closed on 9 March 2012.

According to the shareholders agreement in Fountain Intertrade Corporation (FIC), Panama, SN Power is allowed to appoint an additional board member and thereby gain control of the company at the first drawing on the loan. The first drawing on the loan was performed 6 March 2012, and the Company will be consolidated in full from this date. In the financial statements for 2011, the Company has been treated as a joint venture.

04 BUSINESS COMBINATIONS

BUSINESS COMBINATIONS 2011

Baillie Windfarm Ltd. Up until 25 March 2011 Statkraft UK Ltd. owned 33.9% of BWFL. Statkraft UK Ltd. (SUK) had significant influence, therefore treating the investment as an associate. On 25 March SUK increased its investment to 80% and introduced an intermediate holding company Baillie Windfarm Holdings Ltd. (BWFHL) by purchasing shares for NOK 160 million.

Baillie Windfarm Ltd. (BWFL) is a company developing a wind farm in Scotland, owned jointly by Statkraft UK Ltd. and land owners at the site. The wind farm is in the development stage having agreed planning permission, consent, and consensus with land owners of the site. The wind farm will generate electricity and enter into the UK renewable electricity regime. Statkraft is currently constructing the site into a 21 turbine 52.5 MW wind farm.

Energias do Paranà Ltda. (Enerpar) The SN Power Group purchased 100% of Enerpar, a company registered in Paraná in Brazil with closing 25 May 2011. The company's activities consists of managing power purchase agreements in total of approximately 140 MW with duration up to 2025, and at the time of achieving control, there were no employees in the company. The purchase price for the acquisition has been settled with a cash payment of BRL 120 million (NOK 410 million). Carrying value of the company's net assets at the time of achieving control is considered representing fair value, and no goodwill has been identified.

Lunsemfwa Hydro Power Company Ltd. On 1 April 2011, a subsidiary of SN Power, Agua Imara, purchased 51% of Lunsemfwa Hydro Power Company Ltd. in Zambia. Lunsemfwa currently owns two hydropower plants, Mulungushi Hydro Power Station and Lunsemfwa Hydro Power Station (LHPC), with a combined generation capacity of 46.5 MW (28.5 MW and 18 MW respectively). In addition, a 50% share in Muchinga Power Company Ltd., with potential for developing additional 120 MW has been acquired. The purchase price amounts to USD 47 million (NOK 244 million) in total, whereas USD 37 million has been paid in cash, and USD 10 million has been settled through a private placement. Added values have been identified on existing water regulation facilities and water rights, as well as goodwill.

Bio Varme AS On 27 October 2011 Statkraft AS purchased 98% of Bio Varme AS, with a purchase price of NOK 96 million. Bio Varme further owns 85% of the shares in Stjørdal Fjernvarme AS. The acquisition strengthens the strategic activities within the segment District Heating. Statkraft is currently in negotiations to purchase the last 2% of Bio Varme AS.

Allocation of purchase price for business combinations in 2011	Energias do Paranà Ltda. 1)	Lunzemfwa Hydro Power Comp. Ltd. 1)	Baillie Windfarm Ltd. 1)	Bio Varme AS 1)	Total
Acquisition date	25.05.11	01.04.11	25.03.11	27.10.11	
Voting rights/shareholding acquired through the acquisition	100%	51%	46%	98%	
Total voting rights/sharholding following acquisition	100%	51%	80%	98%	
Measurement of non-controlling interests	Proportionate	Proportionate	Proportionate	Proportionate	
Consideration (NOK million)					
Cash	410	190	160	96	856
Private placing	-	54	-	-	54
Fair value of earlier recognised shareholdings	-	-	118	-	118
Total acquisition cost	410	244	278	96	1 028
Book value of net acquired assets (see table below)	410	73	347	98	928
Identification of excess value, attributable to:					
Property, plant and equipment	-	533	-	-	533
Gross excess value	-	533	-	-	533
Deferred tax on excess value	-	-186	-	-	-186
Net excess value	-	347	-	-	347
Fair value of net acquired assets, excluding goodwill	410	420	347	98	1 275
Of which					
Majority interests	410	214	278	96	997
Non-controlling interests	-	206	69	2	277
Total	410	420	347	98	1 275
Total acquisition cost	410	244	278	96	1 028
Fair value of net acquired assets, acquired by the majority through the transaction	410	214	278	96	997
Goodwill 2)	-	30	-	-	30

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

2) Recognition of goodwill in the acquisition of Lunsemfwa Hydro Power Company Ltd. relates to recognition of deferred tax liabilities on added values at nominal value.

Allocation of purchase price for business combinations in 2011 Cont.	Energias do Paranà Ltda. 1)	Lunzemfwa Hydro Power Comp. Ltd. 1)	Baillie Windfarm Ltd. 1)	Bio Varme AS 1)	Total
Book value of net acquired assets					
Intangible assets	-	-	89	-	89
Deferred tax assets	61	-	-	8	69
Property, plant and equipment	-	67	351	188	606
Derivatives	787	-	-	-	787
Other non-current financial assets	-	-	-	1	1
Non-current assets	848	67	440	197	1 552
Cash and cash equivalents	9	47	-	34	90
Receivables	33	17	1	9	60
Inventories	-	-	-	1	1
Current assets	42	64	1	44	151
Acquired assets	890	131	441	241	1 703
Long-term interest bearing liabilities	-	64	-	98	162
Short-term interest bearing liabilities	-	-	4	41	45
Deferred tax	267	21	89	-	377
Other interest-free liabilities	33	19	1	-	53
Taxes payable	1	8	-	-	9
Derivatives	179	-	-	-	179
Non-controlling interests	-	-	-	5	5
Liabilities and non-controlling interests	480	112	94	144	830
Net value of acquired assets	410	19	347	98	874
Net value of acquired assets, including the value of private placing	410	73	347	98	928
Total acquisition cost	410	244	278	96	1 028
Non-cash elements of acquisition cost	-	-54	-118	-	-172
Consideration and cost in cash and cash equivalents	410	190	160	96	856
Cash and cash equivalents in acquired companies	-9	-47	-	-34	-90
Net cash payments in connection with the acquisitions	401	143	160	62	766
Fair value of acquired receivables	33	17	1	9	60
Gross nominal value of acquired receivables	33	17	1	9	60
Gain/loss from derecognition of earlier recognised shareholding	-	-	113	-	113
Contribution to gross operating revenue since acquisition date	221	58	-	13	292
Contribution to net profit since acquisition date	-9	24	4	-5	14
Proforma figure 2011 gross operating revenue	379	76	-	51	506
Proforma figure 2011 gross net profit	-9	30	5	-8	18

BUSINESS COMBINATIONS 2010

There were no significant business combinations in 2010.

05 CONSOLIDATED COMPANIES

SHARES IN SUBSIDIARIES

Name	Registered office	Country	Parent company	Shareholding and voting share
Shares in Subsidiaries				
Bio Varme AS	Oslo	Norway	Statkraft AS	98.45%
Renewable Energies and Photovoltaics Spain S.L.	Malaga	Spain	Statkraft AS	70.00%
Statkraft Albania Shpk.	Tirana	Albania	Statkraft AS	100.00%
Statkraft Carbon Invest AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Development AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Elektrik enerjisi Toptan Satis Ltd. Sti.	Istanbul	Turkey	Statkraft AS	100.00%
Statkraft Energi AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Enerji A.Ş.	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	Frankrike	Statkraft AS	100.00%
Statkraft Germany GmbH	Düsseldorf	Germany	Statkraft AS	100.00%
Statkraft Industrial Holding AS	Oslo	Norway	Statkraft AS	100.00%
Statkraft Leasing AB	Stockholm	Sweden	Statkraft AS	100.00%
Statkraft Norfund Power Invest AS	Oslo	Norway	Statkraft AS	60.00%
Statkraft SCA Vind AB	Stockholm	Sweden	Statkraft AS	60.00%
Statkraft Suomi Oy	Kotka	Finland	Statkraft AS	100.00%
Statkraft Sverige AB	Stockholm	Sweden	Statkraft AS	100.00%
Statkraft Södra Vindkraft AB	Stockholm	Sweden	Statkraft AS	90.10%
Statkraft Södra Vindkraft Utveckling AB	Stockholm	Sweden	Statkraft AS	90.10%

Statement of Comprehensive Income
Balance Sheet
Statement of Cash Flow
Statement of Changes in Equity
→ Notes
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Name	Registered office	Country	Parent company	Shareholding and voting share
Statkraft Treasury Centre GBP SA	Brüssel	Belgium	Statkraft AS	100.00%
Statkraft Treasury Centre NOK SA	Brüssel	Belgium	Statkraft AS	100.00%
Statkraft Treasury Centre SA	Brüssel	Belgium	Statkraft AS	100.00%
Statkraft Treasury Centre SEK SA	Brüssel	Belgium	Statkraft AS	100.00%
Statkraft UK Ltd.	London	United Kingdom	Statkraft AS	100.00%
Statkraft Värme AB	Kungsbacka	Sweden	Statkraft AS	100.00%
Statkraft Western Balkans d.o.o.	Beograd	Serbia	Statkraft AS	100.00%
Wind Power Bulgaria EOOD	Sofia	Bulgaria	Statkraft AS	60.00%
Fjordkraft AS [1)]	Bergen	Norway		
Småkraft AS [2)]	Bergen	Norway		
Shares in Subsidiaries owned by Subsidiaries				
Baillie Windfarm Holdings Ltd.				
Baillie Windfarm Ltd.	Thurso	United Kingdom	Baillie Windfarm Holdings Ltd.	100.00%
Bio Varme AS				
Stjørdal Fjernvarme AS	Stjørdal	Norway	Bio Varme AS	85.00%
Knapsack Power GmbH & Co KG				
Knapsack Power Verwaltungs GmbH	Düsseldorf	Germany	Knapsack Power GmbH & Co KG	100.00%
Skagerak Energi AS				
Skagerak Kraft AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Nett AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Naturgass AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Elektro AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Varme AS	Porsgrunn	Norway	Skagerak Energi AS	100.00%
Skagerak Kraft AS				
Grunnåi Kraftverk AS	Porsgrunn	Norway	Skagerak Kraft AS	55.00%
Skagerak Varme AS				
Skien Fjernvarme	Skien	Norway	Skagerak Varme AS	51.00%
Statkraft Development AS				
Hitra Vind AS	Oslo	Norway	Statkraft Development AS	100.00%
Kjøllefjord Vind AS	Oslo	Norway	Statkraft Development AS	100.00%
Smøla Vind 2 AS	Oslo	Norway	Statkraft Development AS	100.00%
Statkraft Energi AS				
Baltic Cable AS	Malmø	Sweden	Statkraft Energi AS	100.00%
Trondheim Energi Kraft AS	Trondheim	Norway	Statkraft Energi AS	100.00%
Statkraft Energy Ltd.				
Rheidol 2008 Trustees Ltd.	London	United Kingdom	Statkraft Energy Ltd.	100.00%
Statkraft Enerji A.Ş.				
Çakıt Enerji A.Ş.	Istanbul	Turkey	Statkraft Enerji A.Ş.	100.00%
Anadolu Elektrik A.Ş.	Istanbul	Turkey	Statkraft Enerji A.Ş.	100.00%
Çetin Enerji A.Ş.	Istanbul	Turkey	Statkraft Enerji A.Ş.	100.00%
Kargı Kızılırmak Enerji A.Ş.	Istanbul	Turkey	Statkraft Enerji A.Ş.	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%
Statkraft Holding Knapsack GmbH				
Knapsack Power GmbH & Co KG	Düsseldorf	Germany	Statkraft Holding Knapsack GmbH	100.00%
Statkraft Industrial Holding AS				
Skagerak Energi AS	Porsgrunn	Norway	Statkraft Industrial Holding AS	66.62%
Trondheim Energi AS	Trondheim	Norway	Statkraft Industrial Holding AS	100.00%
Statkraft Markets GmbH				
Statkraft Markets Hungaria LLC	Budapest	Hungary	Statkraft Markets GmbH	100.00%
Statkraft South East Europe EOOD	Sofia	Bulgaria	Statkraft Markets GmbH	100.00%
Statkraft Romania SRL	Bucuresti	Romania	Statkraft Markets GmbH	100.00%
Statkraft Energy Austria GmbH	Wien	Austria	Statkraft Markets GmbH	100.00%
Statkraft Markets BV	Amsterdam	Netherland	Statkraft Markets GmbH	100.00%
Statkraft Markets Financial Services GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Holding Knapsack GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft Holding Herdecke GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%

Name	Registered office	Country	Parent company	Shareholding and voting share
Statkraft Trading GmbH	Düsseldorf	Germany	Statkraft Markets GmbH	100.00%
Statkraft SCA Vind AB				
Statkraft SCA Vind Elnät AB	Stockholm	Sweden	Statkraft SCA Vind AB	100.00%
Statkraft Suomi Oy				
Ahvionkoski Oy	Kotka	Finland	Statkraft Suomi Oy	100.00%
Statkraft Sverige AB				
Graninge AB	Stockholm	Sweden	Statkraft Sverige AB	100.00%
Gidekraft AB	Stockholm	Sweden	Statkraft Sverige AB	90.10%
Statkraft Sverige Vattendel 3 AB	Stockholm	Sweden	Statkraft Sverige AB	100.00%
Statkraft Södra Vindkraft AB				
Statkraft Södra Vindarrende AB	Växjö	Sweden	Statkraft Sverige AB	100.00%
Statkraft UK Ltd.				
Statkraft Wind UK Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Statkraft Energy Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Baillie Windfarm Holdings Ltd.	London	United Kingdom	Statkraft UK Ltd.	80.00%
Doggerbank Project 1A Statkraft Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Doggerbank Project 1B Statkraft Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Doggerbank Project 2A Statkraft Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Doggerbank Project 2B Statkraft Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Doggerbank Project 3A Statkraft Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Doggerbank Project 3B Statkraft Ltd.	London	United Kingdom	Statkraft UK Ltd.	100.00%
Trondheim Energi AS				
Statkraft Varme AS	Trondheim	Norway	Trondheim Energi AS	100.00%
Trondheim Energi Eiendom AS	Trondheim	Norway	Trondheim Energi AS	100.00%
Enita AS	Trondheim	Norway	Trondheim Energi AS	100.00%
SN Power				
Agua Imara AS [3]				
SN Power ACA Pte. Ltd.	Singapore	Singapore	Agua Imara AS	100.00%
SN Power ACA Pte. Ltd.				
Lunsemfwa Hydro Power Company Ltd.	Kabwe	Zambia	SN Power ACA Pte. Ltd.	51.00%
SN Power Brasil AS				
SN Power Energia do Brasil Ltda.	Rio de Janeiro	Brasil	SN Power Brasil AS	100.00%
SN Power Chile Inversiones Electricas Ltda.				
SN Power Chile Tingueririca y Cia.	Santiago	Chile	SN Power Chile Inversiones Electricas Ltda.	99.90%
SN Power Chile Valdivia y Cia.	Santiago	Chile	SN Power Chile Inversiones Electricas Ltda.	99.90%
SN Power Chile Valdivia y Cia.				
Norvind S.A	Santiago	Chile	SN Power Chile Valdivia y Cia.	100.00%
SN Power Energia do Brasil Ltda.				
SN Power Participacões Ltda.	Rio de Janeiro	Brasil	SN Power Energia do Brasil Ltda.	100.00%
SN Power Holding AS				
SN Power Holding Singapore Pte. Ltd.	Singapore	Singapore	SN Power Holding AS	100.00%
SN Power Holding Chile Pte. Ltd.				
SN Power Chile Inversiones Eléctricas Ltda.	Santiago	Chile	SN Power Holding Chile Pte. Ltd.	100.00%
SN Power Holding Peru Pte. Ltd.				
SN Power Peru Holding S.R.L	Lima	Peru	SN Power Holding Peru Pte. Ltd.	100.00%
SN Power Holding Singapore Pte. Ltd.				
SN Power Global Services Pte. Ltd.	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd.	100.00%
SN Power Holding Peru Pte. Ltd.	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd.	100.00%
SN Power Holding Chile Pte. Ltd.	Singapore	Singapore	SN Power Holding Singapore Pte. Ltd.	100.00%
SN Power International 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 Markets Pvt. Ltd.	New Dehli	India	SN Power Holding Singapore Pte. Ltd.	100.00%
Himal Power Ltd.	Kathmandu	Nepal	SN Power Holding Singapore Pte. Ltd.	52.2%/57.1%
SN Power Vietnam Pte. Ltd.	Hanoi	Vietnam	SN Power Holding Singapore Pte. Ltd.	80.00%
SN Power Participacões Ltda.				
SN Power Comercializadora Ltda. [4]	Rio de Janeiro	Brasil	SN Power Participacões Ltda.	100.00%
SN Power Peru Holding S.R.L				

Name	Registered office	Country	Parent company	Shareholding and voting share
Empresa de Generacion Electrica Cheves S.A	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	Lima	Peru	SN Power Peru S.A	31.31%
Statkraft Norfund Power Invest AS				
SN Power Holding AS	Oslo	Norway	Statkraft Norfund Power Invest AS	100.00%
Agua Imara AS 3)	Oslo	Norway	Statkraft Norfund Power Invest AS	45.9%/51.0%
SN Power Brasil AS	Oslo	Norway	Statkraft Norfund Power Invest AS	100.00%

[1] 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 1st of January 2007.
[2] Småkraft AS is owned 20% by Skagerak Kraft AS, Agder Energi AS and Bergenhalvøens Kommunale Kraftselskap AS. Statkraft AS owns 40% directly.
[3] SN Power AfriCA AS has changed name to Agua Imara AS.
[4] Energia do Parana Ltda. (Enerpar) has changed name to SN Power Commercializadora Ltda.

06 SEGMENT INFORMATION

Statkraft's segment reporting is in accordance with IFRS 8. The Group reports operating segments in accordance with how the corporate 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.

As a result of a change in the Group's strategy, Statkraft was reorganised in 2010. This reorganisation was finalised with the implementation of new segments effective as of 1 January 2011. The financial information in this report has been reclassified in accordance with the new segment structure.

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 & Origination) and material non-recurring items.

The segments that have been implemented with effect from 1 January 2011 are:

Nordic hydropower is the largest segment and includes hydropower plants in the Nordic region. The production assets consist mainly of water regulation facilities and include hydropower plants in Norway, Sweden and Finland.

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, as well as revenue optimization 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.

International hydropower operates in emerging economies with expected high growth and substantial need for energy. Statkraft focuses on selected markets where the Group's hydropower expertise can be applied.

Wind power includes Statkraft's investments in land-based and offshore wind power. The segment has land-based wind farms in operation in Norway, Sweden and the United Kingdom. Offshore wind concentrates on the UK market.

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. The segment includes companies that are consolidated in the consolidated accounts, and companies that are reported as associates.

Other activities include small-scale hydropower, the shareholding of 4.17% in E.ON AG, innovation, internal financial loans to other segments from Statkraft Treasury Centre and group functions.

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

ACCOUNTING SPECIFICATION PER SEGMENT

Segments NOK million	Statkraft AS Group	Nordic Hydropower	Continental Energy & Trading	International Hydropower	Wind Power	District Heating	Industrial ownership	Other activities	Group Items
2011									
Operating revenues external	22 371	8 388	4 280	1 047	39	554	7 799	232	31
Operating revenues internal	-	4 286	-174	19	311	1	43	632	-5 117
Gross operating revenues	22 371	12 674	4 106	1 066	350	555	7 842	864	-5 086
Operating profit/loss	6 203	8 002	-413	-1	-104	40	1 297	-334	-2 283
Share of profits/losses from associated companies and joint ventures	898	-	-98	449	-389	4	933	-1	-
Profit/loss before financial items and tax	7 101	8 002	-511	448	-493	44	2 230	-335	-2 283
Balance Sheet 31.12.11									
Investments in associates and joint ventures	16 110	-	533	5 875	650	1	9 050	-	-
Other assets	127 768	48 761	5 759	8 467	2 711	2 660	13 899	61 139	-15 627
Total assets	143 878	48 761	6 292	14 342	3 361	2 661	22 949	61 139	-15 627
Depreciation, amortisation and impairments	-3 564	-1 117	-396	-221	-104	-106	-449	-68	-1 103
Maintenance investments	1 129	469	303	69	1	8	248	32	-
Investments in new generating capacity	5 217	1 397	1 446	959	491	401	348	175	-
Investments in shares	1 923	-	585	1 051	187	97	2	-	-
2010									
Operating revenues external	29 252	12 173	6 253	726	-21	609	8 699	545	268
Operating revenues internal	-	4 459	-723	1	310	3	65	414	-4 529
Gross operating revenues	29 252	16 632	5 530	727	289	612	8 764	959	-4 261
Operating profit/loss	12 750	11 555	159	-41	-173	59	1 557	-551	184
Share of profits/losses from associated companies and joint ventures	766	-	196	185	-35	-2	468	-46	-
Profit/loss before financial items and tax	13 516	11 555	356	144	-208	57	2 025	-597	184
Balance Sheet 31.12.10									
Investments in associates and joint ventures	17 090	-	667	5 730	1 086	-	9 572	38	-3
Other assets	138 877	48 008	5 959	6 994	1 807	2 173	14 583	69 616	-10 263
Total assets	155 967	48 008	6 626	12 724	2 893	2 173	24 155	69 654	-10 266
Depreciation, amortisation and impairments	-3 205	-1 111	-451	-161	-107	-95	-498	-121	-662
Maintenance investments	1 000	437	161	103	3	3	235	59	-
Investments in new generating capacity	1 852	584	119	272	130	191	356	200	-
Investments in shares	888	-	-	325	559	-	-	4	-

Specification of group items:

NOK million		2011		2010
Unrealised value changes energy contracts, excl Trading & Origination		-1 152		62
Material non-recurring items		-1 035		70
Gain on sale of Sluppen Eiendom AS	126		-	
Gain on sale of Trondheim Energi Nett AS	-		393	
Pension commitment	-		339	
Depreciation power plant in Nepal due to reversion to state ownership	-74		-	
Impairments of non-current assets and receivables	-1 087		-662	
Eliminations and other group items		-96		52
Total		-2 283		184

SPECIFICATION PER PRODUCT

Reference is made to Note 7.

SPECIFICATION PER GEOGRAPHICAL AREA

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

Fixed assets consist of property, plant and equipment and intangible assets except deferred tax and are 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	Finland	UK	Other
2011							
Sales revenues external	20 924	16 436	3 385	93	4	240	766
Non-current assets as of 31.12.	81 672	49 973	4 288	17 472	729	1 539	7 671
2010							
Sales revenues external	27 780	20 188	2 232	3 064	114	19	2 163
Non-current assets as of 31.12.	78 818	48 761	4 394	17 810	726	815	6 312

INFORMATION REGARDING SIGNIFICANT CUSTOMERS

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

07 SALES REVENUES

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

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

NOK million	2011	2010
Net physical spot sales, including green certificates	12 165	18 286
Concessionary sales at statutory prices	401	308
Industrial sales at statutory prices	130	1 535
Long-term commercial contracts	5 427	3 054
Dynamic hedging	-124	308
Trading and origination	780	601
Distribution grid	1 114	1 421
End-user	4 902	5 986
District heating	581	634
Other/eliminations [1)]	-4 453	-4 354
Sales revenues	20 924	27 780

1) In the note, income in each portfolio is presented gross. As a result of this, intercompany purchases performed by Fjordkraft AS are presented on a separate line.

Statkraft has long-term physical sales contracts with power-intensive industrial customers and the wood processing industry at prices set by the Norwegian Storting (parliament), as well as obligations to supply power to local authorities at concessionary prices. These contracts are entered into at prices below the market level. Statutory-priced industrial contracts mostly ran out in 2011.

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

08 OTHER OPERATING REVENUES

NOK million	2011	2010
Power plant leasing revenues	453	522
Other leasing and service revenues	387	230
Other operating revenues	607	721
Total	1 447	1 473

Other operating revenues include a gain of NOK 126 million from the sale of Sluppen Eiendom AS. In 2010, the amount includes a gain of NOK 393 million from the sale of Trondheim Energi Nett AS.

09 ENERGY PURCHASES

NOK million	2011	2010
Gas purchases	2 368	2 871
End-user activities	596	1 803
Total	2 964	4 674

The reason for the decline in energy purchases regarding end-user activities is that Fjordkraft AS started purchasing energy from Statkraft Energi AS during 2010.

10 UNREALISED CHANGES IN THE VALUE OF ENERGY CONTRACTS

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

NOK million	2011	2010
Nordic hydropower portfolio excluding industrial power	1 198	-642
Industrial power contracts in the Nordic hydropower portfolio [1)]	-707	677
Other industrial power contracts	-18	-
Trading and origination	54	130
Continental assets [2)]	-1 458	-64
End-user portfolio	1	-25
Eliminations	-168	117
Total	-1 098	193

[1)] Volume optionality and embedded derivatives in physical industrial power contracts are evaluated at fair value. Statkraft entered into several long-term power sales contracts in the first half of 2011. Statkraft then decided to change its accounting policies for power sales agreements entered into in EUR where the other contractual party uses NOK as its functional currency.

[2)] Gas purchase agreements previously regarded as own use, are now treated as financial instruments because of changes in the contents of the agreements.

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

NOK million	2011	2010
Salary	1 970	1 817
Employers' national insurance contribution	306	295
Pension costs	362	36
Other benefits	121	239
Total	2 759	2 387

The Group employed an average of 3329 full-time equivalents in 2011. The corresponding figure for 2010 was 3414.

As of 31 December 2011 the Group employed 3358 full-time equivalents. The corresponding figure for 2010 was 3301.

Pension costs are described in further detail in Note 12.

12 PENSIONS

DEFINED BENEFIT SCHEMES

Funded defined benefit schemes The companies in the Group have organised their pension schemes in the National Pension Fund (SPK), own pension funds as well as in insurance companies. Employees in the Group's Norwegian companies participate in public service occupational pension schemes in accordance with the Norwegian Public Service Pension Fund Act, the Norwegian Public Pension Service Pension Fund Transfer Agreement and the regulatory framework governing public service pensions. 2468 employees and 1219 pensioners were covered by benefit schemes as of 31 December 2011.

Pension benefits from the SPK are guaranteed by the Norwegian state (Section 1 of the Pension Act). The occupational pension schemes cover retirement, disability, surviving spouse and child's pension. With maximum accrual, the retirement schemes provide pension benefits amounting to 66% of pensionable income, up to 12 times the National Insurance Scheme's basic amount (G). In connection with the pension reform in 2010 changes were decided regarding adjustment for life expectancy, individual guarantee and new regulation of current pensions. The scheme change was recognized in the pension liability as of 31 December 2010. Adjustment for life expectancy will entail those born in 1943 or later, causing lower pension benefits than before. Employees born in 1958 or earlier will receive 66% of the pension base due to an individual guarantee. New regulation implies that accrual of pension rights will be regulated with the National Insurance Scheme's basic amount (G). Current pensions will be adjusted by the National Insurance Scheme's basic amount (G) less a fixed factor of 0.75 percentage points.

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 been member of schemes in SPK for at least three years. In schemes that are part of SPK, participating companies are not responsible for these obligations. Deferred entitlements in the pension schemes will be continued as an obligation in the pension schemes.

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

The pension schemes have placed the pension assets in a diversified portfolio of Norwegian and foreign interest-bearing securities, Norwegian and foreign shares, secured loans to members, hedge funds and properties through external asset managers. Defined-benefit schemes have been established for a limited number of employees in companies outside Norway.

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

Unfunded defined benefit schemes In addition to the above, some Group companies in Norway have entered into pension agreements that provide all employees whose pensionable incomes exceed 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G. Due to new guidelines for companies owned by the Norwegian state, as stated by the Government 31 March 2011, the agreement is currently being revised.

Employees who leave the company before pensionable age receive a deferred pension entitlement for the scheme above 12G, provided they have been member of schemes in SPK for at least three years.

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 2011. Calculations are based on staff numbers and salary data at the end of the year.

Actuarial gains and losses in 2011 are mainly due to updated assumptions, staff numbers, actual salary increase and return on assets.

Explanation of the background for selected assumptions/risk table as of 31 December 2011 The discount rate is set at 2.8% for Norwegian pension schemes and is calculated as a weighted average of the risk-free interest rate until the time when payments are expected to be made. Salary adjustments for Norwegian schemes are mainly calculated as the total of the expected nominal salary increase of 1.75%, inflation of 2.0% and career progression increase of 0.25%, with some minor adaptations. For the majority of the Norwegian schemes, adjustment of current pensions follows the Norwegian National Insurance Scheme's basic amount (G -0.75 percentage points). For demographic factors, the K2005, GAP07 and IR73 tariffs are used to establish mortality and disability risks. The stipulation of parameters which apply to foreign defined-benefit schemes is adapted to local conditions.

DEFINED CONTRIBUTION SCHEMES

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

The following assumptions are used	31.12.11	01.01.11	31.12.10	01.01.10
Annual discount rate [1]	2.8–5.2%	3.7–5.5%	3.7–5.5%	4.4–6%
Salary adjustment	4%	4%	4%	4.3–4.5%
Adjustment of current pensions	3%	3%	3%	4%
Adjustment of the National Insurance Scheme's basic amount (G)	3.75%	3.75%	3.75%	4%
Forecast voluntary exit				
• Up to age 45	3.5%	3.5%	3.5%	3.5%
• Between ages 45 and 60	0.5%	0.5%	0.5%	0.5%
• Over age 60	0%	0%	0%	0%
Projected yield [1]	2.8–4.5%	3.7–6%	3.7–6%	4.4–6%
Rate of inflation [1]	2–2.9%	2–3.3%	2–3.3%	2.3–3.4%
Tendency to take early retirement (AFP)	10.0–30.0%	10.0–30.0%	10.0–30.0%	10.0–30.0%

[1] Interval discount rate, projected yield and inflation for foreign entities.

Breakdown of net defined benefit pension liability

NOK million	2011	2010
Present value of accrued pension entitlements for funded defined benefit schemes	5 914	4 669
Fair value of pension assets	3 296	3 124
Actual net pension liability for funded defined benefit schemes	2 619	1 545
Present value of accrued pension entitlements for unfunded defined benefit schemes	410	285
Employers' national insurance contribution	424	276
Net pension liabilities in the balance sheet (see Note 26)	3 453	2 106

Movement in defined benefit pension liability during the year

NOK million	2011	2010
Defined benefit pension liabilities 01.01.	4 954	4 888
Increase in liabilities for new subsidiary/new members	9	2
Reduction in liabilities as a result of transfer of employees	-23	-395
Present value of accrued pension entitlements for the year	283	290
Interest expenses	177	189
Amortisation scheme change, excluding employers' national insurance contribution	5	-298
Estimate deviation	1 049	396
Paid benefits	-129	-115
Currency translation effects	-1	-3
Gross defined benefit pension liabilities 31.12.	6 324	4 954

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

NOK million	2011	2010
Fair value of pension assets 01.01.	3 124	3 062
Projected yield on pension assets	136	134
Estimate deviation	-117	42
Total contributions	281	271
Increase in pension assets through new subsidiary	2	-
Reduction in assets as a result of transfer of employees	-6	-263
Paid benefits	-125	-115
Currency translation effects	0	-9
Fair value of pension assets 31.12.	3 296	3 124

Pension assets comprise	2011	2010
Equity instruments	530	563
Interest-bearing instruments	2 465	2 273
Other	300	288
Fair value of pension assets 31.12.	3 296	3 124

Movement in actuarial gains and losses recognised in comprehensive income

NOK million	2011	2010
Cumulative amount recognised in comprehensive income 01.01.	2 243	1 840
Recognised in comprehensive income during the period	1 300	404
Cumulative amount recognised directly in equity before tax 31.12.	3 543	2 243
Deferred tax relating to actuarial gains (-)/losses (+) recognised in comprehensive income	992	628
Cumulative amount recognised directly in equity after tax 31.12.	2 551	1 615

Pension cost recognised in the income statement

Defined benefit schemes

NOK million	2011	2010
Present value of accrued pension entitlements for the year	283	290
Interest expense	177	189
Projected yield on pension assets	-136	-134
Amortisation of scheme changes	5	-298
Employee contributions	-26	-22
Employers' national insurance contribution	41	1
Pension cost defined benefit schemes	345	26

Defined contribution schemes		
Employer payments	18	10
Total pension cost – see Note 11	362	36

	Discount rate		Annual salary increase		Increase in G		Staff turnover rate	
Sensitivity analysis upon changes in assumptions	1%	-1%	1%	-1%	1%	-1%	1%	-1%
Increase (+)/decrease (-) in net pension cost for the period	-80	97	94	-95	20	-40	-48	6
Increase (+)/decrease (-) in net pension liability 31.12.2011	-1 153	1 405	609	-690	488	-546	-285	23

13 PROPERTY TAX AND LICENCE FEES

NOK million	2011	2010
Property tax	970	941
Licence fees	284	295
Total	1 254	1 236

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

The present value of the Group's future licence fee obligations that are not provided for in the annual financial statements is estimated at NOK 4739 million, discounted at an interest rate of 6% in accordance with the regulations relating to the adjustment of licence fees, annual compensation and funds, etc. With basis in a risk-free interest rate, we have added a premium for risk, reflecting an eternal obligation. In 2010, the amount was NOK 7108 million (interest rate 4%).

14 OTHER OPERATING EXPENSES

NOK million	2011	2010
Purchase of third-party services	909	1 232
Materials	446	345
Cost of power plants operated by third parties	491	483
Compensation payments	104	56
Rent	258	305
IT expenses	138	211
Marketing	128	101
Travel expenses	160	166
Insurance	120	94
Other operating expenses	560	605
Total	3 314	3 598

15 FINANCIAL ITEMS

2011

	Assessment basis					
NOK million	Fair value through profit or loss	Amortised cost	Available for sale	Equity method	Bank	Total
Financial income						
Interest income	-	65	-	-	506	571
Financial derivatives, net realised currency gains	283	-	-	-	-	283
Bank accounts and loans, net realised currency gains	-	200	-	-	-366	-166
Dividend	-	-	993	-	-	993
Other financial income	-	165	-	169	-	334
Total	283	430	993	169	140	2 015
Financial expenses						
Interest expenses	-281	-1 219	-	-	-7	-1 507
Financial derivatives, net realised currency losses	-37	-	-	-	-	-37
Other financial expenses	-	-23	-	-16	-42	-81
Total	-318	-1 242	-	-16	-49	-1 625
Unrealised changes in value, financial items						
Financial interest rate swaps	184	-	-	-	-	184
Financial currency and interest rate swaps	88	-	-	-	-	88
Forward exchange contracts	-51	-	-	-	-	-51
Foreign currency loans	-132	116	-	-	-	-16
Securities liquidity, gains/losses [1]	-83	-	-4 147	-	-	-4 230
Total	6	116	-4 147	-	-	-4 025
Net financial items	-29	-696	-3 154	153	91	-3 635

[1] See note 20.

2010

NOK million	Fair value through profit or loss (Assessment basis)	Amortised cost (Assessment basis)	Available for sale (Assessment basis)	Equity method (Assessment basis)	Bank	Total
Financial income						
Interest income	-	131	-	-	168	299
Financial derivatives, net realised currency gains	969	-	-	-	-	969
Bank accounts and loans, net realised currency gains	-	160	-	-	-360	-200
Dividend	-	-	975	-	-	975
Other financial income	-	19	-	-	-2	17
Total	969	310	975	-	-194	2 060
Financial expenses						
Interest expenses	-174	-1 355	-	-	-	-1 529
Other financial expenses	30	-93	-	-	-15	-78
Total	-144	-1 448	-	-	-15	-1 607
Unrealised changes in value, financial items						
Financial interest rate swaps	120	-	-	-	-	120
Financial currency and interest rate swaps	-576	-	-	-	-	-576
Forward exchange contracts	157	-	-	-	-	157
Foreign currency loans	761	3 463	-	-	-	4 224
Securities liquidity, gains/losses [1]	-476	-	-4 818	-	-	-5 294
Total	-14	3 463	-4 818	-	-	-1 369
Net financial items	811	2 325	-3 843	-	-209	-917

[1] See note 20.

16 TAXES

The tax expense comprises the following

NOK million	2011	2010
Income tax	2 348	3 832
Resource rent tax	1 409	2 057
Correction relating to tax assessment for previous years	79	20
Change in deferred tax	-557	-907
Withholding tax	149	146
Tax expense in the income statement	3 427	5 148

Income tax payable

NOK million	2011	2010
Income taxes payable on the Group's profit for the year	2 348	3 485
Effect of Group contributions on tax liability	-752	-2 104
Income tax payable before offsetting against natural resource tax for the year	1 596	1 381

Tax payable in the balance sheet

NOK million	2011	2010
Natural resource tax	575	589
Resource rent tax	1 409	2 057
Income tax exceeding natural resource tax	1 021	791
Tax due from previous financial years	390	21
Tax payable in the balance sheet	3 396	3 458

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

NOK million	2011	2010
Profit before tax	3 466	12 599
Expected tax expense at a nominal rate of 28%	970	3 527
Effect on taxes of		
Resource rent tax	1 534	558
Differences in tax rates from Norway	-523	-427
Share of profit from associates	-251	-215
Tax-free income	-233	-176
Changes relating to previous years	79	237
Reduction in value E.ON AG shares	1 149	1 349
Change in unrecognised deferred tax assets	439	301
Other permanent differences, net	262	-7
Tax expense	3 427	5 148
Effective tax rate	98.9%	40.9%

BREAKDOWN OF DEFERRED TAX

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

NOK million	01.01.11	Recognised in tax expense	Recognised in other comprehensive income	Acquisitions and sale of companies	Group contribution	**31.12.11**
Current assets/current liabilities	1 910	-410	-	190	-1 052	**639**
Property, plant and equipment	6 098	570	113	369	-	**7 150**
Pension liabilities	-605	25	-364	5	-	**-941**
Other long-term items	2 251	-831	-	-	-	**1 420**
Tax loss carryforward/compensation	-190	21	-7	-32	-	**-210**
Deferred tax, resource rent tax	1 761	33	-	-	-	**1 794**
Negative resource rent tax carryforward [1)]	-3 113	35	-	-	-	**-3 078**
Total net deferred tax liability	8 112	-557	-258	532	-1 052	**6 774**
Of which presented as deferred tax asset, see Note 17	1 954					**2 219**
Of which presented as deferred tax liability, see Note 26	10 066					**8 993**

[1)] Tax assets related to negative resource rent tax carryforward in power plants where the future tax-related profit for the next ten years can be estimated, are recognised in the balance sheet. Normal production and price curve expectations for the next ten years form the basis for the calculation of expected future taxable profit. Off-balance sheet deferred tax assets related to negative resource rent tax carryforward amounted to NOK 1462 million as of 31 December 2011.

NOK million	01.01.10	Recognised in tax expense	Recognised in other comprehensive income	Acquisitions and sale of companies	Group contribution	31.12.10
Current assets/current liabilities	1 942	-2 161	26	-1	2 104	1 910
Property, plant and equipment	4 587	1 705	-193	-	-	6 098
Pension liabilities	-589	99	-113	-2	-	-605
Other long-term items	402	1 853	-3	-	-	2 251
Tax loss carryforward/compensation	-240	49	-	1	-	-190
Deferred tax, resource rent tax	2 242	-482	-	-	-	1 761
Negative resource rent tax carryforward [1)]	-1 143	-1 970	-	-	-	-3 113
Total net deferred tax liability	7 202	-907	-283	-2	2 104	8 112
Of which presented as deferred tax asset, see Note 17	1 163					1 954
Of which presented as deferred tax liability, see Note 26	8 365					10 066

[1)] Tax recognised as income relating to estimated negative resource rent tax carryforwards was about NOK 1900 million in 2010. The estimate change was a combination of changed assumptions during the course of the year, as well as improved methods for estimating deferred tax assets. The calculated effect of the changed assumptions and improved estimation methods was about NOK 1400 million. Share of tax assets related to negative resource rent tax carryforward in power plants where the future tax-related profit for the next ten years can be estimated, are recognised in the balance sheet. Normal production and price curve expectations for the next ten years form the basis for the calculation of expected future taxable profit. Off-balance sheet deferred tax assets related to negative resource rent tax carryforward amounted to NOK 1665 million as of 31 December 2010.

Deferred tax recognised in other comprehensive income

NOK million	**2011**	2010
Estimate deviation pension	**-364**	-114
Translation differences	**106**	-169
Total deferred tax recognised in other comprehensive income	**-258**	-283

17 INTANGIBLE ASSETS

NOK million	2011	2010
Deferred tax asset	2 219	1 954
Goodwill	711	547
Other	178	480
Total	3 108	2 981

Deferred tax is presented in more detail in Note 16.

NOK million	Goodwill	Other	Total
2011			
Book value 01.01.	547	480	1 027
Additions	-	24	24
Additions from business combinations	119	-	119
Reclassifications between asset classes	64	-64	-
Transferred to fixed assets	-	-150	-150
Currency translation effects	19	7	26
Disposals	-8	-46	-54
Amortisation	-	-14	-14
Impairments	-30	-59	-89
Book value 31.12	711	178	889
Cost as of 31.12	1 383	415	1 798
Accumulated amortisation and impairments 31.12.	-672	-237	-909
Book value 31.12	711	178	889
2010			
Book value 01.01.	648	466	1 114
Additions	1	202	203
Additions from business combinations	6	-	6
Currency translation effects	1	-4	-3
Amortisation	-	-41	-41
Impairments	-109	-143	-252
Book value 31.12	547	480	1 027
Cost as of 31.12	1 111	1 069	2 180
Accumulated depreciation and impairments 31.12.	-564	-589	-1 152
Book value 31.1	547	480	1 027
Expected economic lifetime		10–15 years	

IMPAIRMENT GOODWILL

The goodwill has been tested for impairment at year-end. The testing resulted in no material impairment losses in the financial statements for 2011.

NOK 109 million of goodwill was impaired in 2010. The reason for the impairment was increased prices on gas and CO_2 quotas while power prices were low.

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 2011 and 2010 are expensed with NOK 150 million and NOK 143 million, respectively.

18 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, road, bridge and quay facilities	Plants under construction	Other [1]	Total
2011								
Book value 01.01.	21 384	17 642	4 559	2 160	28 574	2 614	858	77 791
Additions	69	404	75	53	327	4 940	432	6 300
Additions from business combinations	-	491	-	-	626	10	12	1 139
Transferred between asset classes	-1 937	-59	-358	-1	126	-936	3 165	-
Transferred from intangible assets	-	34	-	-	38	70	8	150
Disposals	-	-13	-486	-26	-219	-33	-232	-1 009
Capitalised loan expenses	-	1	-	-	-	42	3	46
Currency translation effects	-2	13	-	-	115	-13	-1	112
Depreciation	-481	-892	-261	-79	-351	-	-310	-2 374
Impairments	-3	-484	-	-	-79	-513	-8	-1 087
Accumulated depreciation/ impairments on disposals	-	7	21	-	58	-	86	172
Book value 31.12.	19 030	17 144	3 550	2 107	29 215	6 181	4 013	81 240
Cost 31.12.	25 945	30 588	7 965	3 267	32 832	6 696	6 905	114 198
Accumulated depreciation and impairments	-6 915	-13 444	-4 415	-1 160	-3 617	-515	-2 892	-32 958
Book value 31.12.	19 030	17 144	3 550	2 107	29 215	6 181	4 013	81 240
2010								
Book value 01.01.	21 275	17 753	5 272	2 197	27 926	2 944	873	78 240
Additions	75	274	218	39	124	1 608	304	2 642
Transferred between asset classes	156	1 027	99	-	252	-1 715	181	-
Disposals	-	-17	-2 136	-	-55	-226	-256	-2 690
Capitalised loan expenses	-	-	-	-	-	2	7	9
Currency translation effects	346	25	57	1	615	6	32	1 082
Depreciation/impairments [2]	-468	-1 425	-281	-77	-290	-10	-360	-2 911
Accumulated depreciation/ impairments on disposals	-	5	1 330	-	2	5	77	1 419
Book value 31.12.	21 384	17 642	4 559	2 160	28 574	2 614	858	77 791
Cost 31.12.	27 748	29 849	8 744	3 295	31 690	2 634	3 432	107 392
Accumulated depreciation and impairments	-6 364	-12 207	-4 186	-1 135	-3 116	-20	-2 574	-29 602
Book value 31.12.	21 384	17 642	4 559	2 160	28 574	2 614	858	77 791

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

[2] Depreciation/impairment in 2010 includes impairment of property, plant and equipment of NOK 552 millions. The reason for the impairment was improved knowledge about recently acquired facilities and therefore a better basis for estimating future cash flows.

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

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT IN 2011

Assets in gas- and biomass power plants in Germany have been written down NOK 1087 millions due to impairment in 2011. New access to renewable energy in the market during 2011, a drop in power prices and increased gas prices have resulted in low margins for gas power plants in Germany. This, together with the fact that the German power market is in the middle of a significant and swift change, has driven the impairment.

NOK million	Carried value	Value in use	Impairment
Landesbergen	447	77	370
Knapsack	4 895	4 309	586
Other	208	77	131
Total impairment			1 087

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.

The Knapsack power plant has two production plants, Knapsack I and Knapsack II, of which the latter is under construction. When Knapsack II is completed, the Knapsack plants will be operated as a single unit with common controlboard and common management. Under the development of Knapsack I in 2005, a major gas deal with Wingas was signed. When development of Knapsack II was decided in 2010, no major long-term gas contract was signed, partly because in the meantime, a liquid spot market for gas had developed in Germany. Due to changes in the market outlook, gas consumption in Knapsack I will be somewhat lower than expected in 2005, and Statkraft will from 2013 be able to optimize the original contract between the two production plants in the power plant. Moving production from one plant to another is associated with low costs. During periods of low demand, production will take place in the facility that can operate most cost effectively. Production stop for maintenance will also be optimized between the two plants. Thus, it is management's assessment that the cash inflows for the two plants at Knapsack are not independent of each other and that Knapsack is considered one single cash-generating unit.

The power plant Landsbergen is a single plant and is considered to be a separate cash-generating unit.

Other write-downs are related to small biomass plants.

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 a combination of spot- and capacity markets. In liquid periods, observable market prices are used, for subsequent periods, a combination of Statkraft's expectations for long-term spot prices and the expected market capacity are being used. Prices are linearly interpolated in the periods between 2015 and 2020, between 2020 and 2025 and between 2025 and 2035.

Costs related to gas purchases are based on market prices for liquid periods and for subsequent periods; Statkraft’s long range price paths are used.

Operating costs are based on fiscal year 2011 which is considered a representative year. Assets under construction are included in the value in use with accrued expenses at year end, and the remaining investment framework approved by Statkraft's management. For the power plants in operation, the anticipated maintenance expenditures are included.

It is used a WACC before tax and which reflects specific risks relating to the relevant operating segment. Applied WACC is 10.2% before tax and 7.1% after tax.

Evaluation of the assumptions used When calculating the expected value in use, assumptions regarding future revenues and costs are included. The estimated values are particularly sensitive to changes in future power prices and gas prices (spark spread), as well as WACC. Change in the discount rate by one percentage point (before tax) will affect the value in use with approximately NOK 300 million. A change in the spark spread with 10 percentage points will affect the value in use with approximately NOK 580 million. For plants under construction, any cost overruns which are not anticipated will also affect the estimated value in use. Changes in the mentioned assumptions going forward might change the conclusions drawn at 31 December 2011.

USEFUL ECONOMIC LIFETIMES

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

	Depreciation period (years)
Waterfall rights	perpetual
Land	perpetual
Dams	
– riprap dams, concrete dams	75
– other dams	30
Tunnel systems	75
Mechanical installations	
– pipe trenches	40
– generators (turbine, valve)	40
– other mechanical installations	15
Underground facilities	75
Roads, bridges and quays	75
Electrotechnical installations	
– transformer/generator	40
– switchgear (high voltage)	35
– control equipment	15
– operating centre	15
– communication equipment	10

	Depreciation period (years)
Distribution grid facilities	
– transformer	35
– switchgear, high voltage	35
Buildings (admin etc.)	25–50
Wind mills	
– land-based	20–22
Other fixed installations	
– permanent	20
– less permanent	10
Miscellaneous fixtures	5
Office and computer equipment	3
Furnishings and equipment	5
Vehicles	8
Construction equipment	12
Small watercraft	10
Gas and steam generators	20–25
Water cooling systems	20–25
Gas power plant transformers	20–25

19 ASSOCIATES AND JOINT VENTURES

Specification of significant investments in associates and joint ventures:

NOK million	BKK	Agder	Scira [1]	Kraftwerk-gesselschaft Herdecke	SN Aboitiz Power – Magat Inc	Hidro-electrica La Higuera S.A	Malana Power Company Ltd.	Allain Duhangan Hydro Power Ltd.	Other	Totals
Opening balance 01.01	5 458	3 929	904	627	1 276	1 183	581	994	2 138	17 090
Share of profits	551	508	-367	-87	634	-177	-5	-6	-39	1 013
Amortisation of excess values	-14	-66	-	-	2	-	-5	-19	-13	-115
Capital increase	-	-	-	-	-	-	-	-	360	360
Investment/sales	-	-	-	-	-	-	-	-	-21	-21
Dividend	-649	-409	-	-5	-587	-	-	-	11	-1 639
Currency translation effects	-	-	22	-14	25	-75	-51	-16	207	98
Transactions booked against other comprehensive income	-219	-158	-	-48	-13	-39	-	-	-196	-673
Reduction of capital	-	-	-	-4	-	-	-	-	-	-4
Closing balance 31.12	5 127	3 804	559	470	1 337	891	520	954	2 447	16 109
Excess value 31.12.2011	2 254	2 306	-	-	410	798	208	722	533	7 231
Of which unamortised waterfall rights	1 818	333	-	-	1 013	798	-	-	404	4 366

[1] Share of profit includes impairment of NOK 338 million due to delays and cost overruns.

OVERVIEW OF COMPANIES RECOGNISED IN ACCORDANCE WITH THE EQUITY METHOD

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

Name	Registered office	Shareholding	Voting share
Joint ventures:			
Barmoor Wind Power Ltd.	Berwick upon Tweed	50.0%	50.0%
Biomassheizkraftwerk Landesbergen GmbH	Landesbergen	50.0%	50.0%
Catamount Energy Ltd.	St. Albans	50.0%	50.0%
Devoll Hydropower SHA	Tirana	50.0%	50.0%
Fountain Intertrade Corp.	Panama	50.1%	50.0%
Greenpower Carraig Gheal Ltd.	Sterling	50.0%	50.0%
Greenpower Little Law Ltd.	Sterling	50.0%	50.0%
Hidroelectrica La Confluencia S.A	Santiago	50.0%	50.0%
Hidroelectrica La Higuera S.A	Santiago	50.0%	50.0%
HPC Ammerån AB	Stockholm	50.0%	50.0%
HPC Byske AB	Stockholm	50.0%	50.0%
HPC Edsox AB	Stockholm	50.0%	50.0%
HPC Röan AB	Stockholm	50.0%	50.0%
Kraftwerksgesellschaft Herdecke, GmbH & Co. KG	Hagen	50.0%	50.0%
Luster Småkraft AS	Gaupne	50.0%	50.0%
Naturkraft AS	Tysvær	50.0%	50.0%
Scira Offshore Energy Ltd. (Scira)	London	50.0%	50.0%
Statkraft Agder Energi Vind DA [1]	Kristiansand	62.0%	62.0%
Viking Varme AS	Porsgrunn	50.0%	50.0%
Associates:			
Agder Energi AS (Agder)	Kristiansand	45.5%	45.5%
Allain Duhangan Hydro Power Ltd.	New Dehli	43.1%	43.1%
Bergenshalvøens Kommunale Kraftselskap AS (BKK)	Bergen	49.9%	49.9%
Biomassheizkraftwerk Emden GmbH	Emden	30.0%	30.0%
Eco-pro AS	Steinkjer	25.0%	25.0%
Energi og Miljøkapital AS	Skien	35.0%	35.0%
Forewind Ltd.	London	25.0%	25.0%
Istad AS	Molde	49.0%	49.0%
Kokemäenjoen Säännöstely-yhtiö	Finland	15.2%	15.2%
Länsi-Suomen Voima Oy	Finland	13.2%	13.2%
Malana Power Company Ltd.	New Dehli	49.0%	49.0%
Manila-Oslo Renewable Enterprise Inc	Manilla	16.7%	16.7%
Midtnorge Kraft AS	Rissa	40.0%	40.0%
Nividhu (Pvt) Ltd.	Colombo	30.0%	30.0%
Rullestad og Skromme Energi AS	Etne	35.0%	35.0%
SN Aboitiz Power – Magat Inc	Manila	40.0%	40.0%
SN Aboitiz Power Benguet Inc	Manila	40.0%	40.0%
SN Aboitiz Power Cordillera Inc	Manila	40.0%	40.0%
SN Aboitiz Power Hydro Inc	Manila	40.0%	40.0%
SN Aboitiz Power Nueva Ecjia Inc	Manila	40.0%	40.0%
SN Aboitiz Power Pangasnan Inc	Manila	40.0%	40.0%
SN Aboitiz Power RES Inc	Manila	40.0%	40.0%
Stiftelsen Norwegian Electricity Cooporation	Oslo	29.0%	29.0%
Vestfold Trafo Energi AS	Stokke	34.0%	34.0%

[1] A shareholder's agreement indicates joint control in Statkraft Agder Energi Vind DA.

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

JOINT ARRANGEMENTS

Statkraft has shareholdings in jointly owned power plants. These power plants are treated as joint arrangements and are recognised with Statkraft's share of income, expenses, assets and liabilities.

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

1) Statkraft’s total shareholding is 46.7%, of which Skagerak Energi AS' shareholding is 14.6%.
2) Statkraft owns 8.74% of the shares in Røldal-Suldal Kraft AS, which in turn owns 54.79% of the Røldal-Suldal plants. Statkraft's indirect shareholding in the power plant is thus 4.79%.
3) Statkraft owns 33.3% of Solbergfoss, but controls 35.6% of the production.
4) Statkraft owns 60.17% of the shares in AS Tyssefaldene, which wholly owns Håvardsvatn power station. Furthermore, Statkraft controls 71.4% of the production from the Tysso II power plant.
5) 65% of the production in Rana is leased out for 15 years from 1 January 2005.

20 OTHER NON-CURRENT FINANCIAL ASSETS

NOK million	2011	2010
Valued at amortised cost:		
Loans to associates	497	689
Bonds and other long-term receivables	620	446
Total valued at amortised cost	1 117	1 135
Available for sale:		
Other shares and securities	11 046	15 247
Total	12 163	16 382

Other shares and shareholdings in the balance sheet includes the E.ON AG shareholding with NOK 10 782 million. The original cost price of the shares amounts to NOK 23 125 million. The shares are classified as assets available for sale and recognised in the accounts at fair value with changes in value recorded in other comprehensive income. The change in value in 2011 was NOK -4085 million, of which NOK -4103 million is recognised as Unrealised changes in value financial items, and of which NOK 18 million is recognised in other comprehensive income.

The share was recognised in the balance sheet with a carrying value of NOK 14 687 million at year-end 2010. The part of the change in value which can be attributed to currency changes and which is within corresponding currency change for loans in EUR is presented in the income statement under Unrealised changes in value financial items. The change in value in 2010 was NOK -5282 million, of which NOK -1193 million is due to lower exchange rate for EUR. In 2010, the E.ON AG shareholding has shown a lasting reduction in market value compared with the original cost price. This entailed a need for write-down of the shares by an amount that includes earlier changes in value recognised in comprehensive income. The change in share value in 2010 amounted to NOK -4088 million. Previous changes in value recognised in comprehensive income amounted to NOK 463 million as of 2009. As a result of a lasting reduction in value, the income statement has been charged with NOK -3625 million under unrealised changes in value financial items.

21 INVENTORIES

NOK million	2011 Recognised value	2011 Cost price	2010 Recognised value	2010 Cost price
Value at net realisable value:				
Green certificates	390	447	435	446
CO_2 quotas	285	485	349	382
Total	675	932	784	828
Valued at the lower of cost and net realisable value:				
Spare parts	98		82	
Other	200		147	
Total inventories are values at the lower of cost and net realisable value	298		229	
Total	973		1 013	

22 RECEIVABLES

NOK million	2011	2010
Accounts receivable	4 823	5 739
Accrued revenues etc.	1 937	1 190
Short-term loans to associates and JVs	3 069	1 527
Debt connected to cash collateral	396	171
Other receivables	1 785	2 121
Total	12 010	10 748
Of which interest-bearing	3 465	1 698

Maturity analysis of receivables

2011 NOK million	Not yet due	Non-impaired receivables, overdue by: Less than 90 days	More than 90 days	Total
Account receivable	4 516	232	74	4 823
Other receivables	7 187	-	-	7 187
Total	11 704	232	74	12 010
Recognised as loss for the year				26

2010 NOK million	Not yet due	Non-impaired receivables, overdue by: Less than 90 days	More than 90 days	Total
Account receivable	5 280	269	190	5 739
Other receivables	5 007	1	1	5 009
Total	10 287	270	191	10 748
Recognised as loss for the year				9

23 SHORT-TERM FINANCIAL INVESTMENTS

NOK million	2011	2010
Bonds	224	214
Money market fund	115	115
Shares and other investments	116	95
Total	455	424

24 DERIVATIVES

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

Derivatives – current assets

NOK million	2011	2010
Energy derivatives		
Nordic hydropower portfolio excluding industrial power [1)]	4	-589
Industrial power contracts in Nordic hydropower portfolio	120	114
Other industrial contracts	45	-
Trading and Origination	4 455	5 109
Continental assets	357	265
End-user portfolio	195	-
Eliminations	-209	-
Total	4 967	4 899

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

Currency and interest rate derivatives		
Interest rate swaps	2	34
Forward exchange rate contracts	250	712
Combined interest rate and currency swaps	4	-
Total	256	746
Total derivatives current assets	5 223	5 645

Derivatives – non-current assets

NOK million	2011	2010
Energy derivatives		
Nordic hydropower portfolio excluding industrial power	4	17
Industrial power contracts in Nordic hydropower portfolio	1 019	1 479
Other industrial contracts	623	-
Continental assets	1 258	1 407
Total	2 904	2 903
Currency and interest rate derivatives		
Interest rate swaps	956	643
Forward exchange rate contracts	455	286
Combined interest rate and currency swaps	-	10
Total	1 411	939
Total derivatives – non-current assets	4 315	3 842

Derivatives – current liabilities

NOK million	2011	2010
Energy derivatives		
Nordic hydropower portfolio excluding industrial power	18	258
Industrial power contracts in Nordic hydropower portfolio	104	437
Other industrial contracts	37	-
Trading and Origination	4 201	5 179
Continental assets	824	218
End-user portfolio	193	365
Eliminations	-199	-
Total	5 178	6 457
Currency and interest rate derivatives		
Interest rate swaps	22	20
Forward exchange rate contracts	304	314
Combined interest rate and currency swaps	5	70
Total	331	404
Total derivatives – current liabilities	5 509	6 861

Derivatives – Long-term liabilities

NOK million	2011	2010
Nordic hydropower portfolio excluding industrial power	575	992
Industrial power contracts in Nordic hydropower portfolio	982	-
Other industrial contracts	73	-
Continental assets	1 733	810
Total	3 363	1 802
Currency and interest rate derivatives		
Interest rate swaps	890	526
Forward exchange rate contracts	254	166
Total	1 144	692
Total derivatives – long-term liabilities	4 507	2 494

25 CASH AND CASH EQUIVALENTS

NOK million	2011	2010
Cash and bank deposits	6 083	18 420
Money market funds, certificates, promissory notes, bonds	2 199	1 632
Total	8 282	20 052

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	2011	2010
Deposit account in connection with power sales on energy exchanges	39	45
Other restricted bank deposits [1]	786	774
Total	825	819

[1] Other restricted bank deposits is related to a back to back loan in subsidiaries, where bank deposits is given as collateral, see note 39.

CASH COLLATERAL

Cash collateral comprises payments made to/received from counterparties as security for net unrealised gains and losses that Statkraft has on interest rate swaps and combined interest rate and currency swaps, as well as forward exchange contracts. The table below shows net funds received from counterparties regarding cash collateral. These funds will be reversed in line with the unrealised effects. See notes 22 and 27.

NOK million	2011	2010
Cash collateral for financial derivatives	934	861

26 PROVISIONS

NOK million	2011	2010
Deferred tax	8 993	10 066
Pension liabilities	3 453	2 106
Other provisions	8 957	3 586
Total provisions	21 403	15 758

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

In other provisions an equity instrument liability is included. This was in 2010 reported as other short-term interest-free liabilities, but is now classified as long-term, as the execution lies more than 12 months into the future. See note 28.

27 INTEREST-BEARING DEBTS

NOK million	2011	2010
Current interest-bearing liabilities		
Certificate loans	-	770
First year's instalment on long-term liabilities	3 268	2 911
First year's instalment on long-term liabilities from Statkraft SF	-	653
Debt connected to cash collateral	1 330	1 080
Overdraft facilities	-	526
Other short-term loans	846	295
Total current interest-bearing liabilities	5 444	6 235
Interest-bearing long-term liabilities		
Loans from Statkraft SF	400	400
Bond loans in the Norwegian market	12 907	13 596
Other loans raised in non-Norwegian markets	15 123	17 390
External loans in subsidiaries and other loans	3 013	2 865
Total long-term interest-bearing liabilities	31 443	34 251
Total interest-bearing liabilities	36 887	40 486

The Group's net repayment of debt in 2011 amounted to NOK 4793 million. Other changes are mainly explained by acquisition of power plant of NOK 424 million, changes in cash collateral of NOK 250 million and otherwise changes in currency exchange rates for loans denominated in foreign currency.

See Notes 29–34 for more details.

28 OTHER INTEREST-FREE CURRENT LIABILITIES

NOK million	2011	2010
Accounts payable	923	2 875
Indirect taxes payable	2 009	1 574
Other interest-free liabilities	3 593	7 160
Total	6 525	11 609

Other interest-free liabilities included in 2010 an equity instrument liability. This is in 2011 reported as other long-term provisions, as the execution lies more than 12 months into the future. See note 26.

29 USE OF FINANCIAL INSTRUMENTS

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

Financial instruments in energy trading Within energy trading, financial instruments are used in the trading and origination activity. The trading and origination activity is managed independent from the Group's energy production. It's main objective is to achieve profit from changes in the market value of energy- and energy related financial products, as well as profit from unstandardized 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 and CO_2 quotas. Derivatives recognised in the balance sheet are shown as separate items in the balance sheet and are evaluated at fair value with changes in value recognised in the income statement. As the Group's future own production of power does not qualify for recognition in the balance sheet under IAS 39, the effect of changes in value of financial energy derivatives may have major effects on the income statement without necessarily reflecting the underlying activities.

Financial instruments in financial activities Financial instruments used in financial activities primarily consist of loans, interest rate swaps, combined interest rate and currency swaps and forward exchange contracts. Financial derivatives are used as hedging instruments in accordance with the Group's financial hedging strategy. The hedging objects will be assets in foreign currency, future cash flows or loan arrangements valued at amortised cost. For selected loan arrangements where the interest rate has been changed from fixed to floating (fair value hedging), some net investments in foreign units and cash flows, hedging is reflected in the accounts in accordance with IAS 39. 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.

30 HEDGE ACCOUNTING

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

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 1396 million of Statkraft AS' debt is designated as hedging of the net investment in Statkraft Treasury Centre. The currency effects on this debt are recognised in other comprehensive income. The effect recognised in 2011 was NOK -57 million.

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 its subsidiaries. This is related to cash flows in various currencies which have been hedged to SN Power's functional currency in USD. The hedge strategy relates to large investments, in total hedges for USD 402 million. Further, hedge accounting is practised for hedges of floating interest rates into fixed interest rates using interest rate swaps, for a total of USD 235 million.

Fair value of hedging instruments

NOK million	2011	2010
Hedging instruments used in fair value hedging	1 426	1 220
Hedging instruments in cash flow hedging [1]	-223	-19
Total fair value of hedging instruments	1 203	1 201

[1] The value represents the fair value of financial instruments. The changes in fair value is recognised in other comprehensive income.

Other information on fair value hedging

NOK million	2011	2010
Accumulated profit (+)/loss (-) on hedging instruments	1 426	1 220
Accumulated gains (+) losses (-) on hedging objects, in relation to the hedged risk	-1 435	-1 237

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE OF ENERGY DERIVATIVES

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

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

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

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

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

CO_2 CO_2 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.

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

FAIR VALUE OF CURRENCY AND INTEREST RATE DERIVATIVES

The fair value of interest rate swaps and combined interest- 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 FINANCIAL INVESTMENTS

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

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

FAIR VALUE OF EQUITY INVESTMENTS IN THE CO_2 FUND

Equity investments in CO_2 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 CO_2 above.

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

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

Assets and liabilities recognised at amortised cost NOK million	Note	2011 Recognised value	2011 Fair value	2010 Recognised value	2010 Fair value
Financial assets valued at amortised cost					
Loans to associates	20	497	516	689	719
Bonds and other long-term receivables	20	619	619	446	446
Accounts receivable	22	4 823	4 823	5 739	5 739
Accrued revenues etc.	22	1 937	1 937	1 190	1 190
Short-term receivables from associates	22	3 069	3 069	1 527	1 527
Interest-bearing restricted funds	22	396	396	171	171
Other receivables	22	1 785	1 785	2 121	2 121
Cash and bank deposits	25	6 083	6 083	18 420	18 420
Total		19 209	19 228	30 303	30 333
Financial liabilities valued at amortised cost					
Loans from Statkraft SF	27	-400	-468	-400	-460
Bond loans in the Norwegian market	27	-12 907	-13 193	-13 596	-13 726
Other loans raised in non-Norwegian markets	27	-15 123	-16 762	-17 390	-18 904
External loans in subsidiaries and other loans	27	-3 013	-3 025	-2 865	-2 883
Debt connected to cash collateral	27	-1 330	-1 330	-1 080	-1 080
Certificate loans	27	-	-	-770	-771
Overdraft facilities	27	-	-	-526	-526
First year's instalment on long-term liabilities	27	-3 268	-3 277	-3 564	-3 572
Other short-term loans	27	-846	-846	-295	-295
Accounts payable	28	-923	-923	-2 875	-2 875
Indirect taxes payable	28	-2 009	-2 009	-1 574	-1 574
Other interest-free liabilities	28	-3 593	-3 593	-7 160	-7 160
Total		-43 412	-45 426	-52 095	-53 826

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.

2011 NOK million	Note	Fair-value measurement at period-end using: Level 1	Level 2	Level 3	Fair value
Financial assets at fair value					
Energy derivatives	24	20	4 137	3 714	7 871
Currency and interest rate derivatives	24	-	1 667	-	1 667
Bonds	23	224	-	-	224
Shares and other investments	23	116	-	-	116
Money market fund	23	115	-	-	115
Money market funds, certificates, promissory notes, bonds	25	2 199	-	-	2 199
Total		2 674	5 804	3 714	12 192
Available-for-sale financial assets					
Other shares and securities	20	11 053	-	-	11 053
Total		11 053	-	-	11 053
Financial liabilities at fair value					
Energy derivatives	24	-205	-2 979	-5 357	-8 541
Currency and interest rate derivatives	24	-	-1 475	-	-1 475
Equity investment CO_2 fund	20	-	-	-7	-7
Total		-205	-4 454	-5 364	-10 023

2010 NOK million	Note	Fair-value measurement at period-end using: Level 1	Level 2	Level 3	Fair value
Financial assets at fair value					
Energy derivatives	24	1 060	4 224	2 519	7 803
Currency and interest rate derivatives	24	-	1 684	-	1 684
Equity investment CO_2 fund	20	-	-	65	65
Bonds	23	214	-	-	214
Shares and other investments	23	95	-	-	95
Money market fund	23	115	-	-	115
Money market funds, certificates, promissory notes, bonds	25	1 632	-	-	1 632
Total		3 116	5 908	2 584	11 608
Available-for-sale financial assets					
Other shares and securities	20	15 182	-	-	15 182
Total		15 182	-	-	15 182
Financial liabilities at compulsory fair value					
Energy derivatives	24	-385	-3 724	-4 150	-8 259
Currency and interest rate derivatives	24	-	-1 096	-	-1 096
Total		-385	-4 820	-4 150	-9 355

Total unrealised changes in value

NOK million	Note	2011	2010
Energy contracts	10	-1 098	193
Currency and interest contracts	15	-4 025	-1 369
Total		-5 123	-1 176

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 01.01.2011	2 584	-4 150	-1 566
Unrealised changes in value	348	-839	-491
Purchase	824	-179	645
Moved from Level 3	-42	-196	-238
Closing balance 31.12.2011	3 714	-5 364	-1 650
Net realised gain (+)/loss (-) for 2011			-222
Opening balance 01.01.10	1 885	-4 753	-2 868
Unrealised changes in value	900	-31	869
Purchase	3	-	3
Moved from Level 3	-204	634	430
Closing balance 31.12.10	2 584	-4 150	-1 566
Net realised gain (+)/loss (-) for 2010			182

Sensitivity analysis of factors classified to Level 3

NOK million	10% reduction	10% increase
Net effect on energy prices	-449	533
Net effect on gas prices	-	44

The reason why the effects are not 100% symmetrical is due to optionality in the contracts.

32 MARKET RISK IN THE GROUP

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

Market risk is the risk that a financial instrument's fair value or future cash flows will fluctuate as a result of changes in market prices. In Statkraft, market risk will primarily relate to electricity price risk, CO_2 prices, gas price risk, interest rate risk and foreign currency risk. The following section contains a more detailed account of the various types of market risk, and how these are managed.

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

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

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

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

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

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

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

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

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

The market risk in the portfolio is derived from the future market prices for electricity, CO_2, gas, coal and oil products. Mandates are based on annual volume thresholds and available production. The objective of the portfolio management is to optimise portfolio revenues and in addition reduce the portfolio risk. The risk is quantified using simulations of various scenarios for relevant risk factors.

The assets in this portfolio are Baltic Cable AB, the gas power plants, financial and physical energy contracts and other continental assets. Statkraft engages in trading in accordance with the applicable mandates by locking in earnings when electricity prices are attractive relative to gas prices plus CO_2 costs. In addition, Statkraft also engages in financial trading to maximise the revenues from Baltic Cable.

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

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

The financial contracts in the portfolio are forward contracts for electricity, CO_2, oil products, gas and coal. The price development in the spot market for electricity, gas, the underlying commodities that are included in the indexing of the gas contracts and CO_2 therefore affect the earnings of the gas-fired power plants.

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

Statkraft has allocated risk capital for the trading and origination business. Clear guidelines have been established for the types of products that are allowed to be traded. The mandates for trading and origination activities are adhered to through specified limits for Value-at-Risk and Profit-at-Risk. Both methods calculate the maximum potential loss a portfolio can incur, with a given probability factor over a given period of time. Credit risk and operational risk are also quantified in connection with the allocated risk capital. All trading and origination contracts are recognised at fair value in accordance with IAS 39.5 and 39.6.

The trading activities The trading activities involve buying and selling standardised and traded products. Electricity and CO_2 products, as well as green certificates, gas and oil products are traded. The contracts in the trading portfolio have durations ranging from 0 to 5 years.

Origination activities Origination activities include buying and selling both standardised products and structured contracts. Structured products may be energy contracts with a special duration, long-term contracts or energy contracts in different currencies. The trading with transport capacity over borders and virtual power plant contracts are also included in the activities. Quoted, traded 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 duration of up to five years, though some contracts run until 2028.

Other industrial power contracts All of SN Power's power contracts are part of Other industrial power contracts. The exposure within these power contracts is mostly related to future price changes in the Brazilian market. Development of price paths are performed in cooperation between Statkraft's market department, local analysts and consultants, and the calculations are updated quarterly.

FOREIGN EXCHANGE AND INTEREST RATE RISK

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

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

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

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

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

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

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

Compliance with the limit for currency risk is followed up continuously by the independent middle-office function. Responsibility for entering into and following up positions 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.

33 ANALYSIS OF MARKET RISK

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

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

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

Total market risk as of 31 December 2011 was calculated at NOK 1210 million. Total market risk before diversification effects is close to unchanged from 2010. The reason for this is primarily that the increase in Trading and Origination is offset by a similar decrease in the risk in energy optimisation, interest rates, currency and distribution grid revenues. The diversification effect emerges as the difference between total market risk in the specified areas and total market risk, where the correlation between e.g. energy prices, interest rates and currency exchange rates is taken into account. There is a minor increase in diversification effects measured both in NOK and as a percentage.

NOK million	2011	2010
Market risk in energy optimisation (volume risk, spot price risk and hedging)	1 167	1 215
Market risk in portfolios for Trading and origination	271	206
Market risk in interest rates and currency	197	220
Market risk in distribution grid revenues	36	27
Market risk in end-user activities and district heating	50	50
Total market risk before diversification effects	1 721	1 718
Diversification effects	-511	-467
Total market risk	1 210	1 251
Diversification effect as a percentage	30%	27%

Specification of loans by currency [1]

NOK million	2011	2010
Loans in NOK	15 204	19 324
Loans in SEK	2 624	2 607
Loans in EUR	14 756	14 852
Loans in USD	2 118	1 887
Loans in other currencies	9	-
Total	34 711	38 670

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

Specification of loan interest by currency [1]	2011	2010
Nominal average interest, NOK	4.60%	4.20%
Nominal average interest, SEK	2.90%	1.30%
Nominal average interest, EUR	3.90%	3.50%
Nominal average interest, USD	3.60%	4.10%

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

Fixed interest rate loan portfolio [1]

	Future interest rate adjustments				
NOK million	2012	1–3 years	3–5 years	5 years and more	Total
Loans in NOK	8 788	-1 114	2 720	4 810	15 204
Loans in SEK	2 610	-	14	-	2 624
Loans in EUR	9 303	42	19	5 392	14 756
Loans in USD	1 571	-	-	547	2 118
Loans in other currencies	-	-	-	9	9
Total	22 272	-1 072	2 753	10 758	34 711

[1] Includes long-term interest-bearing liabilities, first year's instalments on long-term interest-bearing liabilities, certificates, and the currency effects of combined interest rate and currency swaps. The split between years also shows the timing of interest rate adjustments for interest rate swaps and combined interest rate and currency swaps.

Short-term financial investments – bonds per debtor category

NOK million	2011	2010	Mod. duration	2011 Average interest rate (%)
Commercial and savings banks	103	92	1.59	4.10%
Industry	30	33	3.25	4.00%
Public sector	90	89	3.34	3.10%
Total	223	214		

34 CREDIT RISK AND LIQUIDITY RISK

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

CREDIT RISK

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

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

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

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

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

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

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

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

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

NOK million	Note	2011	2010
Gross exposure credit risk:			
Other non-current financial assets	20	11 046	15 247
Derivatives	24	9 538	9 487
Receivables	22	12 010	10 748
Short-term financial investments	23	455	424
Cash and cash equivalents	25	8 282	20 052
Total		41 331	55 958
Exposure reduced by security (guarantees, cash collateral etc.):			
Derivatives	27	-1 330	-1 080
Net exposure credit risk		40 001	54 878

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

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

All cash and cash equivalents are receivables due from banks.

LIQUIDITY RISK

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

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

Maturity schedule, external long-term liabilities

NOK million	2012	2013	2014	2015	2016	After 2016
Instalments on loans from Statkraft SF	-	-	-	-	-	400
Instalments on bond loans from the Norwegian market	700	-	3 983	2 145	4 279	2 500
Instalments on other loans raised in non-Norwegian markets	2 200	2 324	-	3 868	-	8 931
Instalments on external loans in subsidiaries and other loans	368	1 639	94	148	126	1 006
Interest payments	1 485	1 411	1 383	1 064	871	1 604
Total	4 753	5 374	5 460	7 225	5 276	14 441

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	2012	2013	2014	2015	2016	After 2016
Energy derivatives	3 666	1 685	977	809	598	633
Interest rate and foreign currency derivatives	246	-162	-38	73	107	811
Total derivatives	3 912	1 523	939	882	705	1 444

35 MANAGEMENT OF CAPITAL STRUCTURE

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

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

There were no changes in the Group's targets and guidelines governing the management of capital structure in 2011.

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	2011	2010
Interest-bearing long-term liabilities	27	31 443	34 251
Short-term interest-bearing liabilities	27	5 444	6 235
Cash and cash equivalents and short-term financial investments	23, 25	-8 737	-20 476
Net liabilities		28 150	20 010

36 BENEFITS PAID TO EXECUTIVE MANAGEMENT AND THE BOARD

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

Salaries and other benefits – executive management

NOK	Salary	Bonus [2]	Benefits in kind	Salary and other benefits
Christian Rynning-Tønnesen, President and CEO	4 026 276	-	188 838	4 215 114
Stein Dale, Executive Vice President [1]	1 238 831	450 000	77 364	1 766 195
Jens B. Staff, Executive Vice President [1]	527 300	-	40 256	567 556
Jon Brandsar, Executive Vice President	2 130 749	375 000	167 436	2 673 185
Steinar Bysveen, Executive Vice President	2 221 983	152 083	187 428	2 561 494
Hilde Bakken, Executive Vice President	1 919 047	237 500	186 056	2 342 603
Asbjørn Grundt, Executive Vice President	2 560 994	333 750	159 029	3 053 773
Øistein Andresen, Executive Vice President	2 016 552	72 917	152 312	2 241 781

[1] Stein Dale resigned as Executive Vice President 30 June 2011, and Jens B. Staff took over 1 October 2011.
[2] Bonus earned in 2010, but paid in 2011.

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

The total salaries and other benefits paid to executive management in 2010 amounted to NOK 17 142 850.

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

NOK	Board remuneration	Audit committee	Compensation committee	Participation in Board meetings
Svein Aaser, Chair	410 000	-	42 750	12
Ellen Stensrud, Deputy chair	295 000	-	-	10
Halvor Stenstadvold, Board member	239 000	79 500	-	11
Berit J. Rødseth, Board member	239 000	58 000	-	12
Inge Ryan, Board member	239 000	58 000	-	12
Silvija Seres, Board member	239 000	-	26 500	12
Thorbjørn Holøs, employee-elected Board member	239 000	58 000	-	12
Odd Vanvik, employee-elected Board member	239 000	-	26 500	8
Lena Halvari, employee-elected Board member	239 000	-	-	11

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

Total remuneration paid to the Board, Audit Committee and Compensation Committee in 2010 was NOK 2 273 500, NOK 217 000 and NOK 92 000 respectively.

Pension provisions – executive management

NOK	Pensions [1]
Christian Rynning-Tønnesen, President and CEO	2 088 926
Stein Dale, Executive Vice President	508 813
Jens B. Staff, Executive Vice President	203 507
Jon Brandsar, Executive Vice President	1 087 156
Steinar Bysveen,Executive Vice President	995 000
Hilde Bakken, Executive Vice President	860 333
Asbjørn Grundt, Executive Vice President	940 588
Øistein Andresen, Executive Vice President	971 845

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

The total pension provision for executive employees in 2010 was NOK 8 333 437.

THE STATEMENT REGARDING SALARIES AND OTHER REMUNERATIONS TO SENIOR EXECUTIVES

The board of Statkraft has established a separate subcommittee which considers issues relating to compensation. The mandate of the committee is as follows:

- Once a year prepare the Board's treatment regarding salaries and other remunerations for the CEO
- Prepare the Board's treatment of all the fundamental issues related 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 finds that these concern matters of particular importance for the Group's reputation, and competitiveness and its attractiveness as an employer.

In addition to this, the CEO should consult the Compensation Committee regarding his recommendations regarding the salaries for the corporate executives before they are decided upon.

Statkraft has a policy that we must have competitive terms, but we will not be a wage leader.

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

REPORT ON EXECUTIVE REMUNERATION POLICY

The CEO is only compensated with a fixed salary – and vice presidents shall receive both a fixed salary and a variable payment.

Fixed salary The fixed salary is determined based on a job- and a market assessment – and also assessed against Statkraft's policy to offer competitive terms, but not be leading. When deciding the annual wage regulation, the average wage increases of other employees are also considered.

Variable salary In addition to the fixed salary, the Group has a bonus scheme for the executive directors. The annual bonus has a maximum payout of NOK 500 000. The agreed targets are financial, operational and individual.

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

Pension plans Statkraft has for wholly owned Norwegian subsidiaries established pension schemes in the Government Pension Fund (SPK). In addition, Statkraft has entered into pension agreements that provide all employees, including the CEO and executive vice presidents. The CEO, Christian Rynning-Tønnesen, has a retirement age of 67 years, and will receive a pension of 66% of the yearly salary, provided that he has been part of SPK during the entire 30 year vesting period.

The other executives have a retirement age of 65 years at the earliest, with the right to 66% of the yearly salary, provided that they have been part of SPK during the entire 30 year vesting period.

Statkraft is currently evaluating alternative arrangements, as the pension scheme for income above 12 G is not longer in accordance with the new Guidelines for managers in state-owned companies.

Position Change Agreements The CEO and certain executive directors 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, there is a mutual right and duty, if the executive ask for, or is requested to resign from his executive position without further justification. If any of the parties execute this right, the executive should be offered another position with a salary of 75% of the executive's pay – and a working time of 50% until agreed upon retirement age.

The policy regarding executive remuneration has been changed, and any new such agreements will not be made.

Severance arrangements Mutual period of notice for the CEO is agreed to 6 months. For executive directors, there is a mutual notice period of 3 months. If more than 2 years of employment, the employer's period of notice is 6 months.

For the CEO and certain executive directors, agreements have been made where a special severance pay from the employer should be paid, if notice has been 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 been changed, and any new such agreements will not be made.

Terms CEO Fixed salary to the Chief Executive for 2012 is NOK 4 250 000. The CEO's retirement age is 67 years, with pension and other terms as set out in this Statement.

STATEMENT ON SALARIES AND OTHER COMPENSATION FOR 2012
The Board intends to apply the main principles and practices described in this document as a basis for both fixed salary as other allowances provided the group's senior management the current year.

37 FEES PAID TO EXTERNAL AUDITORS

Deloitte AS is the Statkraft Group's auditor.

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

NOK thousands	2011	2010
Statutory auditing	11 820	10 968
Other certification services	498	1 266
Tax consultancy services	2 748	2 778
Other services [1)]	4 372	2 090
Total	19 438	17 102

1) Fees for other services in 2011 includes certification of the Sustainability Report (NOK 1215 thousands) and control procedures regarding business combinations (NOK 2362 thousands).

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

NOK thousand	2011	2010
Statutory auditing	-	527
Other certification services	-	15
Tax consultancy services	-	236
Other services	-	-
Total	-	778

The decline in fees to other auditors in the Group is due to the Group's auditor having taken over the auditing of all the companies in the SN Power Group.

38 RELATED PARTIES

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

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

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

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

NOK million	2011	2010
Revenues	228	52
Expenses	358	246
Receivables at the end of the period	587	40
Liabilities at the end of the period	323	526

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	2011	2010
Gross operating revenues include:		
Industrial sales at statutory prices	130	1 535
Concessionary sales at statutory prices	401	308
Net operating revenues includes:		
Energy purchases from Statoil	907	576
Grid tariff to Statnett	825	1 216
Services delivered to Statnett	65	77
Operating expenses include:		
Property tax and licence fees to Norwegian authorities	998	1 034
Tax expenses include:		
Taxes payable to Norwegian authorities	3 301	3 344
Dividend and Group contribution from Statkraft AS to Statkraft SF	9 400	7 964

In addition, Statkraft has transactions with other entities controlled by the Norwegian State. The size of these transactions is not, neither on stand-alone basis or collectively, of material effect for the financial statements of Statkraft AS.

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

39 PLEDGES, GUARANTEES AND OBLIGATIONS

PLEDGES

Under certain circumstances local authorities and publicly owned energy companies are entitled to a share of the output from power plants belonging to Statkraft in return for paying a share of the construction costs. To finance the acquisition of such rights, the local authorities/companies have been granted permission to pledge the power plant as security. The mortgage debt raised by the local authorities under this scheme totals NOK 1289 million. In addition, other subsidiaries have a total of NOK 2894 million in pledged assets. As of 31 December 2011, the book value of the pledged assets in Statkraft Energi AS totalled NOK 5547 million. In SN Power, book value of pledged assets amounts to NOK 4419 million, including restricted funds. The book value of pledged assets in other subsidiaries amounts to NOK 945 million.

GUARANTEES

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

NOK million	2011	2010
Parent company guarantees [1]	11 633	9 872
Other	590	79
Total guarantees in Statkraft AS	12 223	9 951

[1] Whereas the most material guarantees are regarding energy purchase (NOK 5936 million) and liabilities to suppliers (NOK 4352 million).

Parent company guarantees	1 761	1 745
Guarantees in NASDAQ OMX Stockholm AB (transferred from Nord Pool in 2010) and other energy exchanges	3 103	3 624
Other	1 462	669
Total guarantees in subsidiaries	6 325	6 038
Total	18 548	15 989

CONTRACT OBLIGATIONS

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

- Long-term agreement to purchase CO_2 quotas.
- Agreements relating to purchase of gas equalling 54 TWh in the period to 2017.
- Obligation relating to a financial power exchange agreement on the order of NOK 937 million.
- A license agreement relating to the development, construction and operation of three hydropower plants which involves a joint responsibility estimated at EUR 800 million.
- In September 2010, SN Power decided to build the hydropower plant Cheves in Peru. The plant will have an installed capacity of 168 MW and an expected annual production of 834 GWh. The investment has a budget of USD 402 million, of which USD 247 million is outstanding as of December 2011.
- SN Power has obligations relating to the completion of facilities under construction, presented as associates/joint ventures in the financial statements. Total investment for the projects (100%) amounts to USD 1142 million, of which the remaining investments are estimated at USD 221 million. SN Power has an obligation to contribute a maximum of USD 10 million in equity in associates/joint ventures to fund the remaining investments. Relevant projects are situated in India, Chile and Panama.
- Need for financing of two associated companies owned by SN Power, because of involuntary temporary shutdown is estimated to amount to USD 51 million for SN Power's share.

40 LEASES

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

NOK million	Within 1 year of the end of the period	Between 1 and 5 years after the end of the period	More than 5 years after the end of the period	Total
Property rental agreements	104	339	744	1 188
Other leases	7	27	50	85
Total	112	366	795	1 272

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

NOK million	Minimum lease	Variable lease	Sublease payments
Property rental agreements	87	-	1
Other leases	11	-	-
Total	98	-	1

There are no other material operating or financial leases.

41 CONTINGENCIES, DISPUTES ETC

EXCESS/SHORTFALL OF REVENUE

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

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

Excess/shortfall of revenue distribution grid operations, closing balance

NOK million	2011	2010
Cumulative excess revenue transferred to subsequent years	301	204
Cumulative revenue shortfall transferred to subsequent years	-57	-168
Net excess/shortfall of revenue	244	36

DISPUTES

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

42 SHARES AND SHAREHOLDER INFORMATION

The parent company has a share capital of NOK 30 billion, divided into 200 million shares with a par value of NOK 150 each. All shares have the same voting rights and are owned by Statkraft SF, which is a Norwegian state-owned company, established and domiciled in Norway. Statkraft SF is wholly owned by the Norwegian state, through the Ministry of Trade and Industry.

Income statement

STATKRAFT AS PARENT COMPANY

NOK million	Note	2011	2010
Operating revenues	2	511	412
Salaries and payroll costs	3, 4	-400	-367
Other operating expenses	5, 6	-524	-489
Depreciation and impairments	9	-35	-41
Operating expenses		-959	-897
Operating profit		-448	-485
Financial income	7	6 201	9 850
Financial expenses	7	-3 522	-1 919
Net financial items		2 679	7 931
Profit before tax		2 231	7 446
Tax expense	8	-394	-1 637
Net profit		1 838	5 809
Allocation of net profit for the year			
Dividends payable	14	4 900	-
Group contribution payable	14	-	7 432
Transfer to (+)/from (-) other equity	14	-3 062	-1 623

Balance Sheet

STATKRAFT AS PARENT COMPANY

NOK million	Note	31.12.11	31.12.10
ASSETS			
Deferred tax assets	8	44	-
Property, plant and equipment	9	118	121
Investments in subsidiaries and associates	10	98 539	96 030
Derivatives	21	524	-
Other non-current financial assets	11	105	123
Non-current assets		99 330	96 274
Receivables	12	6 604	8 883
Derivatives	21	299	984
Cash and cash equivalents	13	6 061	17 597
Current assets		12 964	27 464
Assets		112 294	123 738
EQUITY AND LIABILITIES			
Paid-in capital	14	45 569	45 569
Retained earnings	14	11 748	14 958
Equity		57 318	60 527
Deferred tax	8	-	101
Provisions	15	765	517
Interest-bearing long-term liabilities	16, 18	28 430	31 448
Derivatives	21	911	483
Long-term liabilities		30 106	32 549
Short-term interest-bearing liabilities	17, 18	18 572	20 723
Taxes payable	8	480	-
Derivatives	21	295	523
Other interest-free liabilities	19	5 523	9 416
Short-term liabilities		24 871	30 662
Equity and liabilities		112 294	123 738

The Board of Directors in Statkraft AS
Oslo, 14 March 2012

Svein Aaser
Chair

Ellen Stensrud
Deputy chair

Berit Rødseth
Board member

Halvor Stenstadvold
Board member

Silvija Seres
Board member

Inge Ryan
Board member

Thorbjørn Holøs
Board member

Odd Vanvik
Board member

Lena Halvari
Board member

Christian Rynning-Tønnesen
President and CEO

Statement of Cash Flow

STATKRAFT AS PARENT COMPANY

NOK million	Note		2011	2010
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax			2 231	7 446
Depreciation and impairments	9		35	41
Profit(-)/loss(+) from sale of shares			53	35
Write-down of shares	7		1 399	121
Cash flow from operating activities			3 718	7 643
Changes in long-term items			-1 095	62
Changes in other short-term items			2 728	5 287
Net cash from operating activities		A	5 351	12 992
CASH FLOW FROM INVESTING ACTIVITIES				
Investments in property, plant and equipment	9		-32	-49
Proceeds from sales of non-current assets			-	2
Investments in other companies			-3 887	-2 384
Net cash flow from investing activities		B	-3 918	-2 431
CASH FLOW FROM FINANCING ACTIVITIES				
New debt			250	3 543
Repayment of debt			-4 099	-7 793
Paid-in capital			-	14 000
Dividend and Group contribution paid			-9 120	-7 863
Net cash flow from financing activities		C	-12 969	1 887
Net change in cash and cash equivalents		A+B+C	-11 536	12 448
Cash and cash equivalents 01.01	13		17 597	5 149
Cash and cash equivalents 31.12	13		6 061	17 597

Notes

STATKRAFT AS PARENT COMPANY

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

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

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

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

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

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

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

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

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

in company accounts. Dividend received is treated as financial income.

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

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

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

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

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

FINANCIAL DERIVATIVES AND HEDGING
The accounting treatment of financial instruments follows the intention behind entering into of agreements. Upon entering into the agreement, it is either defined as a hedging transaction or a trading transaction. 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 hedge against large fluctuations in interest rates. Recognition of gains and losses depends on whether the interest rate derivative has been classified as a hedging instrument and, if applicable, the type of hedging. Interest rate derivatives that are not hedging instruments are recorded at the lowest market value. Unrealised losses or gains are included in the financial result. Interest rate derivatives that are defined as hedging instruments are accrued in the same way as interest on hedged debts or receivables. Interest rate derivatives are classified as long-term fixed assets or long-term financial liabilities if the remaining term is longer than one year.

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

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

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

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

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

02 OPERATING REVENUES

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

03 SALARIES AND OTHER PAYROLL COSTS

NOK million	2011	2010
Salaries	251	252
Employers' national insurance contribution	42	42
Pension costs	82	54
Other benefits	25	19
Total	400	367

The parent company employed an average of 296 full-time equivalents in 2011. The corresponding figure for 2010 was 279.

Pension costs are described in further details in Note 4.

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

04 PENSIONS

GROUP PENSION SCHEMES

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

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

UNFUNDED PENSION LIABILITIES

Statkraft has in addition to the above schemes entered into agreements that provide employees whose pensionable income exceeds 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G. These pensions are funded out of the company's operations. Due to new guidelines for companies owned by the Norwegian state, as stated by the Government 31 March 2011, the agreement is currently being revised.

Breakdown of pension costs for the period

NOK million	2011	2010
Present value of accrued pension entitlements for the year	69	62
Amortisation scheme change	-	-24
Interest costs on pension liabilities	21	24
Projected yield on pension assets	-8	-8
Net pension costs	82	54

Reconciliation of pension liabilities and pension fund assets

NOK million	2011	2010
Present value of accrued pension entitlements for funded defined benefit schemes	536	372
Fair value of pension assets	240	223
Actual net pension liability for funded defined benefit schemes	296	149
Present value of accrued pension entitlements for unfunded defined benefit schemes	285	204
Employers' national insurance contribution	82	49
Net pension liabilities	663	402

Movement in estimate deviations recognised directly in equity

NOK million	2011	2010
Cumulative amount recognised directly in equity before tax 01.01	125	163
Estimate deviations recognised in equity during the year	206	-38
Cumulative amount recognised directly in equity before tax 31.12	331	125
Of which recognised against equity	238	90
Of which recognised in deferred tax	93	35

Economic assumptions	31.12.11	01.01.11	31.12.10
Discount rate	2.8%	3.7%	3.7%
Salary adjustment	4.0%	4.0%	4.0%
Adjustment of current pensions	3.0%	3.0%	3.0%
Adjustment of National Insurance Scheme's basic amount (G)	3.8%	3.8%	3.8%
Projected yield on fund assets	2.8%	3.7%	3.7%
Forecast annual exit			
– Up to age 45	3.5%	3.5%	3.5%
– Between ages 45 and 60	0.5%	0.5%	0.5%
– Over age 60	0.0%	0.0%	0.0%
Rate of inflation	2.0%	2.0%	2.0%
Tendency to take early retirement (AFP)	10.0%	10.0%	10.0%

The actuarial calculations are based on demographic assumptions ordinarily used in calculating life insurance and pensions. Closing pension liabilities and estimate deviations as of 31 December 2011 are calculated on the basis of updated mortality (K2005) and disability tariffs (IR73).

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

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05 OTHER OPERATING EXPENSES

NOK million	2011	2010
Materials	15	14
Purchase of third-party services	389	240
Other operating expenses	120	235
Total	524	489

06 FEES PAID TO EXTERNAL AUDITORS

Deloitte AS is the Statkraft Group's auditor. The total fees paid for auditing and other services for Statkraft AS (excluding VAT) for 2011 were as follows:

NOK thousand	2011	2010
Statutory auditing	2 010	1 794
Other certification services	109	621
Tax consultancy services	111	1 025
Other services [1)]	1 215	1 067
Total	3 445	4 507

[1)] Fees for other services in 2011 includes certification of the Sustainability Report (NOK 1215 thousands)

07 FINANCIAL INCOME AND EXPENSES

Financial income

NOK million	2011	2010
Interest income from Group companies	101	104
Interest income	394	-14
Dividends and group contributions from subsidiaries	5 337	8 355
Other financial income	369	1 405
Total	6 201	9 850

Financial expenses

NOK million	2011	2010
Interest expenses paid to Group companies	365	205
Interest costs	1 383	1 116
Write-down of shares	1 399	121
Other financial expenses	375	477
Total	3 522	1 919

08 TAXES

The tax expense comprises the following

NOK million	2011	2010
Income tax	480	223
Change in deferred tax	-86	1 414
Total tax expense in the income statement	394	1 637

Income tax payable

NOK million	2011	2010
Income taxes payable on the profit for the year	480	223
Effect of Group contributions on tax liability	-	-223
Income tax payable	480	-

Reconciliation of nominal tax rate and effective tax rate

NOK million	2011	2010
Profit before tax	2 231	7 446
Expected tax expense at a nominal rate of 28%	625	2 085
Effect on taxes of:		
Tax-free income	-678	-631
Changes concerning previous years	-	40
Write-down of shares	386	-
Other permanent differences, net	61	142
Tax expense	394	1 637
Effective tax rate	18%	22%

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	2011	2010
Current assets/current liabilities	-76	307
Other long-term items	629	518
Property, plant and equipment	-47	-57
Pension commitments	-663	-402
Total temporary differences and tax loss carry forwards	-157	366
Total deferred tax (+)/deferred tax asset (-)	-44	101
Applied tax rate	28%	28%
Deferred tax as of 01.01.11	101	365
Recognised in tax expense	-86	1 414
Recognised directly in equity	-59	-1 678
Deferred tax as of 31.12.11	-44	101

09 PROPERTY, PLANT AND EQUIPMENT

NOK million	Operating equipment and fixtures and fittings	Facilities under construction	Total
Cost 01.01.11	386	30	416
Additions	31	1	32
Reduction	-1	-	-1
Transferred from facilities under construction	30	-30	-
Cost 31.12.11	445	1	447
Accumulated depreciation and impairments 31.12.11	-328	-	-328
Book value 31.12.11	117	1	118
Depreciation for the year	-35	-	-35
Depreciation time	3–8 years		

10 SHARES IN SUBSIDIARIES AND ASSOCIATES

NOK million	Registered office	Shareholding and voting share	Book value
Shares in subsidiaries			
Bio Varme AS	Oslo	98.45%	96
Renewable Energies and Photovoltaics Spain S.L.	Malaga	70.00%	4
Småkraft AS	Oslo	40.00%	292
Statkraft Albania Shpk.	Tirana	100.00%	8
Statkraft Carbon Invest AS	Oslo	100.00%	4
Statkraft Development AS	Oslo	100.00%	366
Statkraft Elektrik Ltd.	Istanbul	100.00%	4
Statkraft Energi AS	Oslo	100.00%	13 573
Statkraft Enerji A.S.	Istanbul	100.00%	1 467
Statkraft Financial Energy AB	Stockholm	100.00%	-
Statkraft Forsikring AS	Oslo	100.00%	80
Statkraft France SAS	Lyon	100.00%	87
Statkraft Germany GmbH	Düsseldorf	100.00%	3 997
Statkraft Industrial Holding AS	Oslo	100.00%	10 440
Statkraft Leasing AB	Stockholm	100.00%	182
Statkraft Norfund Power Invest AS	Oslo	60.00%	6 094
Statkraft SCA Vind AB	Stockholm	60.00%	9
Statkraft Suomi Oy	Kotka	100.00%	911
Statkraft Sverige AB	Stockholm	100.00%	6 053
Statkraft Södra Vindkraft AB	Stockholm	90.10%	238
Statkraft Treasury Centre GBP SA	Brüssel	100.00%	-
Statkraft Treasury Centre NOK SA	Brüssel	100.00%	-
Statkraft Treasury Centre SA	Brüssel	100.00%	52 380
Statkraft Treasury Centre SEK SA	Brüssel	100.00%	1
Statkraft UK Ltd.	London	100.00%	1 108
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%	-
Wind Power Bulgaria EOOD	Sofia	60.00%	12
Total subsidiaries			98 076
Associates and joint ventures			
Devoll Hydropower SHA	Tirana	50.00%	171
HPC Ammerån AB	Stockholm	50.00%	-
HPC Byske AB	Stockholm	50.00%	-
HPC Edsox AB	Stockholm	50.00%	-
HPC Röan AB	Stockholm	50.00%	-
Naturkraft AS	Tysvær	50.00%	76
Statkraft Agder Energi Vind DA [1]	Kristiansand	62.00%	216
Total associates and joint ventures			463
Total			98 539

[1] A shareholder's agreement indicates joint control in Statkraft Agder Energi Vind DA.

11 OTHER NON-CURRENT FINANCIAL ASSETS

NOK million	2011	2010
Loans to Group companies	10	7
Other shares and loans	95	116
Total	105	123

12 RECEIVABLES

NOK million	2011	2010
Customer receivables	9	11
Interest-bearing restricted funds related to cash collateral (see note 17)	396	171
Other receivables	92	68
Group cash pooling receivable	559	558
Short-term receivables from group companies	5 548	8 075
Total	6 604	8 883

As of 31 December 2011, no need to recognise a provision for bad debts had been identified.

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

13 CASH AND CASH EQUIVALENTS

NOK million	2011	2010
Cash and bank deposits	3 862	15 984
Certificates and promissory notes	2 199	1 613
Total	6 061	17 597

Cash and bank deposits for 2011 include NOK 933 million (NOK 903 million) relating to cash collateral. Cash collateral represents payments made to/by counterparties as security for net unrealised gains/losses Statkraft has on interest rate swaps, interest rate/currency swaps, and currency swaps.

Statkraft has long-term committed drawing facilities of up to NOK 12 000 million and a bank overdraft of up to NOK 1000 million. Neither had been used as of 31 December 2011. Figures in parentheses apply to 2010.

14 EQUITY, SHARES AND SHAREHOLDER INFORMATION

	Paid-in capital				
NOK million	Share capital	Share premium account	Other paid-in capital	Retained earnings	Total equity
Equity as of 31.12.09	20 000	11 553	16	16 554	48 123
Capital increase	10 000	4 000	-	-	14 000
Profit for 2010	-	-	-	5 809	5 809
Estimate deviation pensions	-	-	-	28	28
Group contribution	-	-	-	-7 432	-7 432
Equity as of 31.12.10	30 000	15 553	16	14 958	60 527
Profit for 2011	-	-	-	1 838	1 838
Estimate deviation pensions	-	-	-	-148	-148
Dividends	-	-	-	-4 900	-4 900
Equity as of 31.12.11	30 000	15 553	16	11 748	57 318

The company has a share capital of NOK 30 billion, divided into 200 million shares with a par value of NOK 150.

All shares are owned by Statkraft SF.

15 PROVISIONS FOR LIABILITIES

NOK million	2011	2010
Pension commitments	663	402
Other provisions	102	115
Total	765	517

Pension liabilities are described in further detail in Note 4.

16 INTEREST-BEARING LONG-TERM LIABILITIES

NOK million	2011	2010
Loan from Statkraft SF (back-to-back agreement)	400	400
Bond loans in the Norwegian market	12 907	13 596
Interest rate swaps and combined interest rate and currency swaps	740	545
Other loans raised in non-Norwegian markets	14 383	16 907
Total	28 430	31 448

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17 CURRENT INTEREST-BEARING LIABILITIES

NOK million	2011	2010
First year's instalment of liabilities	2 900	3 327
Group cash pooling liability	13 937	15 276
Certificate loans	-	770
Cash collateral (see Note 13)	1 330	1 080
Current liabilities to Group companies	405	270
Total	18 572	20 723

18 MARKET AND LIQUIDITY RISK ANALYSIS

Specification of loans by currency

NOK million	2011	2010
Loans in NOK	14 042	18 190
Loans in SEK	2 610	2 607
Loans in EUR	14 678	14 748
Interest rate swaps and combined interest rate and currency swaps	740	483
Total	32 070	36 028

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

	2011	2010
Nominal average interest rate, NOK	4.6%	4.2%
Nominal average interest rate, SEK	2.9%	1.3%
Nominal average interest rate, EUR	3.9%	3.5%

	Future interest rate adjustments				
Fixed interest rate loan portfolio					
NOK million	2012	1–3 years	3–5 years	5 years and later	Total
Loans in NOK	7 627	-1 115	2 720	4 810	14 042
Loans in SEK	2 610	-	-	-	2 610
Loans in EUR	9 303	-	-9	5 384	14 678
Interest rate swaps and combined interest rate and currency swaps	740	-	-	-	740
Total	20 280	-1 115	2 711	10 194	32 070

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

Repayment schedule

NOK million	2012	2013	2014	2015	2016	After 2016	Total
Loan from Statkraft SF (back-to-back agreement)	-	-	-	-	-	400	400
Bond loans in the Norwegian market	700	-	3 984	2 145	4 278	2 500	13 607
Other loans raised in non-Norwegian markets	2 200	2 324	-	3 868	-	8 931	17 323
Interest rate swaps and combined interest rate and currency swaps	1	-1	15	63	79	583	740
Total	2 901	2 323	3 999	6 076	4 357	12 414	32 070

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

19 OTHER INTEREST-FREE LIABILITIES

NOK million	2011	2010
Other interest-free liabilities	455	549
Tax withholding and employers' national insurance contribution owed	25	24
Current liabilities to Group companies	5 043	8 843
Total	5 523	9 416

Current liabilities to Group companies primarily comprise the Group contribution to the parent company Statkraft SF amounting to NOK 4900 million. In 2010, the amount was NOK 6442 million.

20 OBLIGATIONS AND GUARANTEES

Statkraft AS has off-balance-sheet obligations and guarantees totalling NOK 12 223 million. Of this, an amount of NOK 11 633 million relates to parent company guarantees.

Statkraft leases an office building at Lilleakerveien 6 in Oslo. The lessor is Mustad Eiendom AS. Because of rental of a new building, the agreement has been renewed with 5 years to a total of 15 years from 1 January 2013, with an option to renew for a further ten years. The annual rent totals NOK 63.7 million. The new building to be rented is Lilleakerveien 4 in Oslo.

21 DERIVATIVES

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

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

	31.12.11		31.12.10	
NOK million	Book value	Fair value [1]	Book value	Fair value [1]
Interest rate swaps	-740	825	-483	503
Combined interest rate and currency swaps	-	-	-62	-65
Currency futures contracts	357	357	523	523
Total	-383	1 182	-22	961

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

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

Interest rate derivatives, including the interest portion of combined interest rate and currency swaps, are used to manage the company's interest rate risk and are recognised as hedging instruments or at the lowest value principle, depending on whether the requirements for hedge accounting have been achieved. The fair value of interest rate derivatives classified as hedging (value hedging) is NOK -15 million as of 31 December 2011, while interest rate derivatives valued at the lowest value principle amount to NOK -660 million. The hedges expire during the period 2012–2022. Fair value of derivatives in cash flow hedging is not recognised in the balance sheet, and amounts to NOK -21 million.

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

Unrealised change in value of interest- and currency derivatives recognised in the income statement:

NOK million	2011	2010
Interest rate swaps	-257	-483
Combined interest rate and currency swaps	40	-62
Currency futures contracts	-166	523
Total	-383	-22

22 RELATED PARTIES

Statkraft AS owns shareholdings in a number of companies and earns dividends and group contributions through this.
For further details, see Note 10.

Statkraft AS delivers services group-internally from centralised service centres, but has no revenue from external customers.
In addition, the Company is lender in most of the Groups external loans and is owner of the cash pooling facility.

All group-internal transactions are conducted on market terms and conditions.

For information about wages to the corporate management and the board of directors who also are related parties, see Note 36 in the Group accounts.

Auditor's Report

Deloitte.

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To the Annual Shareholders' Meeting of Statkraft AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Statkraft AS, which comprise the financial statements for the parent company and the financial statements for the group. The financial statements for the parent company comprise the balance sheet as at 31 December 2011, the income statement, and the statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements for the group comprise the balance sheet as at 31 December 2011, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Deloitte.

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 2011, 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 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

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

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

Opinion on Registration and Documentation

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

Oslo, 14 March 2012
Deloitte AS

Ingebret G. Hisdal
State Authorised Public Accountant (Norway)

Corporate responsibility statement

ENVIRONMENTALLY FRIENDLY ENERGY

Installed capacity [a]	Unit of measurement	**2011**	2010	2009
Installed capacity	MW	**16 430**	16 010	15 806
Of which hydropower	MW	**13 249**	12 969	12 774
Of which small-scale hydropower [b]	MW	**94**	79	63
Of which wind power	MW	**321**	304	305
Of which gas power [c]	MW	**2 178**	2 178	2 160
Of which solar power	MW	**-**	-	3
Of which bio power	MW	**16**	16	16
Of which district heating	MW	**666**	544	548
Geographical distribution				
Norway	MW	**11 556**	11 334	11 337
Other Nordic countries	MW	**1 575**	1 547	1 547
Other European countries	MW	**2 288**	2 308	2 273
Rest of the world	MW	**1 010**	822	649

Installed capacity [a]**, distribution**	Unit of measurement	**2011**	2010	2009
Installed capacity per technology				
Hydropower	%	**80.6**	81.0	80.8
Wind power	%	**2.0**	1.9	1.9
Gas power [c]	%	**13.3**	13.6	13.7
Bio power	%	**0.1**	0.1	0.1
District heating	%	**4.1**	3.4	3.5
Installed capacity per geography				
Norway	%	**70.3**	70.8	71.7
Other Nordic countries	%	**9.6**	9.7	9.8
Other European countries	%	**13.9**	14.4	14.4
Rest of the world	%	**6.1**	5.1	4.1

Capacity under development [a, d]	Unit of measurement	**2011**	2010	2009
Capacity under development	MW	**1923**	-	-
Of which hydropower	MW	**1037**	-	-
Of which small-scale hydropower [b]	MW	**28**	-	-
Of which wind power	MW	**344**	-	-
Of which gas power [c]	MW	**430**	-	-
Of which district heating	MW	**112**	-	-
Geographical distribution				
Norway	MW	**176**	-	-
Other Nordic countries	MW	**209**	-	-
Other European countries	MW	**1357**	-	-
Rest of the world	MW	**181**	-	-

Capacity under development [a, d]**, distribution**	Unit of measurement	**2011**	2010	2009
Capacity under development per technology				
Hydropower	%	**53.9**	-	-
Wind power	%	**17.9**	-	-
Gas power [c]	%	**22.4**	-	-
District heating	%	**5.8**	-	-
Capacity under development per geography				
Norway	%	**9.1**	-	-
Other Nordic countries	%	**10.9**	-	-
Other European countries	%	**70.6**	-	-
Rest of the world	%	**9.4**	-	-

Power generation and district heating production [a]	Unit of measurement	**2011**	2010	2009
Power production, actual	TWh	**51.5**	57.4	56.9
Of which hydropower	TWh	**46.0**	50.1	50.1
Of which small-scale hydropower [b]	TWh	**0.3**	0.1	0.1
Of which wind power	TWh	**0.8**	0.6	0.6
Of which gas power [c]	TWh	**4.6**	6.6	6.1
Of which bio power	TWh	**0.1**	0.1	0.1
District heating	TWh	**0.8**	1.1	0.9
Renewable production [e]	%	**90.8**	88.1	89.1
Geographical distribution, power generation				
Norway	TWh	**38.8**	44.0	-
Other Nordic countries	TWh	**6.0**	5.7	-
Other European countries	TWh	**4.3**	5.7	-
Rest of the world	TWh	**2.3**	1.9	-

Power generation and district heating production[a], distribution	Unit of measurement	2011	2010	2009
Power generation and district heating production per technology				
Hydropower	%	88.0	85.6	86.7
Wind power	%	1.5	1.1	1.0
Gas power[c]	%	8.8	11.3	10.6
Bio power	%	0.2	0.2	0.2
District heating	%	1.5	1.9	1.6
Power generation per geography				
Norway	%	75.5	76.8	-
Other Nordic countries	%	11.7	9.9	-
Other European countries	%	8.4	9.9	-
Rest of the world	%	4.5	3.3	-

Efficiency of thermal plants[f]	Unit of measurement	2011	2010	2009
Gas power plants	%	39-57	-	-
District heating plants	%	80-100	-	-
Bio power plants	%	30-31	-	-

[a] Includes Statkraft's shareholdings in subsidiaries where Statkraft has a major interest.
[b] Installed capacity <10 MW.
[c] Includes the jointly controlled Herdecke (Germany) and Kårstø (Norway) power plants.
[d] Includes projects with an investment decision.
[e] Non-renewable production covers gas power and share of district heating based on fossil fuel.
[f] Ratio of net energy output (electricity and heat) against gross energy input (per plant).

CLIMATE

Greenhouse gas emissions	Unit of measurement	2011	2010	2009
Emissions of CO_2 equivalents, consolidated activities	Tonnes	1 161 900	1 693 400	1 600 100
Of which from gas power plants	Tonnes	1 068 900	1 568 000	1 516 500
Of which from district heating plants[a]	Tonnes	81 000	115 200	74 200
Of which from SF_6 emissions	Tonnes	600	2 200	2 400
Of which from halon emissions	Tonnes	0	0	1 300
Of which from fuel consumption[b]	Tonnes	8 400	4 300	1 500[c]
Of which from business travel[d]	Tonnes	3 000	3 700	4 200[e]
Emissions of CO_2 equivalents[f], associated gas power plants	Tonnes	626 100	-	-
SF_6 emissions	kg	25	94	105
Halon emissions	kg	0	0	183

[a] Fossil share of emissions.
[b] CO_2 from fuel consumption from the Group's equipment and machinery.
[c] SN Power and Skagerak Energi is not included.
[d] Comprises air travel and mileage reimbursements for private vehicle use in the Norwegian operations. From 2010 is also car rental included.
[e] SN Power is not included.
[f] Statkraft's share.

The GHG-protocol (from the World Business Council for Sustainable Development and World Resources Institute) divides greenhouse gas emissions into three types. Type 1 emissions are direct emissions from own activities. Type 2 emissions are indirect emissions from purchased electricity and district heating, while Type 3 emissions are other emissions. All the emissions in the table above are Type 1, except for business travel, which falls under Type 3. The electricity consumption in Statkraft is guaranteed renewable, resulting in zero Type 2 emissions. For 2011, the Group's Type 1 emissions totalled 1 158 900 tonnes, while the Type 3 emissions totalled 3000 tonnes.

Relative greenhouse gas emissions[a]	Unit of measurement	2011	2010	2009
CO_2-equivalent emissions per production unit, total	kg/MWh	34	44	42
CO_2-equivalent emissions per production unit, gas power	kg/MWh	368	374	383
CO_2-equivalent emissions per production unit, district heating	kg/MWh	101	105	82

[a] Includes Statkraft's share of production and direct fossil CO_2 emissions from the production process. Includes also Statkraft's share of production and emissions of CO_2 in the jointly controlled Herdecke (Germany) and Kårstø (Norway) power plants.

Allocated CO_2-quotas	Unit of measurement	2011	2010	2009
Allocated CO_2-quotas, consolidated activities	Tonnes	2 001 000	2 001 000	2 001 000
Of which Norway	Tonnes	19 300	19 300	19 300
Of which other Nordic countries	Tonnes	0	0	0
Of which other European countries	Tonnes	1 981 700	1 981 700	1 981 700
Of which rest of the world	Tonnes	0	0	0
Allocated CO_2-quotas, associated activities (Statkraft's share)	Tonnes	643 200	643 200	-
Of which Norway	Tonnes	161 700	161 700	-
Of which other Nordic countries	Tonnes	0	0	-
Of which other European countries	Tonnes	481 500	481 500	-
Of which rest of the world	Tonnes		0	-

INTERVENTIONS ON NATURE AND BIODIVERSITY

Impacts [a] on watercourses	Unit of measurement	2011 [c]	2010 [b]	2009 [b]
Affected river courses with:				
Anadromous fish	Number	45	38	38
Catadromous fish	Number	1	-	-
Affected national salmon rivers	Number	12	12	12
Affected protected rivers	Number	12	12	12

[a] Impact entails change of waterflow, water levels or other living conditions for fish.
[b] Include only Norwegian watercourses.
[c] SN Power is not included

Fish cultivation [a]	Unit of measurement	2011	2010	2009
Restocking of fish and smolt [b]	Number	935 000	872 000	957 000
Egg planting	Number	1 301 000	1 731 000	1 981 000

[a] Includes Norwegian and Swedish watercouses. Wales included from 2010.
[b] Includes salmon, sea trout, inland trout and char.

Red list species [a]	Unit of measurement	2011 [b]	2010	2009
Red list species in areas where Statkraft has activities	Number	40	-	-

[a] Red list species as defined by IUCN or national nature protection authorities.
[b] Registered red list species includes Skagerak Energi and SN Power.

Distribution grid and cables	Unit of measurement	2011 [a]	2010	2009
Overhead lines				
High voltage (≥ 1 kV)	km	3 400	4 300	4 600
Low voltage (< 1 kV)	km	4 100	4 200	4 600
Underground and undersea cables	km	10 500	10 300 [b]	14 100
District heating main	km	584	294	274

[a] SN Power is not included.
[b] Reductions from 2009 mainly due to the divestment of Trondheim Energi Nett

ENERGY AND RESOURCE CONSUMPTION

Consumption	Unit of measurement	2011 [a]	2010	2009
Electricity	GWh	1 150	737	1 093 [a]
Of which pumped-storage power	GWh	885	554	856
Of which electric boilers for district heating	GWh	37	41	52
Of which other operations	GWh	227	142	185
Of which certified renewable (RECS)	%	100	100	100
Energy loss, transformer stations and power lines	GWh	411 [b]	867	829 [a]
Fossil fuel				
Natural gas, gas-fired power plants	Million Nm^3	519	896	741
Fuel gas, district heating plants	Tonnes	6 408	12 161	7 582
Fuel oil	Tonnes	5 430	14 282	5 248
Engine fuel [c]	Tonnes	2 651	1 377	465 [d]
Other fuel				
Waste for district heating plants	Tonnes	199 100	165 500	174 500
Waste for bio power plants	Tonnes	245 900	301 400	-
Bio fuel	Tonnes	124 400	154 700	143 100
Water [e]	m^3	2 907 600	-	-

[a] SN Power is not included.
[b] Does not include Statkraft's business area Generation.
[c] Includes consumption of fuel for own equipment and machinery.
[d] SN Power and Skagerak Energi is not included.
[e] Includes process water (cooling water) in gas fired power plants, bio power plants and district heating plants.

Inventories	Unit of measurement	2011	2010	2009
PCB in transformer oils and condensers	kg	0 [a]	28	25 [a]
SF_6	kg	29915 [a]	29 636	30 837 [a]
Halon	kg	2126 [a]	2 126	1 226

[a] SN Power is not included.

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

AIR POLLUTION

Emissions to air	Unit of measurement	2011	2010	2009
SO_2 from district heating plants	Tonnes	37	48	18
NO_x	Tonnes	1020	1 803	1132
Of which from gas power plants	Tonnes	615	1 473	824
Of which from district heating plants	Tonnes	288	330	308
Of which from bio power plants	Tonnes	117	-	-

WASTE

Waste	Unit of measurement	2011	2010	2009
Hazardous waste	Tonnes	96 743	84 257	39 663 [a]
Of which from waste incineration [b]	Tonnes	64 773	38 014	39 355
Of which from bio power plants	Tonnes	31 681	45 800	-
Of which other hazardous waste	Tonnes	289	443	308
Other waste	Tonnes	7 727	9 006	4 598 [a]
Of which separated	Tonnes	3 895	-	-
Of which residual non-hazardous waste	Tonnes	3 833	-	-

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

ENVIRONMENTAL NON-COMPLIANCE

Environmental incidents and issues	Unit of measurement	2011	2010	2009 [a]
Serious environmental incidents	Number	0	0	0
Less serious environmental incidents	Number	185	92	118
Undesirable environmental conditions	Number	166	50	22

[a] Customers business area is not included.

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

Most of the less serious environmental incidents concern short-term breaches of the river management regulations, minor oil spills and non-compliance related to waste management. These incidents had little or no environmental impact.

Penal sanctions, environment	Unit of measurement	2011	2010	2009
Penal sanctions for non-compliance with environmental legislation	Number	0	0	0
Fines	NOK million	0	0	0

CONTRIBUTION TO SOCIETY

Value creation	Unit of measurement	2011	2010	2009
Gross operating revenues	NOK million	22 371	29 252	25 675
Unrealised changes in the value of energy contracts	NOK million	-1 098	193	-2 813
Paid to suppliers for goods and services [a]	NOK million	7 493	9 868	9 409
Gross value added	NOK million	13 780	19 577	13 453
Depreciation and amortisation	NOK million	3 564	3 205	2 743
Net value added	NOK million	10 216	16 372	10 710
Financial income	NOK million	2 015	2 060	2 060
Unrealised changes in value currency and interest rates	NOK million	-4 024	-1 369	5 977
Share of profit from associates	NOK million	898	766	1 179
Minority interests	NOK million	264	357	184
Values for distribution	NOK million	8 841	17 472	19 743

[a] Includes energy purchases, transmission costs and operating expenses.

Distribution of value created	Unit of measurement	2011	2010	2009
Employees				
Gross salaries and benefits	NOK million	2 453	2 092	2 253
Lenders/owners				
Interest	NOK million	1 630	1 607	3 756
Dividend [a]	NOK million	4 288	5 973	3 740
Taxes [b]	NOK million	4 987	6 679	6 202
The company				
Change in equity	NOK million	-4 517	1 121	3 792
Total wealth distributed	NOK million	8 841	17 472	19 743

[a] Includes dividend and Group contribution from Statkraft AS to Statkraft SF, and minority interest.
[b] Includes taxes, property tax, licence fees and employers' contribution.

Taxes [a]	Unit of measurement	2011	2010	2009
Total	NOK million	3 396	3 458	2 372
Of which Norway	NOK million	2 706	3 016	2 215
Of which in other Nordic countries	NOK million	424	378	139
Of which in other European countries	NOK million	219	62	18
Of which in the rest of the world	NOK million	47	2	0

[a] Taxes payable in the balance sheet.

Tax contribution [a] to Norwegian municipalities	Unit of measurement	2011	2010	2009
Total	NOK million	1 411.4	1 349.3	1 315.0
Total, the ten municipalities which receive the most	NOK million	673.3	659.5	664.3
Vinje	NOK million	95.9	96.5	96.5
Hemnes	NOK million	89.9	90.3	90.7
Suldal	NOK million	83.0	86.7	85.9
Rana	NOK million	75.8	77.0	78.4
Odda	NOK million	63.9	-	-
Eidfjord	NOK million	57.6	56.4	56.2
Meløy	NOK million	57.0	56.3	55.4
Tokke	NOK million	55.8	56.5	55.7
Nore og Uvdal	NOK million	47.4	47.7	46.0
Luster	NOK million	46.9	47.5	47.0
Narvik	NOK million	-	44.5	-
Sirdal	NOK million	-	-	52.6

[a] Includes property tax, natural resource tax and licence fees paid directly to the local authorities.

Industrial and concessionary power contracts	Unit of measurement	2011	2010	2009
Statutory-priced industrial contracts				
Volume sold	TWh	1.0	7.9	8.8
Value lost	NOK million	-	-2 643	-981
Concessionary fixed-price contracts				
Volume sold	TWh	2.9	2.2	2.7
Value lost	NOK million	-	-978	-581

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

Support schemes	Unit of measurement	2011	2010	2009
Sponsorships	NOK million	27.34	24.23	26.62
Donations to associations and organisations	NOK million	1.61	5.02	6.16
The Statkraft Fund	NOK million	5.0	5.0	5.0

In 2011, the Statkraft Fund was awarded to Kirkens Nødhjelp (NOK 1.5 million), the Ny-Ålesund Symposium on Svalbard (NOK 1.0 million), Renewable World (NOK 1.0 million), Norsk Folkehjelp (NOK 1.0 million), Grane Næringsutvikling (NOK 375 000), and Energiråd Innlandet (NOK 125 000).

Procurements of goods and services	Unit of measurement	2011	2010	2009
Suppliers	Number	8 000	7 200	7 900
Procurements	NOK million	6 200	5 000	4 800

CUSTOMERS AND ACCESS TO ELECTRICITY

Customers	Unit of measurement	2011	2010	2009
Retail customers	Number	408 000	400 000	397 000
Distribution grid customers	Number	181 000	181 000	275 000
District heating customers	Number	12 000	11 000	10 000

Power outage	Unit of measurement	2011	2010	2009
Power outage frequency (SAIFI) [a]	Index	1,14	-	-
Average power outage duration (SAIDI) [b]	Index	1,55	-	-

[a] SAIFI (System average interruption frequency index), measured in units of interruptions per customer during the reporting period.
[b] SAIDI (System average interruption duration index), measured in units of time and over the course of the reporting period.

BRAND

Reputation Statkraft	Unit of measurement	Target	2011	2010	2009
General public [a]	%	55	54	56	63
Professionals [a, b]	%	75	89	91	91

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

Customer satisfaction [a]	Unit of measurement	2011	2010	2009
Trondheim Energi Kraftsalg	Scale 0–100	59	-	66
Fjordkraft	Scale 0–100	66	68	64

[a] Satisfaction score in the Norwegian Customer Barometer survey. Source: BI Norwegian School of Management.

ETHICS

Whistle-blower cases	Unit of measurement	2011	2010	2009
Registered whistle-blower cases [a]	Number	0	2	0

[a] Whistle-blower cases reported to Statkraft Internal Audit

Penal sanctions, ethics [a]	Unit of measurement	2011	2010	2009
Penal sanctions for non-compliance with legislation (ethics)	Number	0	0	0
Fines	NOK million	0	0	0

[a] Penal sanctions imposed for breaches of laws and regulations related to accounting fraud, price cooperation, corruption and discrimination.

EMPLOYEES

Employees	Unit of measurement	2011	2010	2009
Full-time equivalents 31.12	Number	3358	3 301	3 378
Of which in Norway	Number	2232	2 365	2 441
Of which in other Nordic countries	Number	177	123	99
Of which in other European countries	Number	506	442	409
Of which in the rest of the world	Number	443	371	429
Percentage of full-time employees 31.12	%	97	97	96
Staff turnover rate [a]	%	6.8	3.9	2.3
Service time				
Average service time	Years	10.7	8.5	12
Average service time for employees resigned or dismissed	Years	8.3	-	-
Apprentices employed 31.12	Number	79	79	93
Trainees employed 31.12	Number	22	26	29

[a] Excluding retirements.

Gender equality	Unit of measurement	2011	2010	2009
Percentage of women				
Total	%	23	23	22
In Norway	%	25	25	25
In other Nordic countries	%	15	19	19
In other European countries	%	20	20	18
In the rest of the world	%	20	18	15
In management positions	%	20	22	23 [a]
In Norway	%	24	-	-
In other Nordic countries	%	3	-	-
In other European countries	%	15	-	-
In the rest of the world	%	14	-	-
In Group management	%	14	14	0
In the Statkraft Board of Directors	%	44	44	44
New employees	%	23	27	30 [a]
New managers	%	16	15	23 [a]
Full-time employees	%	20	22	22 [a]
Part-time employees	%	69	75	64 [a]

[a] SN Power is not included.

Equal salaries [a]	Unit of measurement	2011	2010	2009
Equal salaries, employees	Ratio	0.85	0.93 [b]	0.94
In Norway	Ratio	0.92	-	-
In other Nordic countries	Ratio	0.95	-	-
In other European countries	Ratio	0.76	-	-
In the rest of the world	Ratio	0.56	-	-
Equal salaries, managers	Ratio	0.90	0.89 [b]	0.92
In Norway	Ratio	0.93	-	-
In other Nordic countries	Ratio	0.84	-	-
In other European countries	Ratio	0.75	-	-
In the rest of the world	Ratio	1.14	-	-

[a] Average salary for women in relation to average for men.
[b] Includes only employees in Norway.

Statkraft as employer	Unit of measurement	2011	2010	2009
Organisation and leadership evaluation [a]				
Result	Scale of 1 to 5, where 5 is best	72	- [b]	4.1 [c]
Response rate	%	83	- [b]	91 [c]
Employees fulfilled the performance and career development review	%	81	- [b]	89
Ranking as preferred employer [d] among				
Business students	Ranking	30	17	25
Technology students	Ranking	7	5	5
Business professionals	Ranking	12	14	17
Technology professionals	Ranking	6	9	11

[a] Statkraft's internal annual organisation and leadership evaluation survey. The results for 2011 is not comparable to the 2009 results, but can be directly compared to European Employee Index 2011 (63) and European Employee Index Norway 2011 (69).
[b] No Group survey performed in 2010.
[c] Fjordkraft is not included.
[d] Ranking among final-year students and professionals, as defined and measured in the annual Universum Graduate Survey for Norway and the Universum Professional Survey for Norway respectively.

Variable salary scheme (Norwegian business)	Unit of measurement	2011 [b]	2010	2009
Collective variable salaries [a]	NOK million	48,0	51.5	43.7
Share of employees included in the scheeme	%	92	-	-
Individual variable salaries	NOK million	20,0	20.8 [c]	19.5 [d]
Share of employees included in the scheme	%	55	-	-

[a] Variable schemes in the various companies.
[b] Germany and the Netherlands are not included.
[c] Includes schemes in the parent company and SN Power.
[d] Includes schemes in the parent company, SN Power and Trondheim Energi.

HEALTH AND SAFETY

Fatalities	Unit of measurement	2011	2010	2009
Consolidated operations				
Employees	Number	0	0	0
Contractors	Number	1	0	1
Third party	Number	0	0	1
Associates				
Employees	Number	1	0	0
Contractors	Number	3	1	6
Third party	Number	0	4	0

In 2011, four contractors and one employee died in connection with Statkraft's activities, of which one contractor in consolidated operations. In consolidated operations the fatality occurred in the development project in Kargi, Turkey. In associated operations three contractors died in the expansion project at Theun Hinboun (THXP) in Laos and one employee in the Istad Group in Norway.

Injuries	Unit of measurement	2011	2010	2009
Employees				
Lost-time injuries [a]	Number	62	23	24
LTI	Lost-time injuries per million hours worked	4.5	3.4	3.8
Injuries [b]	Number	137	46	53
TRI	Total recordable injuries per million hours worked	10.0	6.8	8.4
Lost days [c]	Number	907	216	229
Lost-days rate	Lost days per million hours worked	66	32	36
Contractors				
Lost-time injuries [a]	Number	79	29	19
LTI	Lost-time injuries per million hours worked	3.4	13.6	-
Injuries [b]	Number	143	35	-
TRI	Total recordable injuries per million hours worked	6.2	16.4	-
Lost days [c]	Number	228	245	-
Lost-days rate	Lost days per million hours worked	10	115	-
Third parties				
Serious injuries [d]	Number	0	0	1

[a] Work-related injuries which have resulted in absence extending beyond the day of the injury.
[b] Work-related injuries, with and without absence. Includes injuries which resulted in absence, medical treatment or need for alternative work assignments.
[c] Number of days of recorded absence due to injuries.
[d] Recorded injuries requiring treatment by a doctor.

Data for 2011 include activities where Statkraft has > 20% ownership. Thus, results can not be directly compared with data for prior years where activities where Statkraft has > 50% ownership has been included. The reason for the decline in injury rates for contractors from 2010 to 2011 is believed to be both a good injury prevention work and a more complete reporting of the numbers of hours worked.

Hazardous conditions [a] and near-misses [b]	Unit of measurement	2011	2010	2009 [c]
Hazardous conditions	Number	6 125	4 853	5 597 [d]
Near-misses	Number	365	114	-

[a] Recorded matters involving personal safety risk. 2008 also include conditions without risk of personal injury.
[b] Recorded unforeseen incidents that could have resulted in personal injuries.
[c] Fjordkraft is not included.
[d] The figure includes both hazardous conditions and near-misses.

Data for 2011 include activities where Statkraft has > 20% ownership. Thus, results can not be directly compared with data for prior years where activities where Statkraft has > 50% ownership has been included.

Incident investigations [a]	Unit of measurement	2011	2010	2009
Incident investigations on fatalities and injuries	Number	72	-	-
Incident investigations on hazardous conditions and near-misses	Number	9	-	-

[a] A systematic investigation on an incident with respect to facts, causes and corrective actions. Includes incidents

Data for 2011 include activities where Statkraft has > 20% ownership.

Sickness absence	Unit of measurement	2011	2010	2009
Total	%	3.4	3.4	3.3
Of which short-term absence (16 days or less)	%	1.5	1.8	1.6
Of which long-term absence (more than 16 days)	%	1.9	1.6	1.7

Penal sanctions, health and safety	Unit of measurement	2011	2010	2009
Penal sanctions for non-compliance with health and safety legislation	Number	0	0	0
Fines	NOK million	0	0	0

Auditor's Statement

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Independent Auditor's Report on the Statkraft Corporate Responsibility Report 2011

To the management of Statkraft AS

We have reviewed certain aspects of Statkraft Corporate Responsibility Report 2011 ("the Report") and related management systems and procedures. The Report is part of the Statkraft Annual Report 2011 on the Internet (www.annualreport2011.statkraft.com). The Report includes the Corporate Responsibility Statement published also in the printed version of the annual report. The Report is the responsibility of and has been approved by the management of Statkraft AS ("the Company"). Our responsibility is to draw a conclusion based on our review.

We have based our work on emerging best practice and standards for independent assurance on corporate responsibility, including ISAE 3000, issued by the International Auditing and Assurance Standards Board as well as on the principles of AA1000 Assurance Standard issued by AccountAbility. The objective and scope of the engagement were agreed with the management of the Company and included in the subject matters on which we provide our conclusions below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters. We have performed interviews with management responsible for corporate responsibility aspects at corporate and at selected reporting units represented by the head office of Generation – Region North in Norway, Statkraft Sweden – Wind power and the expansion project THXP at the partly owned Theun-Hinboun Power Company in Laos.

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than if an audit-level engagement had been performed. Separate from, and not impacting, our conclusions stated below we have provided "Auditor's commentary and recommendations", presented in the Report.

Conclusions
In conclusion, in all material respects, nothing has come to our attention causing us not to believe that:

- Statkraft has established systems to identify, manage and to involve stakeholders on material aspects related to corporate responsibility, as described in the Report, in accordance with the principles of AA1000 Accountability Principles Standard.
- Statkraft applies procedures to identify, collect, compile and validate data and information for 2011 to be included in the Report, as described in the Report. Data presented for 2011 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- The management systems referred to above have been implemented and locally adopted as necessary at the reporting units that we have visited, as specified above. Data for 2011 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 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 GRIs guidelines is to be found within the Statkraft Annual Report 2011 on the Internet.

Oslo, Norway, 14 March 2012
Deloitte AS

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