STATKRAFT MARKETS GMBH
ANNUAL REPORT 2012

Child of the wind

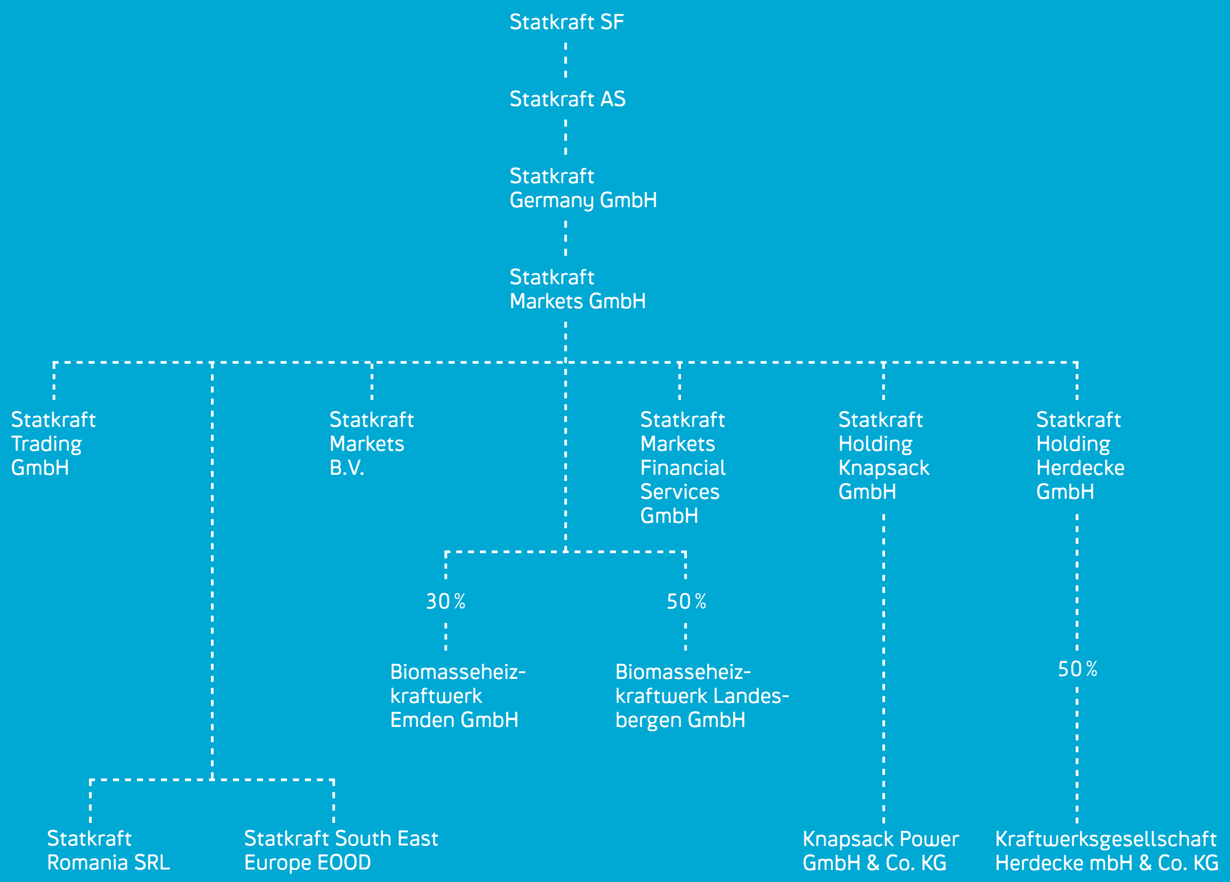
Kine Ødegård (10) lives on the west Norwegian island of Smøla. She is the same age as the wind farm in her neighbourhood and was born just a few weeks after the first construction phase began. The "windmills", as she calls the farm, are a normal, integral part of her life. And the same goes for the other island inhabitants, as the wind farm has not only brought jobs and prosperity to the area, but has also made it a popular local recreation area.

KEY INDICATORS

Key indicators of Statkraft Markets GmbH

Values in EUR million	2012	2011	2010	2009
Sales revenue	20,836.0	15,058.6	7,837.6	5,577.8
EBIT	–61.6	–162.6	–79.8	12.6
Profit before taxes	–295.1	–165.6	–83.1	–2.9
Profit after taxes	–295.8	–163.0	–86.5	–4.2
Cash flow of continuous operations	–20.4	6.6	2.3	–45.2
Cash and cash equivalents	51.3	23.5	13.9	12.7
Net working capital	131.4	274.8	151.7	37.9
Balance sheet total	1,549.1	1,095.4	1,025.8	817.6
Equity	410.8	410.8	317.8	317.8
Equity ratio (%)	27	37.5	30.9	38.9
Number of employees	190	211	196	190

Corporate structure



MANAGEMENT REPORT
FOR FISCAL YEAR 2012

Statkraft Markets GmbH is a company in the Statkraft Group. Statkraft is Europe's largest producer of renewable energy. The Group produces and develops hydropower, wind power, gas power and district heating, and is a significant player on European energy exchanges, with specialist expertise in physical and financial energy trading. The Statkraft Group also has a substantial commitment to innovation.

Statkraft Market GmbH is engaged in trading power, fuel and emission certificates in continental Europe and power production in Germany. Power is generated by environmentally friendly run-of-river, pumped storage and gas-fired power stations. The key operative subsidiaries and associates are Knapsack Power GmbH & Co. KG and Kraftwerksgesellschaft Herdecke mbH & Co. KG. Statkraft Market GmbH, its subsidiaries and associates have a power generation capacity of 1,939 MW in gas-fired plants, 261 MW in hydro and 16 MW in biomass.

The margins for gas-fired power stations in Germany decreased further in 2012, from already low values in 2011. The growth in new renewables, in particular in solar power, continues to depress spark spreads, i.e. the difference between the energy price, on the one hand, and gas and CO_2 prices, on the other hand. This resulted in extraordinary impairment losses being undertaken in the generation portfolio which placed a considerable burden on the 2012 results.

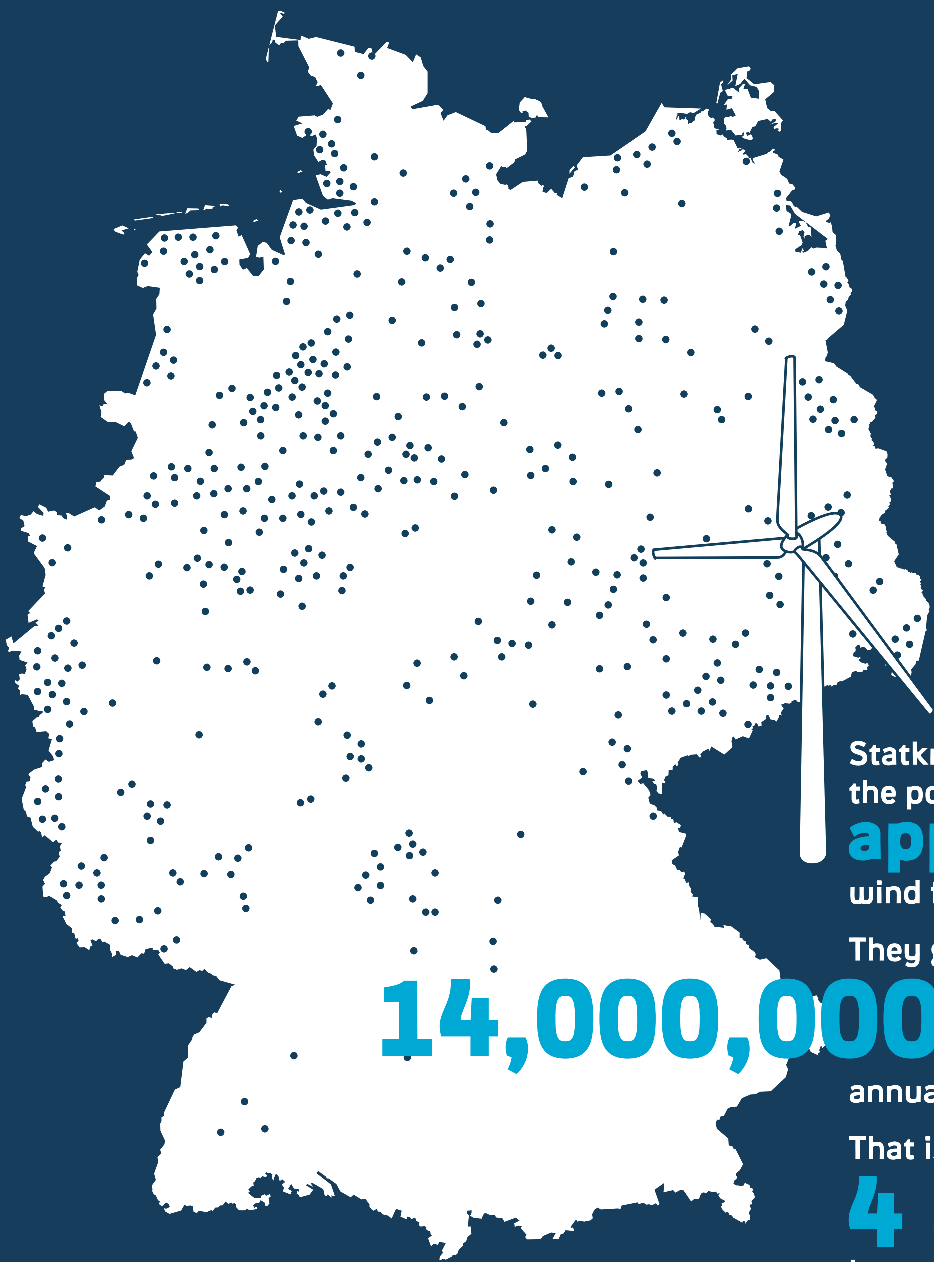
Hydro power and energy trading made a positive contribution to net earnings. The marketing of renewable energy in Great Britain and in Germany increased in 2012. Statkraft Markets GmbH belongs to one of the leading portfolio management companies and service providers in this field.

DIRECT MARKETING UNDER THE GERMAN RENEWABLE ENERGY ACT (EEG)

Statkraft's marketing model

Since the beginning of 2012, more and more wind farm operators have been taking the marketing of their electricity into their own hands – an important step towards a competitive market for renewable energies. Statkraft supports them in this with a comprehensive service package, a legally binding contract and active assistance with the implementation. Operators profit from additional revenues. German electricity consumers save money thanks to needs-based generation and more accurate prognoses.

Statkraft is continuing to actively develop the model and open up new options. One of them is the remote controllability of plants. This allows individual decentralised plants to be combined to form a virtual power plant.

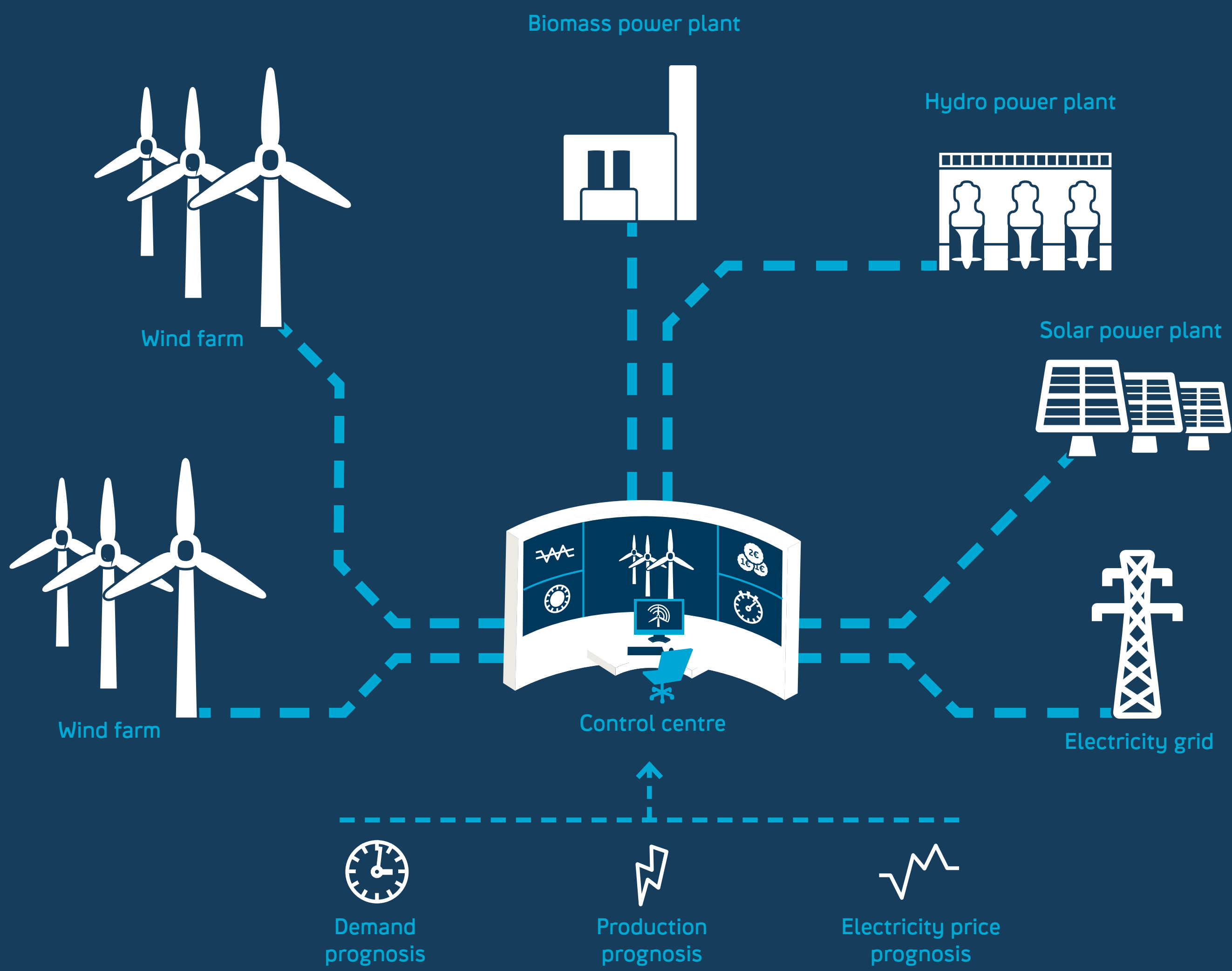


Statkraft manages the power output of **approx. 1,000** wind farms throughout Germany.

They generate around **14,000,000,000** kWh annually.

That is enough to supply around **4 million** households.

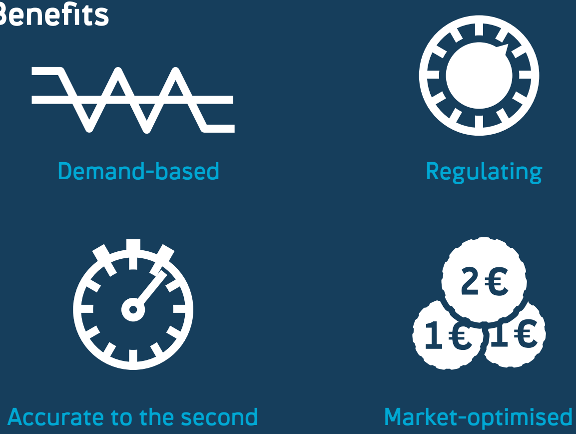
VIRTUAL POWER PLANT



Remote-controllable plants

The remote-controllability of wind power plants means they can be controlled in a demand-based way. If there is a high drop in demand, plants are slowed down or stopped temporarily. When demand increases they are immediately switched on again.

Benefits



MARKET DEVELOPMENT

Power prices in Germany were lower than in 2011 for most of the year, and the average spot price (base) on the European Energy Exchange (EEX) ended at EUR 42.8/MWh, EUR 8.3/MWh lower than in 2011 (avg. EUR 51.1/MWh). Compared with the average prices for the years 2007–2011, the price was approximately 10% lower in Germany. The EEX price for peak hours (peak load from 8 a.m. to 8 p.m. on working days) reached an annual average of EUR 53.6/MWh, approximately EUR 7.6/MWh lower than in 2011 (annual average of EUR 61.2/MWh).

However, gas prices were EUR 2.5 higher in 2012 than in 2011. Prices at the NCG virtual trading point (NetConnect Germany) were EUR 25.4/MWh in 2012. The main reason for this was a higher demand.

Compared with 2011, the emissions market declined due to lower industrial production caused by the economic downturn and, as previously mentioned, a growth in power production from renewable energy sources. While spot prices were EUR 13.1/t in 2011 on average, the average fell to EUR 7.4/t in 2012, ending at EUR 6.6/t in December 2012.

A consequence of the development in electricity, gas and emissions prices was that the already low margins for the gas-fired power plants continued to decline in 2012, triggering yet another impairment of the gas-fired assets. With low carbon and coal prices, coal-fired power plants have a competitive advantage and are predominantly used to fill the electricity supply gap between renewable and nuclear supplies and electricity demand.

After changes in 2011, the German Federal Government adjusted the Renewable Energy Act (Erneuerbare-Energien-Gesetz/EEG) again in 2012. On the one hand, the reduction in the reimbursement for power from photovoltaic systems was decided. On the other hand, the regulations for direct marketing under the market premium model were put into force. Operators of renewable energy plants that market their energy directly, receive an amount according to the fixed feed-in tariff as well as an additional management fee. The management fee reflects the network operators' additional costs and risks in energy management for renewable energy. The aim is to integrate renewable energy into the market. Since its introduction, the market premium model has evolved to become a huge success. A year after the introduction of the market premium model, Statkraft is Germany's market leader in the direct marketing of renewable energies, with a portfolio of approximately 8,000 MW.

Although direct marketing has started successfully, the federal government has made an unexpectedly huge cut after only a few months. The management fee was initially set to fall from EUR 12/MWh to EUR 10/MWh in 2013, subject to an annual re-evaluation. In the end, the reduction proved to be far stronger with a revised fee fixed at EUR 6.50/MWh. For remote-controlled operations, the reduction is less. By mid 2013, a large part of Statkraft's portfolio will be equipped with technology for remote measurement and control.

Especially the announced increase of the EEG levy from 3.59 in 2012 to 5.28 cents per kilowatt-hour in 2013 had again caused a heated debate, whether electricity in Germany remains affordable in times of the "Energiewende". The EEG levy is part of the electricity price, which is to be paid by the consumer for the promotion of renewable energy. These discussions are continuing in the 2013 election year and will likely lead to further changes of the renewable support scheme.

BUSINESS DEVELOPMENT

Trading & Origination

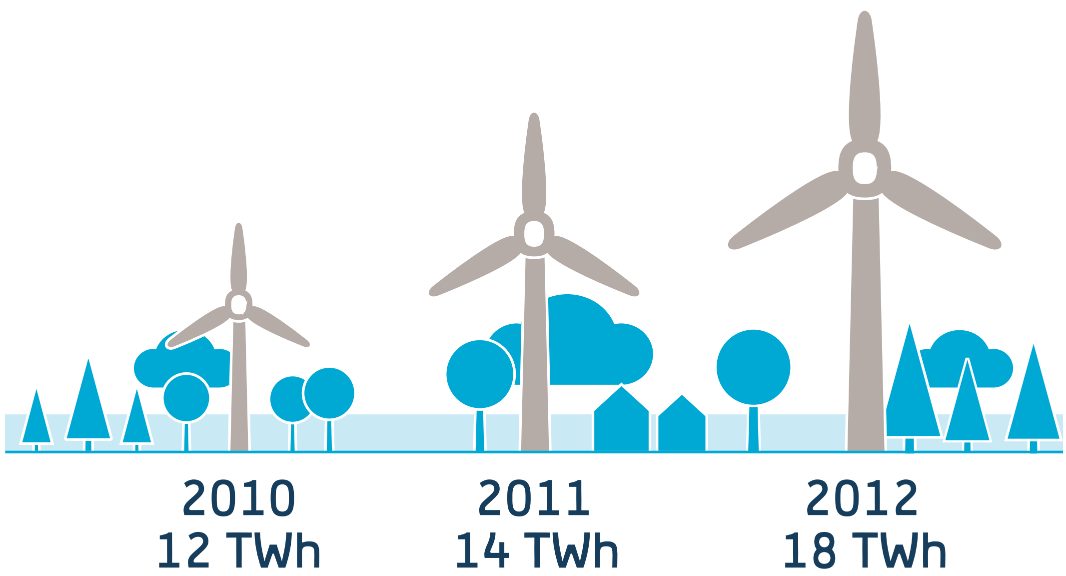
The Trading & Origination activity delivered good results in 2012. The trading team introduced a number of new desks offering an even wider variety of commodity hedging and risk-taking services for our counterparties.

Cross-border arbitrage, where Statkraft buys power in one country and sells it in another country using auctioned transmission capacity, continues to provide a stable income. The outlook is however modest. This is due to the continued regulatory drive for market coupling which would no longer give Statkraft and other commercial players access to cross-border transmission capacity.

The commercial activity in structured power and fuel products (e.g. flexible index priced power deliveries, gas storage) also delivered good results. While the lower volatility makes it more difficult to derive value from flexibility, we have been able to adapt to the new price pattern emerging from the renewable energy mix. The year 2012 had the highest renewable energy production ever recorded in Germany. Increased dependency on renewable energy will continue to present challenges in the future years.

The year 2012 also saw the green power privilege for renewable energy in Germany being superseded by the market premium model. This model was introduced as a tool for allowing renewable generators access to the market. Under this scheme, investors kept the same price guarantee as for the feed-in tariff scheme, but were given additional incentives to improve their forecasts, and to measure, balance and control their production. Since most investors do not have the necessary resources and experience in this field, they tend to outsource these services. Statkraft is offering a full service package in this area, which provides investors with relatively risk-free participation in the market premium scheme. As mentioned previously, Statkraft Markets GmbH performs direct marketing services for approximately 8,000 MW of renewable energy in Germany.

Competition in this segment is strong and margins to cover imbalance and administrative costs, as mentioned above, have been reduced even further. Statkraft will strive to compensate for this effect through lower processing costs, improved forecasting and enhanced control over the power generated by renewable plants through remote control and the use of a so called “virtual power plant”.



In Germany, 2012 was the year with the highest power generation from renewable energies.

Trading in renewable energy and its certificates provided a positive contribution to overall profits in trading in 2012. Statkraft Markets GmbH actively sells certified electricity from regenerative generation sources to distribution companies who want to, or have to, supply their customers with green electricity. Statkraft sources and markets these certificates across Europe.

In the UK, Statkraft continues to offer long-term route-to-market services to renewable generators. We were able to expand our portfolio compared to the previous year. Our portfolio currently includes wind power and biomass generation and we expect to add solar installations in 2013.

While prices for European Emission Allowances declined during 2012, Statkraft was able to grow the Global Carbon business. During the second phase of the European Trading Scheme, an increasing number of companies contracted our service to balance their actual emission volumes with the number and type of certificates on their accounts. The outlook for 2013 is somewhat more modest, with political uncertainty surrounding the new trading period and possible intervention in the current system set-up.

Overall, we are diligently implementing financial regulation introduced by the EU and monitoring the effect of the various regulations, which is still in the finalisation phase.

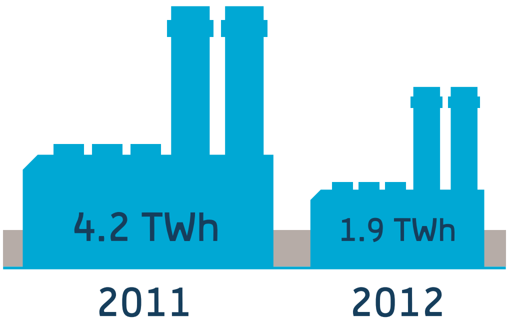
Energy Management

The market setting for the dispatch of power plants and production marketing was characterised in 2012 by falling margins and lower electricity prices with less volatility. The spark spread, i.e. the margin arising from the energy price along with the gas price and CO_2 price, diminished further. This development reduced the profitability of Statkraft's gas-fired power plants. Landesbergen and Emden were particularly affected due their comparatively low efficiency and the associated lack of competitiveness in the energy market.

The marketing of production in third markets such as back-up and green electricity was used increasingly to partly balance out the break-up in margins. Dispatch services, on the other hand, had a very good year and managed to increase the overall gross margin compared to the prior year. This was mainly due to the higher volume being serviced for the direct marketing in Germany and long-term route-to-market services in the UK.

Overall production in 2012 was 1.9 TWh compared with the previous year's 4.2 TWh. Production of fully owned plants is considered at 100%. Where Statkraft only owns a share of the plant, a percentage of the production volumes equal to the ownership is included. The reduction is mainly due to lower generation at the modern gas power stations operated by the subsidiary Knapsack Power GmbH & CO. KG in Hürth and the joint venture partner Kraftwerksgesellschaft at Herdecke mbh & CO. KG in Herdecke. Generation at Statkraft Markets GmbH's gas-fired power stations in Emden and Landesbergen remains low with 0.07 TWh (previous year: 0.04 TWh).

Meanwhile, the construction of the power station Knapsack II (capacity 430 MW) continues according to plan. The power station will go into commercial operation in the first half of 2013.



Generation from gas-fuelled power plants was significantly reduced in 2012.

Because of market developments, the supervisory board and the executive board of Statkraft AS, along with the management of Statkraft Markets GmbH, decided in February 2012 to set the gas-fired power station in Emden in cold reserve and not to further develop the new asset project Emden 2. Furthermore, the value of the gas-fired power plants were reviewed and, based on the current market situation, impaired by EUR 63.2 million. EUR 52.4 million of this impairment relates to the gas-fired power plant Knapsack II, which is currently under construction. Moreover, increased expenses from loss absorption of EUR 221.5 million from Statkraft Holding Knapsack GmbH occurred. The loss in Statkraft Holding Knapsack GmbH arises from a complete write-off of shares in its subsidiary Knapsack Power GmbH & Co. KG, which also saw the value of its gas-fired power plant, Knapsack I, decline.

During February 2013, management received confirmation from the grid operators that Landesbergen is not considered as system-critical. In March 2013, the executive board of Statkraft AS and the management of Statkraft Markets GmbH announced the decision to set the gas-fired power station in Landesbergen into cold reserve. Negotiations with the workers council have started, to ensure that the inevitable reduction of staff is handled in a socially responsible way.

Energy management activities were extended as services to other countries which include Great Britain and Turkey, along with Germany. In Great Britain in particular, Statkraft Markets GmbH already controls a large portfolio of wind power plants which are partly owned by Statkraft UK Ltd. or increasingly also by third parties.

Operations & Maintenance, Health, Safety & Environment (HSE)

The Statkraft Group and also Statkraft Market GmbH, have a clear goal of zero work accidents with serious consequences and zero breaches of the requirements relating to physical safety measures in connection with the Group's activities. Clear requirements and a close follow-up in all operations and project phases are decisive to achieve safe and sound workplaces and good results. Several measures have been implemented, including workshops on contractor management with regard to safety and enhanced incident investigation processes, with this resulting in a positive development of the health and safety statistics. The Statkraft Group emphasises learning from injuries, near-misses and unsafe conditions.

On the environmental side there were positive developments. In 2012, Statkraft received an innovation price from the German-Norwegian chamber of commerce for the development of the "eel-protective turbine management" in the River Weser which was implemented in 2011. The efforts to improve the downstream and upstream migration of fish were continued, including the conclusion of an agreement with the regional water authorities to build a state-of-the-art fish ladder at the power plant in Dörverden.

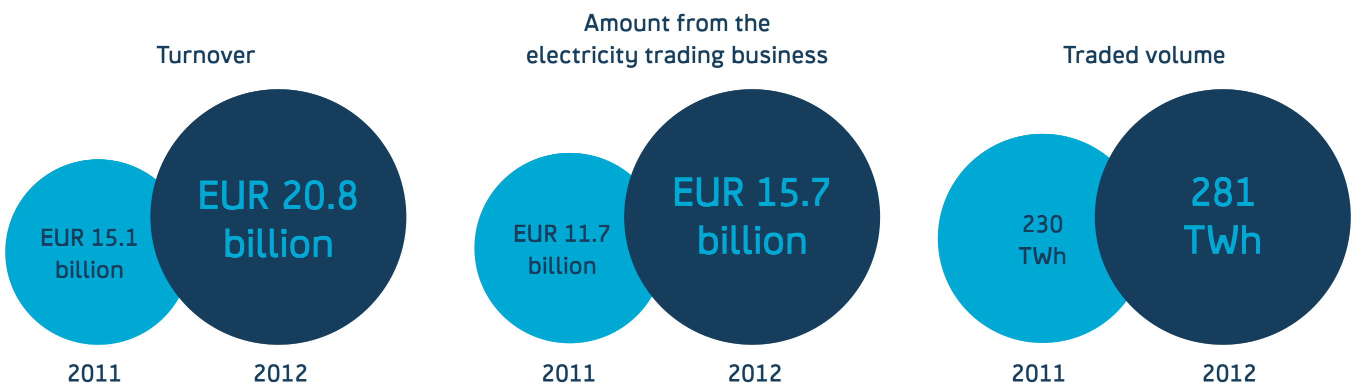
The gas plants as well as the hydro plants showed an overall good availability in 2012 with no extraordinary technical problems. Several refurbishment and improvement projects were carried out in 2012 to secure reliable and safe operations of the plants.

OPERATING RESULT

Sales were up from EUR 15.1 billion to EUR 20.8 billion. This increase was basically the result of a greater volume of trade in electricity, gas and emission certificates. Electricity trading business contributed a proportion of EUR 15.7 billion (EUR 11.7 billion in the prior year) and the traded volume increased from 230 TWh in 2011 to 281 TWh in 2012. Sales also benefited from gas trading worth EUR 4.0 billion (EUR 2.7 billion in the prior year). The largest growth in revenue by region was registered in Germany (plus EUR 4.4 billion) and in the UK (plus EUR 1.1 billion).

The development of the gross margin, defined as revenue less material purchases in the year, is as follows:

	2012 EUR million	2011 EUR million
Gross margin Trading & Origination	107.2	106.3
Gross margin Energy Management and Operations & Maintenance	62.7	42.0
Total GM	**169.9**	**148.3**
Included in the above		
Gains from foreign exchange differences	40.0	43.8
GM excluding foreign exchange effects	**129.9**	**104.5**



The gross margin increased from EUR 148.3 million in 2011 to EUR 169.9 million in 2012, including gains from currency transactions relating from Trading & Origination. Excluding currency gains, the gross margin in the 2012 financial year amounts to EUR 129.9 million and is thus clearly higher than the previous year's figure.

Personnel costs remained stable at EUR 17.0 million with no significant variation on the prior year. Due to a reduction in staff numbers, wages and salaries decreased in the current year compared to the prior year, by EUR 1.2 million, whereas pension costs increased by EUR 1.2 million.

Depreciation fell from EUR 189.1 million in 2011 to EUR 83.0 million in 2012. This was mainly due to lower impairments for gas-fired power stations in 2012 of EUR 63.2 million compared to EUR 167.3 million in 2011. Valuations for gas-fired power plants continue to fall due to low operating margins. In this connection, investments and loans to associate companies amounting to a total of EUR 12.6 million were written down.

Other operating costs were as follows:

	2012 EUR million	2011 EUR million
Foreign exchange losses	39.8	39.8
IT related services	2.5	1.8
Legal advice and consultancy costs	6.5	1.5
Rent, repair and similar costs	7.3	4.5
Group services	52.9	41.3
Other	9.8	8.4
Other operating expenses	**118.8**	**97.3**

In total, operating expenses rose to EUR 118.8 million compared with EUR 97.3 million in the previous year. Fundamental factors causing this development were the increase in Group services costs (including IT, administration and trading support) and legal advice and consultancy fees to EUR 52.9 million and EUR 6.5 million, respectively, due to higher trading activities, the introduction of new products & services and increased compliance costs. Rentals, repairs and similar costs also rose to EUR 7.3 million due to office removal and higher O&M activities. High currency exchange losses of EUR 39.8 million were brought about by higher trade revenue. On the other hand, currency gains of EUR 40.0 million are posted under other operating revenues.

Statkraft Markets GmbH's financial result was negative in 2012 at EUR 246.1 million, and was thus worse by EUR 235.6 million compared with the previous year. This was mainly due to increased expenses from loss absorption by EUR 221.4 million compared to the previous year, but was also caused by value adjustments on investments and loans to associated companies of EUR 12.6 million and interest expenses amounting to EUR 10.2 million in the year. The interest expense concerns a long-term fixed maturity date inter-Group loan of EUR 255.0 million and a short-term loan of EUR 104.0 million, which was fully repaid in March 2013. Some of the interest expense was offset by interest and dividend revenue of EUR 2.0 million in total.

The operating result from ordinary business activity was negative and amounted to EUR 295.1 million owing to the impairment of gas and financial assets of EUR –75.8 million in total and increased expenses from loss absorption of EUR 221.5 million from the complete write-off of shares by the affiliated company Statkraft Holding Knapsack GmbH. Without these adjustments, the operating result would have been EUR 2.1 million. Negative earnings after tax of EUR 295.8 million will be balanced out because of a profit and loss transfer agreement in existence since 1 January 2009 by the sole shareholder Statkraft Germany GmbH. Statkraft Markets GmbH will therefore not have a negative impact in equity or retained earnings.

NET ASSET POSITION AND FINANCIAL POSITION

Cash flow for 2012 and 2011 represents the following:

	2012 EUR million	2011 EUR million
Cash flow from operating activities	–20.4	6.6
Cash flow from investment activities	–212.5	–196.7
Cash flow from financing activities	267.0	179.5
Net increase/(-decrease) in cash	**34.1**	**–10.6**
Cash and cash equivalents start of year 1 Jan.	–7.6	3.0
Cash and cash equivalents end of year 31 Dec.	26.5	–7.6

The company reported cash flow from operating activities in the current year of EUR –20.4 million (EUR 6.6 million in the previous year). The decrease in operative cash flow is due to higher inventory balances on renewable certificates. Investment amounted to EUR –212.5 million (EUR –196.7 million in the previous year) and relates mainly to the construction of Knapsack II and additional equity injection in the subsidiary Knapsack Power GmbH & Co KG. To help fund these investments a new inter-company loan of EUR 104.0 million was obtained, which was fully repaid in March 2013. Cash flow from financing activities includes cash flows from profit and loss compensation payments of the 2011 negative results of EUR 163.0 million. This led to a change in cash and cash equivalents of EUR 34.1 million. Taking into account the negative cash and cash equivalents at the beginning of the year of EUR 7.6 million, this resulted in a positive cash balance of EUR 26.5 million as at 31 December 2012. Cash and cash equivalents at the end of 2012 consisted of liquid assets of EUR 51.3 million and a negative cash pool balance against Statkraft AS, Oslo, Norway, of EUR 24.8 million.

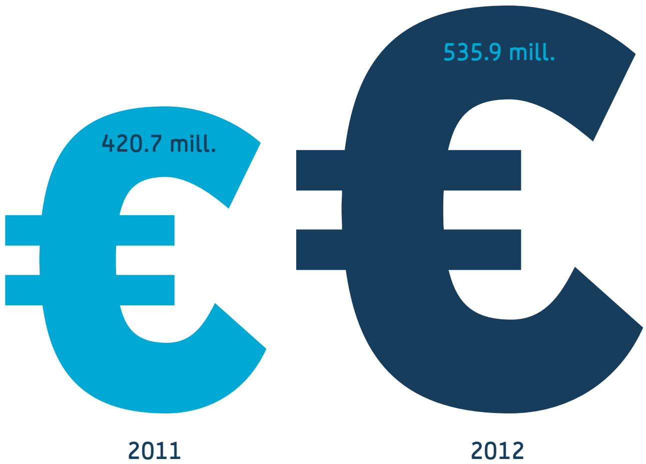
Depreciation of tangible property and financial assets for the 2012 financial year amounted to EUR 95.6 million. Investments in tangible property were EUR 136.4 million. Investments of EUR 80.0 million were made in the form of equity in the subsidiary Knapsack Power GmbH & Co KG. The company received EUR 3.0 million from the repayment of loans given to associated companies and subsidiaries. Total fixed assets rose to EUR 535.9 million in 2012 from EUR 420.7 million in 2011, mainly due to the investments in Knapsack II and in the subsidiary Knapsack GmbH & Co KG.

The changes in current assets and in liabilities are largely due to the balance sheet date. Equity capital remained unchanged at EUR 410.8 million as negative operating results due to the impairment and write-off of loans and investments in associates are offset through the profit and loss transfer agreement with Statkraft Germany GmbH.

The rise in total assets from EUR 1,095 million to EUR 1,549 million resulted from additions to fixed assets, mainly Knapsack II, investments in subsidiaries and higher inter-company receivables due to loss compensation and increased trading activities. The increase in liabilities is due to higher loss compensation, a new loan of EUR 104.0 million to finance the Knapsack II and higher trading activities. The new loan was repaid in March 2013.

Overall, the equity ratio, defined as total shareholder's equity (equity plus inter-company loans due over 5 years) divided by total assets, equals 43%. Even if inter-company loans are excluded from shareholder's equity, the ratio is 27%. Both values continue to emphasise Statkraft Markets GmbH's good financial standing.

In summary, a higher trading activity and the introduction of new products and services during the year had a positive impact on revenues. The gross margin, excluding the effect of foreign exchange differences, increased by EUR 24.5 million compared to the previous year, and thereby exceeded the increase in other operating costs. In spite of this positive development, operating results, after adjusting for unusual items, fell from EUR 7.0 million in the prior year to EUR 2.1 million in the current year, due to increased financing costs. Cash and cash equivalents increased by EUR 34.1 million during the year, turning the opening negative cash balance into a positive closing cash balance of EUR 26.5 million at the year-end 2012. This shows that the company is in a good liquid position, considering also that the company has access to the Group's cash pool funds.



In 2012 the total fixed assets increased from a total of EUR 420.7 million to EUR 535.9 million.

EMPLOYEES – HR

The number of employees was 190 on 31 December 2012, and the annual average was 192.

The Statkraft Group and Statkraft Market GmbH strive to attain a diverse working environment and promote equal opportunities in their recruitment and HR policies. Statkraft Markets GmbH operates with its subsidiaries throughout the whole of Europe and employs personnel from many different nations. This international environment is attractive for employees outside Norway and Germany and has also a positive impact on the company's development potential in new European markets.

The managing directors would like to take this opportunity to thank all employees for their excellent contributions during 2012.

RISK MANAGEMENT

Statkraft Markets GmbH engages in trading activities which are exposed to a number of risks. These include market price, counterparty default, operative risks and risks relating to IT systems. Risk management is, therefore, considered to have the highest priority.

Business activities comprise trading and sales of standardised term products as well as of power profiles and other structured products. The major part of the profiles and structured products is hedged with corresponding standard products. A large portion of term products are contracted for trading purposes, as a rule on the basis of short-term hedge transactions. In total, the business activity should result in a positive margin. Statkraft Markets GmbH is exposed to financial risks, which can cause variations in results, equity and cash flow. In order to identify and manage these risks, the company established a corresponding risk management policy, which is an important part of corporate governance.

The risk management committee decides on the risk management policy for the different business segments. The Middle Office plays a pivotal role in risk management by monitoring daily risk controlling and delivering independent and professional valuations. Middle Office managers analyse all new deal opportunities and prepare risk assessments to help management make decisions. This increases risk awareness and ensures efficient risk mitigation. Moreover, the Middle Office prepares daily and weekly risk reports on Statkraft Markets GmbH's market positions, which are discussed and evaluated by the management on a weekly basis.

Risk is managed by means of a mandate and limit system. Contracts can only be closed in compliance with risk limits which are defined both for market risk, operational risk and counterparty risk. Market price risks in the volatile energy markets are measured by the Value at Risk (VaR) procedure and Profit at Risk (PaR) analyses. The Middle Office supervises the portfolio exposures as well as the total risk in the company. In the case of limit breaches, the mandate holder takes the responsibility for reducing exposures and minimising non-hedged positions.

Counterparty risk is managed through an internal rating process. For each counterparty, the credit limit is monitored and periodically reviewed, while current exposures are reported regularly. The rating and limit system helps to focus on counterparties with high creditworthiness. Counterparty risk includes positive market values of financial derivatives. In view of the worldwide financial crisis, limits relating to financial institutions and special industrial customers have been critically reviewed and adjusted. Statkraft Markets GmbH did not suffer any losses in 2012 as a result of the insolvency of customers.

As well as evaluating potential counterparty risks, all products, business opportunities and counterparties are assessed with regard to the principles of Corporate Responsibility (CR) and all Middle Office risk assessments related to change of mandates or products must take this into account.

Risks arising from the fluctuation of liquidity resulting from the use of financial instruments, such as forward contracts, are managed by regular monitoring of medium-term and long-term cash flow and daily cash management.

Statkraft Markets GmbH is exposed to a number of different operative risks, including the technical risks inherent in the operations and dispatch of power plants and process risks involved in the handling of trading business, including IT risks in particular. These risks are actively managed. In this respect, the Statkraft Markets GmbH energy management function is in close contact with the power plant personnel and takes potential technical failures into account in its marketing strategy. Statkraft Market GmbH strives to have a high degree of redundancy for all core operations. Following this philosophy, multiple staff members are trained in key processes and backup routines are aligned in order to ensure that essential skills are always available. The risk management system is monitored by internal auditing and verified by external auditors as part of the year-end audit.

OPPORTUNITIES AND RISKS, OUTLOOK

Statkraft continues to face major challenges following the changes in the energy markets in Germany and comparable developments in other European countries. Because of market developments, management at Statkraft Markets GmbH is reviewing the long-term strategy of its gas-powered plants, in particular Landesbergen.

During February 2013, management received confirmation from the grid operators that Landesbergen is not considered as system-critical. In March 2013, the executive board of Statkraft AS and the management of Statkraft Markets GmbH announced the decision to set the gas-fired power station in Landesbergen into cold reserve. Negotiations with the workers council have started to ensure that the inevitable reduction of staff is handled in a socially responsible way.

Statkraft has created a good market position in the field of marketing energy from renewables and has become one of the leading providers in this sector. Statkraft has been able to increase its customer base for 2013, with approximately 8,000 MW under contract. Risks related to this business derive from the energy management, cost competition with other providers and policy on regulatory development.

As of 16 August 2012, the new EU regulation on European Market Infrastructure (EMIR) have come into force, which, amongst other things, includes new requirements for clearing, trade registration and risk reduction on bilateral (“over-the-counter”, OTC) derivatives. Statkraft Markets GmbH is fulfilling its obligations under the new regulation, though this is leading to increased administration and costs. To what extent this additional administrative burden and costs for the market participants is going to affect the trading environment is yet to be seen.

In the previous year, we forecasted to produce a better result in 2012 compared with 2011 without considering extraordinary adjustments due to impairment and expenses from loss absorption. In fact, the net operating result dropped from EUR 9.1 million in 2011 to EUR 2.1 million in 2012 without the aforementioned extraordinary effects, which is mainly due to a higher negative financial result. Unfortunately in 2012, adverse movements in electricity, gas and carbon prices triggered yet another impairment of the gas-fired assets owned by Statkraft Markets GmbH and its subsidiaries. Statkraft Holding Knapsack GmbH wrote off its investment in Knapsack Power GmbH & Co. KG due to impairment of its gas-fired plant. A profit and loss agreement exists with Statkraft Holding Knapsack GmbH. Overall this leads to a loss of EUR 295.8 million.

Negative earnings after tax will be balanced out because of a profit and loss transfer agreement which has been in existence since 1 January 2009 with the sole shareholder Statkraft Germany GmbH. In addition, the company participates in the Group-wide cash pool of Statkraft AS and is therefore able to access liquid funds at any time.

We expect margins for gas power plants to remain weak in 2013 and 2014, so that an improved capacity utilisation is not predicted. As in the prior year, we anticipate that positive results produced by the hydroelectric power plants and by trading and origination will partly compensate poor results from the gas-fired assets. Overall, we are therefore expecting to achieve a neutral result for 2013.

The current values of the assets reflect the current market design and situation. However, concerns regarding the long-term security of electricity supplies in Germany and the future framework in which fossil power plants are to operate in needs to be addressed by the government. Depending on the decisions the government will take, this may impact the value of our power-generating assets.

SUBSEQUENT EVENTS

From the period, year-end 2012 to the signing date of the Management Report, operational activities within Statkraft Markets GmbH developed as expected. In May 2013, the management signed the delivery acceptance protocol for the Knapsack II combined cycle gas power plant with Siemens AG, Energy Sector Erlangen. With this signing, formal ownership of the plant has passed to Statkraft Markets GmbH.

Düsseldorf, 17 May 2013

Dr Torsten Amelung
Managing Director

Ivar Arne Børset
Managing Director

Stefan-Jörg Göbel
Managing Director

Inger S. Andersen
Managing Director

Dr Gundolf Dany
Managing Director

Dr Jürgen Tzschoppe
Managing Director

BALANCE SHEET
AS PER 31 DECEMBER 2012

Assets	31.12.12 EUR	31.12.11 EUR '000
A. Fixed assets		
I. Intangible assets		
1. Purchased software	1,312,233.11	1,153
II. Tangible assets		
1. Land, leasehold rights and buildings	10,952,099.72	13,373
2. Technical equipment, plant and machinery	117,237,485.90	136,644
3. Other equipment, fixtures, fittings and equipment	4,167,152.08	2,609
4. Plant and machinery in process of construction	165,854,303.84	92,243
	298,211,041.54	244,869
III. Financial assets		
1. Shares in affiliated companies	236,392,220.46	156,597
2. Investments	0.00	9,336
3. Loans due from other Group companies	0.00	6,300
4. Other loans	0.00	2,492
	236,392,220.46	174,725
	535,915,495.11	420,748
B. Current assets		
I. Inventories		
Raw materials and supplies	15,518,353.88	13,685
II. Receivables and other assets		
1. Trade accounts receivable	509,673,743.88	386,010
2. Accounts due from affiliated companies	372,316,242.93	194,332
3. Other assets	62,343,190.42	51,376
	944,333,177.23	631,718
III. Cash on hand, cash in banks	51,281,814.02	23,580
	1,011,133,345.13	668,983
C. Prepaid expenses	2,092,069.28	5,728
	1,549,140,909.52	1,095,458

Shareholders' equity and liabilities	31.12.12 EUR	31.12.11 EUR '000
A. Equity		
I. Capital subscribed	**4,000,000.00**	4,000
II. Capital surplus	**398,104,558.71**	398,105
III. Other earnings reserves	**45,978.68**	46
IV. Retained earnings brought forward	**8,663,853.54**	8,664
	410,814,390.93	410,815
B. Provisions		
1. Provisions for pensions and similar obligations	**70,984.00**	5,363
2. Tax provisions	**837,932.97**	238
3. Other provisions	**16,340,141.86**	31,454
	17,249,058.83	37,055
C. Liabilities		
1. Liabilities due to banks	**8.02**	931
2. Trade accounts payable	**391,971,630.35**	254,640
3. Accounts due to affiliated companies	**698,457,020.94**	354,911
4. Other liabilities thereof for taxes: EUR 247,824.87 (previous year: EUR 210 thousand)	**27,170,669.60**	6,976
	1,117,599,328.91	617,458
D. Deferred income	**3,478,130.85**	30,130
	1,549,140,909.52	1,095,458

INCOME STATEMENT PRESENTATION

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2012

	2012 EUR	2011 EUR '000
1. Sales	**20,835,976,672.89**	15,058,670
a) Energy tax	**63,844.23**	115
2. Other operating income	**62,172,657.41**	61,583
3. Cost of materials		
a) Cost of raw materials and supplies	**–127,268.49**	–4,477
b) Cost of purchased services	**–20,728,234,497.54**	–14,967,572
4. Personnel expenses		
a) Wages and salaries	**–12,827,179.03**	–14,013
b) Social security, pension and other benefit costs thereof for pensions: EUR 1,614,464.38 (previous year: EUR 992 thousand)	**–4,221,571.45**	–3,060
5. Depreciation of fixed intangible and tangible assets	**–82,966,071.26**	–189,149
6. Other operating expenses	**–118,837,038.65**	–97,263
7. Income from profit transfer agreements	**1,129,023.20**	955
8. Income from other loans thereof due to affiliated companies EUR 16.644,62 (previous year: EUR 0 thousand)	**193,014.85**	0
9. Other interest and similar income thereof due to affiliated companies: EUR 330.822,24 (previous year: EUR 478 thousand)	**724,182.87**	2,060
10. Write-offs on financial assets	**–12,635,737.05**	–7,500
11. Expenses from loss absorption	**–221,578,523.20**	–165
12. Interest and similar expenses thereof due to affiliated companies: EUR 12,671,834.42 (previous year: EUR 3,146 thousand)	**–13,947,942.43**	–5,840
13. Profit/loss from ordinary business operations	**–295,116,433.65**	–165,656
14. Taxes on income	**–600,000.00**	2,771
15. Other taxes	**–127,465.55**	–132
16. Loss assumed pursuant to a profit and loss absorption agreement	**295,843,899.20**	163,017
17. Net income/net loss	**0.00**	0

NOTES

The annual financial statements have been prepared in compliance with Sections 242 et seqq. and Sections 264 et seqq. German Commercial Code (HGB) as well as with the relevant provisions of the German Law on Limited Liability Companies (GmbHG). The regulations for large firms organised in a corporate form apply.

The income statement was prepared according to the total expenditure format.

ACCOUNTING AND VALUATION RULES

The following accounting and valuation rules were applied when preparing these annual financial statements.

Intangible fixed assets and **tangible fixed assets** are recognised at acquisition cost or cost of production. Production costs mainly include direct attributable personnel costs. **Borrowing costs** are capitalised when assets are internally produced. If intangible and tangible fixed assets are subject to wear and tear, scheduled depreciation is taken in accordance with their useful life. Impairments are recognised when a decrease in value is probably permanent. For intangible assets a useful life of up to 7 years is applied and for buildings up to 39 years; a useful life of up to 30 years is generally applied for other assets.

Since fiscal year 2008, **low-value assets** with a net value of up to EUR 150.00 have been directly expensed in the income statement. A collective item for low-value assets with a net value of more than EUR 150.00 and up to EUR 1,000.00 is recognised in the tangible fixed assets and depreciated over a 5-year period using the straight-line method. The item is in its totality of only minor importance.

The **financial assets** are recognised at the lower of cost of acquisition or fair values.

Inventories are recognised at cost of acquisition. Compliance with the lower-of-cost-or-market principle is secured by write-offs as required.

Receivables and other assets are capitalised at nominal value. Appropriate allowances are made in order to cover all related risks.

Liquid assets are recognised at nominal value.

Expenses incurred before the balance sheet date are disclosed as **prepaid expenses** on the assets side to the extent these constitute expenditures for a certain time after this date.

Pension provisions were measured according to the projected unit credit method, applying actuarial principles, and based on Prof. Klaus Heubeck's 2005 G mortality tables published in 2006. These provisions were discounted at the average market interest rate of the past 7 years as announced by the Deutsche Bundesbank, based on the assumption of a remaining term of 15 years (Section 253 (2) second sentence HGB). The valuation of pension provisions is based on the following parameters:

	2012 %	2011 %
Discount rate	5.06	5.14
Salary increases	3.00	3.75
Pension increases	1.00	1.00

Reinsurance policies have been concluded to secure the pension obligations. According to Section 246 (2) second sentence HGB **fair value of reinsurance policies** and pension obligations are offset for balance sheet presentation. To fulfil pension obligations, capital is disposed in special funds, which are not accessible to creditors. As of 2010 onwards, reinsurance policies are measured at fair value and offset against pension obligation.

Other provisions cover all contingent liabilities as well as impending losses from pending transactions. They are created in the fulfilment amount, taking into account future cost increases, required in accordance with reasonable commercial assessment. Other provisions with a residual term of more than 1 year are discounted appropriately to the period at the average market interest rate of the past 7 years as announced by the Deutsche Bundesbank.

Valuation units in accordance with Section 254 HGB. Statkraft Markets GmbH's commercial activities include physical and financial trading and optimisation activities in electricity, gas, emission rights and other commodities relating to the energy industry. Futures contracts, amongst other things, are concluded for this purpose. Foreign currency transactions are concluded in this context to hedge against exchange risks.

Statkraft Markets GmbH distinguishes between the Trading and the Origination Divisions. While standard products are used in the Trading Division to achieve margins with a short-term horizon, the Origination Division involves long-term optimisation activities with structured products and inventories. Both operating areas are divided into assignments both to undertake trading and optimisation activities and to monitor risk, with strict separation of functions being implemented between trading and risk control. The definition of the individual assignments is based in principle on the region traded, the product traded and the commodities, the time horizon or the trading strategies.

Risk limitation of the trading assignments is based on Value-at-Risk (VaR) calculations which are carried out in daily trading by risk control. Defined procedures for reducing risk are initiated if specified limits are exceeded.

Risk limitation of the origination mandates is undertaken based on Profit-at-Risk (PaR) calculations which are also carried out in daily trading by risk control. If limits are exceeded in Origination assignments, these too lead to defined measures for preventing further risks.

In principle, transactions concluded in the Trading & Origination Divisions are combined in macro valuation units in which the risk-compensating effect of comparable risks is taken into consideration. A macro valuation unit exists if the risk-compensating effect of whole groups of basic transactions is looked at in summary and these groups are jointly safeguarded against the (net remaining) risk and this is in accordance with the risk management practiced.

Financial risks in the form of price and parity change risks are safeguarded in the valuation units created of the commodities traded in the context of assignments. The balance sheet presentation of the effective parts of the valuation units is done in accordance with the freezing method, according to which the changes in value in basic and hedging transactions, which balance one another out and which can be traced back to the particular risk hedged, are not reported in the balance sheet.

The safeguarding intention of the macro valuation units exists continuously for the periods which are in accordance with the risk guidelines for trading transactions. Contrary changes in payment streams exist for the period up to 2021 on the balance sheet date 31 December 2012. A documented, appropriate, risk management system in working order exists to determine prospective effectiveness. The universe of actions, responsibilities and controls in in-house guidelines are bindingly laid down. Trading in commodity derivatives is permitted in the context of limits laid down. The limits are laid down by independent organisational units and monitored during daily trading.

The assets, debts and contingent transactions are included in the valuation units with the following nominal values (book values):

Transaction type	Nominal value in EUR '000	Book value in EUR '000
Assets	8,258	8,258
Liabilities	14,346	14,346
Pending purchase transaction	9,905,200	
Pending sales transaction	10,061,300	

The amount of risk hedged with valuation units is EUR 343,533 thousand.

Assessment of the invalidity to date on the balance sheet of the macro valuation units is undertaken each time at the end of the year by looking at the current market values of the particular valuation unit it relates to. If the balance of all relevant current market values of the transactions is negative, taking assets and debts possibly included in the valuations units into consideration, then a provision for valuation units is created. These are not taken into account in the balance sheet, if there are positive attributable current market values.

Liabilities are recognised at the amounts at which they will be fulfilled.

Receivables and liabilities denominated in **foreign currencies** are posted at the rates in effect at the date of initial posting and measured on the balance sheet date with the average spot exchange rate. The losses from exchange rate changes on the balance sheet date are recognised as losses. In contrast, unrealised profits from exchange rate changes are given consideration solely if they affect receivables and liabilities with a remaining term of up to 1 year.

Affiliated companies are all those companies which are included in the consolidated financial statements of Statkraft AS, Oslo, Norway, and companies in which Statkraft AS, Oslo, Norway, either directly or indirectly, holds the majority interest, but that are not included in the consolidated financial statements pursuant to the exercise of an option.

Sales from trading are disclosed as gross figures.

EXPLANATORY COMMENTS ON THE BALANCE SHEET

Fixed assets

The movements in fixed assets and their amortisation and depreciation for the fiscal year are presented in the statement of movements in fixed assets (Appendix to the Notes).

On the basis of an internal DCF (discounted cash flow) calculation in 2012, further impairments on parts of the fixed assets, specifically the gas-fired power plants, were recognised. The considerations of declining margins in the operation of gas-fired power plants led again to these unscheduled write-offs.

Equity interests concern the shares in the two biomass CHP plants in Emden and Landesbergen acquired in the framework of a barter transaction concluded with E.ON AG in 2008. In 2012, these shares were fully written down (previous year: book value EUR 9,336 thousand). These impairments are also based on an internal DCF calculation, which took declining margins in the operation of the CHP plants into consideration.

Moreover, the company has granted loans to the two biomass CHP plant companies. These loans were already impaired and respectively fully written down in 2011, while the remaining amount was fully written down in 2012. Therefore loans are disclosed with a value of EUR 0 (previous year: EUR 4,300 thousand) as **loans to undertakings in which the company has a participating interest.** The impairment recognised in profit and loss amounts EUR 3,300 thousand.

List of shareholdings

Name and registered office	Investment held 31.12.2012	Result 2012 EUR '000	Share capital/ limited liability capital 31.12.2012 EUR '000	Equity 31.12.2012 EUR '000
Statkraft Markets Financial Services GmbH, Düsseldorf, Germany	100%	0*	25	1,093
Statkraft Markets B.V., Amsterdam, The Netherlands	100%	2,901	6,061	6,058
Statkraft Holding Herdecke GmbH, Düsseldorf, Germany	100%	0*	25	7,170
Statkraft Holding Knapsack GmbH, Düsseldorf, Germany	100%	0*	25	221,979
Knapsack Power GmbH & Co. KG, Düsseldorf, Germany**	100%	–138,191	25	–19,542****
Knapsack Power Verwaltungs GmbH, Düsseldorf, Germany**	100%	2	25	50
Kraftwerksgesellschaft Herdecke mbH & Co. KG, Hagen, Germany**	50%	3,869	10,000	22,307
Kraftwerksverwaltungsgesellschaft Herdecke mbH, Hagen, Germany**	50%	1	25	35
Statkraft South East Europe EOOD, Sofia, Bulgaria	100%	4	3	113
Statkraft Romania SRL, Bucharest, Romania***	100%	69	135	563
Statkraft Trading GmbH, Düsseldorf, Germany	100%	0*	25	25
Biomasseheizkraftwerk Emden GmbH, Emden, Germany	30%	–906	1,000	8,423
Biomasseheizkraftwerk Landesbergen GmbH, Landesbergen, Germany	50%	1,755	1,000	6,935

* result after transfer of profit/loss
** indirectly hold investment
*** 1% indirectly hold investment
**** deficiency not covered by equity

Receivables and other assets

All receivables have a residual term of less than 1 year.

Receivables from affiliated companies comprise as follows:

	2012 EUR '000	2011 EUR '000
Trade receivables	25,146	12,561
Receivables from cash pool against Statkraft AS, Oslo	3,646	5,034
Receivables against shareholder Statkraft Germany GmbH	341,768	175,691
Receivables from transfer of profits	1,086	955
Receivables from loans given to subsidiary	670	91
Total receivables against subsidiaries	**372,316**	**194,332**

Receivables due from the shareholder Statkraft Germany GmbH in the amount of EUR 341,768 thousand (previous year: EUR 175,691 thousand) relate to a claim regarding the profit and loss transfer agreement as well as to input tax reimbursement claims.

Prepaid expenses

Prepaid expenses of EUR 2,092 thousand (previous year: EUR 5,728 thousand) notably include expenses for option premiums, IT services, grid costs and purchases relating to certificates.

Deferred tax reimbursements

An item for deferred tax reimbursements was not created during the current fiscal year because a possible disclosure must now be made at the level of Statkraft Germany GmbH in its capacity as controlling company (since 1 January 2009).

Equity

As a consequence of the controlling and profit and loss transfer agreement with Statkraft Germany GmbH, the company's equity remained unchanged compared to 2011 and amounts to EUR 410,8145 thousand.

Provisions for pensions and similar obligations

Reinsurance policies have been contracted to secure **pension obligations** as well as **old age obligations.** According to Section 246 (2) second sentence HGB, **fair value of reinsurance policies** and pension obligations, and respectively old age obligations, are offset for balance sheet presentation. To fulfil pension and old age obligations capital is disposed in a special fund, which is not accessible to creditors. From 2010 onwards, reinsurance policies regarding pensions are measured at fair value and offset against pension obligation.

In the prior year, early retirement, anniversary and death benefits were recorded as obligations under “pension provisions” to a value of EUR 4,121. As at 31 December 2012, the obligation is disclosed net under “other provisions” to a value of EUR 2,383 thousand.

In 2012, reinsurance policies regarding old age obligations are measured at fair value and offset against the obligation since legal requirements for offsetting are fulfilled for the first time, whereas in former years no offsetting took place due to the lack of legal requirement fulfilment. This results in an excess obligation for pensions as well as for old age in the reporting period, which are recognised as provisions.

The acquisition costs as well as the fair value of the plan assets are shown in the following table:

	Costs in EUR ’000	Fair value in EUR ’000
Plan assets regarding pensions	16,268	16,280
Plan assets regarding old age	1,248	1,339

For the financial reporting period, an obligation excess of EUR 71 thousand was assessed, which has been recorded under “provisions”. Before the offsetting of plan assets, pension obligations for the current year amounted to EUR 16,351 thousand (previous year: EUR 14,084 thousand) instead of EUR 16,280 thousand (previous year: EUR 12,842 thousand).

The difference between costs and the fair value of plan assets regarding pensions and old age assets are, according to Section 268 (8) HGB, blocked for distribution in an amount of EUR 103 thousand.

Net interest results include EUR 229 thousand resulting from gains in pension plan assets and EUR 725 thousand expenses due to discounting of pension obligations.

Other provisions

Other provisions amount to EUR 16,340 thousand (previous year: EUR 31,454 thousand). They mainly comprise the following (old age, anniversary and death payment benefits included for the first time):

	2012 EUR '000	2011 EUR '000
Accruals	5,352	3,757
Rebuilding costs provision	5,178	5,178
Provision for old age, anniversary and death payment benefits	2,383	0
Provision for valuation units	1,373	11,274
Employee bonuses	700	773
Employees liability insurance association cost	445	388
Holiday leave not taken yet/settlement obligations	176	227
Cost for energy balancing	0	4,637
Restoration provisions	0	4,570
Total	**15,607**	**30,804**

For the financial reporting period, an obligation excess of EUR 1,619 thousand was assessed for early retirement obligations. Prior to offsetting the plan assets of EUR of 1,339 thousand, obligations for old age, anniversary and death payment benefits amounted to EUR 2,958 thousand in 2012. Obligations for old age, anniversary and death payment benefits were included under “provisions for pensions” in the prior year.

Net interest results include EUR 39 thousand resulting from gains in old age plan assets and EUR 130 thousand expenses due to discounting of old age obligations.

Liabilities

The liabilities have, as in prior years, a residual term of up to 1 year, or respectively liabilities against subsidiaries of EUR 255,000 thousand (previous year: EUR 255,000 thousand), have a residual term of over 5 years. Trade liabilities are partially collateralised by guarantees of the parent company in the amount of EUR 88,066 thousand.

Payables to affiliated companies comprise as follows:

	2012 EUR '000	2011 EUR '000
Trade payables	88,455	63,560
Liabilities from loans from Group companies	359,000	255,000
Liabilities from transfer of losses	221,578	165
Liabilities from cash pool against Statkraft AS, Oslo	28,472	35,280
Liabilities to shareholder Statkraft Germany GmbH	952	906
Total payables against subsidiaries	**698,457**	**354,911**

Other liabilities of EUR 27,170 thousand (previous year: EUR 6,976 thousand) mainly include collateral of EUR 26,749 thousand (previous year: EUR 5,757 thousand) and tax liabilities of EUR 248 thousand (previous year: EUR 210 thousand).

Other financial obligations

Obligations pursuant to tenancy leases and leasing agreements add up to a total of EUR 8,646 thousand (previous year: EUR 9,853 thousand) as per 31 December 2012, of which EUR 1,168 thousand (previous year: EUR 930 thousand) are due within 1 year and EUR 3,953 thousand (previous year: EUR 5,099 thousand) are due after 5 years.

Statkraft Markets GmbH issued a guarantee of EUR 2,000 thousand to the Bulgarian State Energy and Water Regulatory Commission, relating to liabilities of Statkraft South East Europe EOOD, Sofia, Bulgaria, pursuant to electricity supply contracts within Bulgaria. The liabilities of Statkraft South East Europe EOOD, Sofia, Bulgaria, from electricity supply contracts within Bulgaria amount to EUR 5 thousand as of 31 December 2012.

The company believes that the originally obligated subsidiary will be able to fulfil all of its obligations in view of its present assets and financial position. Accordingly, it is considered unlikely that the company will be sued for the outstanding guarantee stated.

EXPLANATORY COMMENTS ON THE INCOME STATEMENT

Sales

Sales revenues in the past fiscal year amounted to EUR 20,835,977 thousand (previous year: EUR 15,058,670 thousand) and were distributed as follows:

	2012 EUR '000	2011 EUR '000
Electricity	15,698,311	11,687,223
Gas	4,040,149	2,680,752
Emissions and green certificates	1,096,788	687,287
Services to Statkraft Energi AS, Oslo, Norway	0	1,072
Services to other Statkraft entities	0	231
Other services to customers	729	2,105
Total revenues	**20,835,977**	**15,058,670**

Sales revenue also includes EUR 64 thousand (previous year: EUR 115 thousand) in energy tax.

Classified by regional markets sales can be distributed as follows:

	2012 EUR '000	2011 EUR '000
Germany	15,496,856	11,114,944
Great Britain	4,073,434	2,947,208
France	416,013	382,721
Netherlands	291,384	293,821
Belgium	116,270	54,922
Norway	71,420	11,928
Italy	69,641	56,460
Austria	59,415	0
Czech Republic	46,284	17,012
Slovenia	40,481	24,856
Switzerland	38,173	53,346
Hungary	31,472	38,876
Luxembourg	17,842	0
Estonia	16,684	9,156
Romania	14,527	9,767
USA	10,569	0
Greece	9,138	9,024
Denmark	6,672	10,740
Other	9,702	23,889
Total revenues	**20,835,977**	**15,058,670**

Other operating income

Other operating income amounted to EUR 62,173 thousand (previous year: EUR 61,583 thousand) and consists of the following:

	2012 EUR '000	2011 EUR '000
Recharging of internal costs for projects and services		
To Group companies	8,837	12,056
To investments	4,289	4,215
Currency exchange gains*	40,007	43,820
Gains from release of provisions	4,399	327
Other	4,641	1,165
Total other operating income	**62,173**	**61,583**

* thereof EUR 1,209 thousand (previous year: EUR 747 thousand) unrealised currency exchange gains

Depreciation and amortisation of fixed intangible assets and tangible assets

Additions to accumulated depreciation on fixed tangible assets include unscheduled depreciation of the gas-fired power plants at the sites in Knapsack, Emden and Landesbergen in the amount of EUR 63,243 thousand, in addition to scheduled depreciation.

Other operating expenses

Other operating expenses comprise the following:

	2012 EUR '000	2011 EUR '000
Legal and consultancy fees	6,460	1,493
Rent, repair and similar costs	7,319	4,466
Services for power plants	737	2,359
Expenses from Group companies	52,919	41,293
Currency exchange losses*	39,793	39,761
IT related expenses	2,485	1,771
Marketing and information costs	1,929	1,405
Travel expenses	454	469
Expenses for telephone and data transmission	1,257	1,105
Membership fees	184	544
Guarantee costs	389	325
Expenses for external employees	1,100	1,154
Other	3,811	1,118
Total other operating expenses	**118,837**	**97,263**

* thereof EUR 1,582 thousand (previous year: EUR 822 thousand) unrealised currency exchange losses

The Group service expenses of EUR 52,919 thousand (previous year: EUR 41,293 thousand) include an item of EUR 16,092 thousand (previous year: EUR 13,741 thousand) for expenses from the service agreement with Statkraft Trading GmbH. Another EUR 8,879 thousand (previous year: EUR 5,920 thousand) relates to expenses from the service agreement with Statkraft Germany GmbH.

Income from other loans

In the current year, interest income regarding other loans is shown under this position, whereas in the previous year income was shown under other interest and similar income.

Interest and similar expenses

Interest expense for the 2012 fiscal year in the amount of EUR 13,948 thousand (previous year: EUR 5,840 thousand) includes pension interest costs from the addition of accrued interest totalling EUR 725 thousand (previous year: EUR 514 thousand) and interest costs from the addition of accrued interest from other provisions totalling EUR 174 thousand (previous year: EUR 220 thousand).

Taxes on income

Taxes on income amount to EUR 600 thousand (previous year: gain EUR 2,771 thousand), breaking down into EUR 400 thousand (previous year: gain EUR 1,282 thousand) for corporate income tax and EUR 200 thousand (previous year: gain EUR 1,489 thousand) for municipal trade tax both relating to the years 2005–2008.

OTHER INFORMATION

Auditor fees

The total fee charged by the auditors Deloitte & Touche GmbH for fiscal year 2012 comes to EUR 201 thousand (previous year: EUR 110 thousand): EUR 195 thousand (previous year: EUR 105 thousand) for the audit of the financial statements and EUR 6 thousand (previous year: EUR 5 thousand) for other attestation services.

Management

The managing directors holding sole powers of representation are Dr Torsten Amelung (Chairman), Düsseldorf, and Dr Gundolf Dany (Operations & Maintenance), Pulheim.

The managing directors with joint powers of representations are Dr Jürgen Tzschoppe (Continental Energy), Düsseldorf, Stefan-Jörg Göbel (Trading & Origination), Düsseldorf, Inger S. Andersen (Finance), Oslo, Norway, and Ivar Arne Børset (IT), Oslo, Norway.

The managing directors perform the duties and responsibilities of the divisions shown above as their full-time occupations within the Statkraft Group.

Total remuneration paid to the management

The company has decided to exercise the option of the protective clause of Section 286 (4) HGB with respect to the remuneration paid to management. Only one managing director received remunerations from the company in the 2012 business year, namely Dr Gundolf Dany.

Employees

The company had 192 employees as an annual average during the reporting period (previous year: 208).

Group affiliation

The company's annual financial statements will be included in the consolidated financial statements of Statkraft AS, Oslo, Norway, as of 31 December 2012 (smallest group). The largest group of consolidated entities in which the company is included is the consolidated financial statements of Statkraft SF, Oslo, Norway.
The management intends to file Statkraft AS' consolidated financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS), in German with the online version of the Bundesanzeiger (German Federal Gazette) according to the relevant provisions for consolidated financial statements and consolidated management reports pursuant to Section 291 HGB. In this case, Statkraft Markets GmbH will not be obligated to prepare its own consolidated financial statements and a consolidated management report according to Section 290 HGB.

Deviations from German legal requirements with respect to the annual financial statements of Statkraft Markets GmbH can arise in the field of fixed assets due to different definitions of useful life, on account of different valuations of goodwill, pension provisions and pending transactions and the creation of provisions for deferred taxes thereon from the application of varying accounting and valuation methods.

Proposal for appropriation of profit

The accumulated deficit for the year will be absorbed by the sole shareholder, Statkraft Germany GmbH, pursuant to the controlling and profit and loss transfer agreement. Net income/accumulated deficit for the year is therefore disclosed as EUR 0 thousand.

Düsseldorf, 17 May 2013

Dr Torsten Amelung
Managing Director

Ivar Arne Børset
Managing Director

Stefan-Jörg Göbel
Managing Director

Inger S. Andersen
Managing Director

Dr Gundolf Dany
Managing Director

Dr Jürgen Tzschoppe
Managing Director

FIXED ASSETS MOVEMENT IN FISCAL YEAR 2012

	Gross book value				
	As per 1.1.2012 EUR	Additions EUR	Transfers EUR	Disposals EUR	As per 31.12.2012 EUR
I. Intangible assets					
Software	2,067,335.08	299,703.84	15,000.00	0.00	2,382,038.92
Goodwill	11,779,877.84	0.00	0.00	0.00	11,779,877.84
	13,847,212.92	**299,703.84**	**15,000.00**	**0.00**	**14,161,916.76**
II. Tangible assets					
Land, leasehold rights and buildings	37,784,575.09	1,463.15	0.00	572,556.47	37,213,481.77
Technical equipment, plant and machinery	269,279,841.85	2,722,508.94	2,707,903.36	163,681.91	274,546,572.24
Other equipment, fixtures, fittings and equipment	8,787,747.68	2,594,702.85	40,139.99	68,146.94	11,354,443.58
Plant and machinery in process of construction	208,413,145.63	131,042,242.61	–2,763,043.35	0.00	336,692,344.89
	524,265,310.25	**136,360,917.55**	**–15,000.00**	**804,385.32**	**659,806,842.48**
III. Financial assets					
Shares in affiliated companies	156,607,177.89	80,035,000.00	0.00	239,957.43	236,402,220.46
Investments	18,594,737.05	0.00	0.00	0.00	18,594,737.05
Loans due from other Group companies	13,800,000.00	0.00	0.00	3,000,000.00	10,800,000.00
Other loans	2,491,958.57	0.00	0.00	2,491,958.57	0.00
	191,493,873.51	**80,035,000.00**	**0.00**	**5,731,916.00**	**265,796,957.51**
	729,606,396.68	**216,695,621.39**	**0.00**	**6,536,301.32**	**939,765,716.75**

Accumulated depreciation				Net book value		
As per 1.1.2012 EUR	Additions EUR	Disposals EUR	As per 31.12.2012 EUR	As per 31.12.2012 EUR	As per 31.12.2011 EUR	
						I. Intangible assets
913,853.08	155,952.73	0.00	1,069,805.81	1,312,233.11	1,153,482.00	Software
11,779,877.84	0.00	0.00	11,779,877.84	0.00	0.00	Goodwill
12,693,730.92	**155,952.73**	**0.00**	**12,849,683.65**	**1,312,233.11**	**1,153,482.00**	
						II. Tangible assets
24,411,956.62	2,369,003.82	519,578.39	26,261,382.05	10,952,099.72	13,372,618.47	Land, leasehold rights and buildings
132,636,020.08	24,703,124.80	30,058.54	157,309,086.34	117,237,485.90	136,643,821.77	Technical equipment, plant and machinery
6,178,539.27	1,070,173.02	61,420.79	7,187,291.50	4,167,152.08	2,609,208.41	Other equipment, fixtures, fittings and equipment
116,170,224.16	54,667,816.89	0.00	170,838,041.05	165,854,303.84	92,242,921.47	Plant and machinery in process of construction
279,396,740.13	**82,810,118.53**	**611,057.72**	**361,595,800.94**	**298,211,041.54**	**244,868,570.12**	
						III. Financial assets
10,000.00	0.00	0.00	10,000.00	236,392,220.46	156,597,177.89	Shares in affiliated companies
9,259,000.00	9,335,737.05	0.00	18,594,737.05	0.00	9,335,737.05	Investments
7,500,000.00	3,300,000.00	0.00	10,800,000.00	0.00	6,300,000.00	Loans due from other Group companies
0.00	0.00	0.00	0.00	0.00	2,491,958.57	Other loans
16,769,000.00	**12,635,737.05**	**0.00**	**29,404,737.05**	**236,392,220.46**	**174,724,873.51**	
308,859,471.05	95,601,808.31	611,057.72	403,850,221.64	535,915,495.11	420,746,925.63	

INDEPENDENT AUDITOR'S REPORT

We have audited the annual financial statements – comprising balance sheet, income statement and notes – and including the accounting, and the management report of Statkraft Markets GmbH, Düsseldorf, for the fiscal year from 1 January to 31 December 2012. The accounting and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the management of the company. It is our responsibility to form an opinion, based on our audit, on those annual financial statements, including the accounting, and the management report.

We conducted our audit of the financial statements in accordance with Section 317 HGB, taking into consideration the German standards of auditing issued by the Institut der Wirtschaftsprüfer. These standards require that we plan and perform the audit to obtain reasonable assurance that any errors and irregularities which would materially affect the representation of the assets, liabilities, financial position and profit and loss shown in the annual financial statements with due regard to generally accepted accounting standards, and in the management report, would be recognised. In determining the audit actions, we gave consideration to our knowledge of the business activities and the economic and legal environment of the company as well as to our expectations of possible errors. The scope of the audit also includes, primarily on a test basis, an assessment of the effectiveness of the internal controlling system related to the accounting as well as of the evidence for the amounts and disclosures in the accounting, financial statements and management report. The audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall presentation of the financial statements and the management report. We believe that our audit provides an adequately assured basis for our opinion.

Our audit did not reveal any reasons for objection.

In our opinion, based on our findings during the audit, the annual financial statements of Statkraft Markets GmbH, Düsseldorf, are in conformity with legal statutes and, with due regard to the generally accepted accounting principles, give a true and fair view of the company's assets, liabilities, financial position and profit and loss. The management report is consistent with the annual financial statements, gives overall a true and fair view of the company's position and accurately describes the opportunities and risks of future developments.

Düsseldorf, 24 May 2013

Deloitte & Touche GmbH
Chartered Accountants

(Hölscher)	**(Blauth)**
German Public Auditor	German Public Auditor

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