



**Statkraft**

**Q1/08** STATKRAFT SF

**INTERIM  
REPORT**

**Q1**

## Key figures

	Unit	Q1		The year
		2008	2007	2007
Gross operating revenues	NOK mill.	<b>7,252</b>	5,033	17,950
Net operating revenues	NOK mill.	<b>7,061</b>	4,133	13,583
- of which unrealised changes in value	NOK mill.	<b>1,399</b>	-17	-739
EBITDA	NOK mill.	<b>5,743</b>	3,030	9,056
Operating profit	NOK mill.	<b>5,285</b>	2,645	7,400
Share of profit from associates and joint ventures	NOK mill.	<b>1,168</b>	1,038	2,652
- of which unrealised changes in value	NOK mill.	<b>111</b>	254	279
Net financial items	NOK mill.	<b>-721</b>	-133	-1,243
- of which unrealised changes in value	NOK mill.	<b>-265</b>	123	279
Profit before tax	NOK mill.	<b>5,732</b>	3,550	8,809
Profit after tax	NOK mill.	<b>3,856</b>	2,654	6,772
EBITDA% <sup>1)</sup>	%	<b>59.9</b>	60.5	54.6
Net changes in cash flow from operating activities	NOK mill.	<b>3,405</b>	2,925	6,171
Cash and cash equivalents	NOK mill.	<b>5,806</b>	11,604	3,344
Assets	NOK mill.	<b>113,539</b>	116,574	110,291
Interest-bearing debt ratio	%	<b>47</b>	49	49.0
Average system price, Nord Pool	NOK/MWh	<b>303</b>	218	224
Production, volume sold	TWh	<b>15.2</b>	11.8	44.9
- of which hydropower	TWh	<b>13.6</b>	11.6	42.7
- of which wind power	TWh	<b>0.2</b>	0.2	0.7
- of which gas power	TWh	<b>1.4</b>	0	1.5
Full-time jobs (equivalents)	No.	<b>2,296</b>	2,109	2,287

<sup>1)</sup> Adjusted for unrealised changes in value and significant non-recurring items.

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## Highlights in the quarter<sup>1</sup>

Electricity prices and levels of production were significantly higher in the first quarter of 2008 compared with the same period in 2007. The Group posted pre- and post-tax profits of NOK 5,732 million (NOK 3,550 million) and NOK 3,856 million (NOK 2,654 million) respectively. Following adjustment for unrealised changes in value and material non-recurring items, pre-tax profits totalled NOK 4,555 million (NOK 3,499 million) with profits after tax totalling NOK 2,997 million (NOK 2,633 million).

Work continued during the first quarter of the year in connection with the letter of intent entered into with E.ON AG, which involves Statkraft exchanging its holding in E.ON Sverige for flexible production assets and shares in E.ON AG. It is anticipated that a final agreement will be signed during the first half of 2008.

Commercial operation of the gas-fired power plant in Knapsack, Germany commenced on 16 January. In February, the German authorities announced the final allocation of carbon quotas for the German gas-fired power plants during Phase 2 (2008-2012). Volumes for both plants were set at 84.4%.

In March, Statkraft resolved to proceed with the development of the Blaengwen Wind Farm in Wales. Statkraft and the American corporation Catamount each own 50 percent of the wind farm, which will have an installed capacity of 23 MW.

Statkraft has entered into an agreement with the government of Republika Srpska, part of Bosnia-Herzegovina, of which the initial phase covers planning work in relation to the development and construction of hydropower plants.

The Group has adopted a new strategy in relation to its commitment to wind power that, among other things, will lead to increased focus on the development and construction of offshore wind farms in the North Sea Basin. In March, Statkraft signed a cooperation agreement with NorWind in relation to offshore wind power. Under this agreement, NorWind is to complete a concept study for a large-scale, fixed-base offshore wind farm.

At the end of March, Statkraft and its joint venture partner Norsk Solkraft was granted a licence to develop a 3 MW photovoltaic solar energy plant in Italy.

The first quarter also saw the commencement of processes aimed at bringing about the merger of the Group's various activities within the areas of power sales, district heating and metering and billing. The goal is to establish national business models within these individual areas of operation.

Retail electricity providers Fjordkraft and Trondheim Energi have introduced UN-recognised climate quotas within the private sector market and for customers who wish to ensure that their business activities are carbon neutral.

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<sup>1</sup> Comparable figures for 2007 are shown in parentheses.

## Statkraft SF's business

The purpose of Statkraft SF is to own all the shares in, and provide loans to, Statkraft AS. In addition, Statkraft SF owns certain assets that for technical reasons may not be owned by Statkraft AS. This applies to power plants that have reverted to state ownership and are leased to third parties and to plants that will be owned by Statkraft on reversion to state ownership, together with certain overseas commitments (Asian Power Invest AB and Nordic Hydropower AB).

The consolidated financial statements for Statkraft SF will, with the exception of the retained assets and individual items on the liabilities side, be identical with the consolidated financial statements for the Statkraft AS sub-group.

In the closing balance sheet for the first quarter of 2008, the value of the total assets of Statkraft SF was NOK 103 million greater than that of the total assets of the Statkraft AS Group. The book value of the leased power plants and the overseas commitments amounted to NOK 947 million.

The long-term interest-bearing liabilities of the Statkraft SF Group were NOK 2,750 million higher than those of the Statkraft AS Group, as a consequence of the borrowing by Statkraft SF of NOK 3 billion under an established line of credit in order to finance the dividend payment for the financial year 2004. At the end of the first quarter, interest-bearing liabilities amounted to NOK 39,739 million, compared to NOK 40,034 million at the end of 2007. The interest-bearing debt ratio was 46.6%, as against 49.0% at the end of 2007. Current assets, excluding cash and cash equivalents, totalled NOK 13,870 million and short-term interest-free liabilities amounted to NOK 18,397 million.

The differences between the respective income statements of Statkraft SF and Statkraft AS primarily concern revenues and expenses associated with the ongoing operation of the retained assets. These differences are relatively modest, as the following table shows.

Figures in NOK million	Statkraft SF Group	Statkraft AS Group	Difference
Sales revenues	6,988	6,988	0
Other operating revenues	264	176	88
<b>Gross operating revenues</b>	<b>7,252</b>	<b>7,164</b>	<b>88</b>
Energy purchases	-1,285	-1,285	0
Transmission costs	-305	-302	-3
Unrealised changes in value energy contracts	1,399	1,399	0
<b>Net operating revenues</b>	<b>7,061</b>	<b>6,976</b>	<b>85</b>
Salaries and payroll costs	-462	-462	0
Depreciation and write-downs	-458	-454	-4
Property tax and licence fees	-290	-278	-12
Other operating expenses	-566	-544	-22
<b>Operating expenses</b>	<b>-1,776</b>	<b>-1,738</b>	<b>-38</b>
<b>Operating profit</b>	<b>5,285</b>	<b>5,238</b>	<b>47</b>
<b>Share of profit from associates and joint ventures</b>	<b>1,168</b>	<b>1,164</b>	<b>4</b>
Financial income	119	124	-5
Financial expenses	-575	-531	-44
Unrealised changes in value currency and interest rates	-265	-264	-1
<b>Net financial items</b>	<b>-721</b>	<b>-671</b>	<b>-50</b>
<b>Profit before tax</b>	<b>5,732</b>	<b>5,731</b>	<b>1</b>
Taxes	-1,876	-1,928	52
<b>Net profit</b>	<b>3,856</b>	<b>3,803</b>	<b>53</b>
Of which minority interests	107	107	0
Of which majority interests	3,749	3,696	53

A more detailed description of operational activities and the financial results for the period may be found in the quarterly report for the Statkraft AS Group, which is provided as an attachment.

Oslo, 7 May 2008  
The Board of Directors of Statkraft SF

# Statkraft SF Group Interim Financial Statements

## INCOME STATEMENT

Figures in NOK million	Q1		The year
	2008	2007	2007
Sales revenues	6,988	4,751	16,544
Other operating revenues	264	282	1,406
<b>Gross operating revenues</b>	<b>7,252</b>	5,033	17,950
Energy purchase	-1,285	-650	-2,680
Transmission costs	-305	-233	-948
Unrealised changes in value energy contracts	1,399	-17	-739
<b>Net operating revenues</b>	<b>7,061</b>	4,133	13,583
Salaries and payroll costs	-462	-403	-1,604
Depreciation and impairments	-458	-385	-1,656
Property tax and licence fees	-290	-248	-1,034
Other operating expenses	-566	-451	-1,890
<b>Operating expenses</b>	<b>-1,776</b>	-1,488	-6,183
<b>Operating profit</b>	<b>5,285</b>	2,645	7,400
<b>Share of profit from associates and joint ventures</b>	<b>1,168</b>	1,038	2,652
Financial income	119	132	411
Financial expenses	-575	-388	-1,884
Unrealised changes in value currency and interest contracts	-265	123	230
<b>Net financial items</b>	<b>-721</b>	-133	-1,243
<b>Profit before tax</b>	<b>5,732</b>	3,550	8,809
Taxes	-1,874	-896	-2,037
<b>Net profit</b>	<b>3,856</b>	2,654	6,772
Of which minority interest	107	79	166
Of which majority interest	3,749	2,575	6,606

## BALANCE SHEET

Figures in NOK million	31/03/08	31/03/07	31/12/07
<b>ASSETS</b>			
Intangible assets	1,457	2,547	1,657
Property, plant and equipment	56,918	56,024	56,957
Investments in associates and joint ventures	33,556	31,217	32,332
Other financial fixed assets	1,931	1,080	1,930
<b>Fixed assets</b>	<b>93,863</b>	90,868	92,876
Inventories	143	64	303
Receivables	4,878	5,468	5,096
Short-term financial investments	371	377	347
Derivatives	8,477	8,193	8,326
Cash and cash equivalents	5,806	11,604	3,344
<b>Current assets</b>	<b>19,676</b>	25,706	17,416
<b>Total assets</b>	<b>113,539</b>	116,573	110,292
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital	29,250	29,250	29,250
Retained earnings	13,442	12,302	9,583
Minority interests	2,903	3,014	2,817
<b>Equity</b>	<b>45,595</b>	44,566	41,650
Provisions	9,807	12,618	9,603
Long-term interest-bearing liabilities	33,519	36,922	33,111
<b>Long-term liabilities</b>	<b>43,326</b>	49,540	42,714
Short-term interest-bearing liabilities	6,220	5,500	6,923
Taxes payable	3,138	887	2,901
Other interest-free liabilities	4,408	5,314	3,650
Derivatives	10,851	10,766	12,454
<b>Current liabilities</b>	<b>24,618</b>	22,467	25,928
<b>Equity and liabilities</b>	<b>113,539</b>	116,573	110,292

## CHANGES IN EQUITY

Figures in NOK million	31/03/08	31/03/07	31/12/07
Paid-in capital 01.01	29,250	29,250	29,250
<b>Paid-in capital 31.03 / 31.12</b>	<b>29,250</b>	29,250	29,250
Retained earnings 01.01	9,583	10,170	10,170
Net profit for the period	3,749	2,576	6,606
Dividend and Group contribution	-	-	-5,857
Estimate deviation pensions	-	-	-118
Change in translation differences	88	-444	-856
Change in equity in associates and joint ventures	-	-	-357
Other	22	-	-5
<b>Retained earnings 31.03 / 31.12</b>	<b>13,442</b>	12,302	9,583
Minority interests 01.01	2,817	2,943	2,934
Net profit for the period	107	79	166
Capital reduction and dividends	-	-	-417
Estimate deviation pensions	-	-	-39
Change in translation differences	-21	-8	-21
Other	-	-	194
<b>Minority interests 31.03 / 31.12</b>	<b>2,903</b>	3,014	2,817
<b>Equity 31.03 / 31.12</b>	<b>45,595</b>	44,566	41,650

## CASH FLOW STATEMENT

Figures in NOK million	Q1		The year
	2008	2007	2007
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax	5,732	3,551	8,809
Gain/ loss on sales of fixed assets	-	7	-9
Ordinary depreciation and impairments	458	386	1,656
Share of profits from associates and joint ventures	-1,168	-1,038	-2,652
Unrealised changes in value contracts	-1,135	-106	512
Taxes	-1,147	-1,092	-3,917
<b>Cash flow from operating activities</b>	<b>2,740</b>	1,708	4,399
Changes in long-term items	312	-44	-355
Changes in current items	339	1,261	679
Dividend from associates	14	-	1,448
<b>Net cash flow from operating activities</b>	<b>3,405</b>	2,925	6,171
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in property, plant and equipment	-336	-402	-2,015
Proceeds from sales of fixed assets	1	-	25
Loans to third parties	-73	-81	-212
Investments in other companies	-10	-150	-1,800
<b>Net cash flow from investing activities</b>	<b>-418</b>	-633	-4,002
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New long-term debt	32	8,793	11,786
Repayment of long-term debt	-557	-1,360	-6,236
Capital increase	-	-	24
Dividend paid	-	-	-6,274
<b>Net cash flow from financing activities</b>	<b>-525</b>	7,433	-700
<b>Net change in cash and cash equivalents</b>	<b>2,462</b>	9,725	1,469
Currency effect on cash flows	1	-2	-5
Cash and cash equivalents 01.01	3,344	1,880	1,880
Cash and cash equivalents 31.03 / 31.12	5,807	11,603	3,344
Unused committed credit lines	5,450	5,450	5,450
Unused overdraft facilities	600	800	600

## Comments on the financial statements

### **Framework conditions and important accounting policies**

The Group's consolidated financial statements for the first quarter of 2008, ended 31 March 2008, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and include Statkraft SF and its subsidiaries and associated companies. The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not provide the same scope of information as the annual financial statements and must therefore be viewed in connection with the 2007 consolidated financial statements.

### **Unresolved issues relating to IFRSs – concessionary power sales contracts**

The correct accounting treatment of concessionary power sales contracts with financial settlement is unclear. Until this issue has been resolved, Statkraft has elected not to incorporate such concessionary power sales contracts into the financial statements pursuant to IAS 39. For the year 2007, concessionary power sales contracts with financial settlement accounted for an output in the order of 500 GWh. The average price was NOK 87 per MWh.

### **Taxes**

The tax expense has been calculated by applying the estimated effective tax rate that is expected to be applied to the profit for the year. The tax expense has previously been calculated on the basis of the taxable profits for the accounting period.

### **Accounting judgments, estimates and assumptions**

In applying the Group's accounting policies in connection with the preparation of the interim financial statements, the company's management has exercised its judgment and employed estimates and assumptions that affect the figures included in the income statement and the balance sheet.

The most important assumptions regarding future events and other significant sources of uncertainty in relation to the estimates, and which may involve a significant risk of material changes to figures recorded in the accounts in future financial periods, are discussed in the annual financial statements for 2007.

In preparing the consolidated interim financial statements for the first quarter, the Group's management has exercised its judgment in relation to the same areas where such judgment has had material significance in relation to the figures included in the Group's income statement and balance sheet, as is discussed in the annual financial statements for 2007.

# Statkraft SF Group segment overview

## SEGMENTS

Figures in NOK million	Statkraft SF Group	Generation & Hedging	Trading & Origination	Distribution grid	Retail sales	District heating	Development	Other	Group functions and eliminations
<b>Q1 2008</b>									
Gross operating revenues	7,252	5,657	169	534	1,242	124	7	93	-574
Operating profit	5,284	4,948	158	224	49	24	-64	4	-59
Share of profits from associated companies	1,168	77	86	31	-4	1	0	1,020	-42
Profit before financial items and tax	6,453	5,025	244	255	45	25	-64	1,024	-102
<b>Balance sheet 31.03.08</b>									
Investment in associated companies	33,556	5,801	0	1,366	-29	73	6	22,383	3,956
Other assets	79,982	72,897	4,306	6,836	1,213	1,681	230	490	-7,672
Total assets	113,539	78,698	4,306	8,202	1,184	1,754	236	22,873	-3,716
Current liabilities	24,618	18,309	3,701	1,004	395	102	199	76	831
Long-term non-interest-bearing liabilities	9,807	9,031	114	722	122	78	55	108	-424
Long-term interest-bearing liabilities	33,519	-	-	-	-	-	-	-	33,519
Total liabilities	67,944	27,340	3,815	1,726	518	180	254	184	33,927
Depreciations and impairments	458	315	2	96	14	15	0	1	16
Maintenance investments	99	70	-	20	-	3	-	6	-
Investments in new capacity	237	184	-	26	-	2	1	24	-
Investments in shareholdings	10	0	0	-	-	-	0	10	-
<b>Q1 2007</b>									
Gross operating revenues	5,033	3,510	266	465	1,068	101	10	81	-468
Operating profit	2,646	2,521	15	187	77	29	-38	39	-184
Share of profits from associated companies	1,038	1,086	-3	48	-7	1	0	-50	-38
Profit before financial items and tax	3,684	3,607	12	235	70	30	-38	-49	-184
<b>Balance sheet 31.03.07</b>									
Investment in associated companies	31,217	8,744	0	1,489	330	70	3	18,151	2,430
Other assets	85,355	80,814	5,033	7,141	1,399	1,506	613	1,518	-12,669
Total assets	116,573	89,558	5,033	8,630	1,729	1,576	616	19,669	-10,238
Current liabilities	22,467	22,382	4,635	949	874	509	450	571	-7,903
Long-term non-interest-bearing liabilities	12,618	10,464	79	761	375	58	24	93	764
Long-term interest-bearing liabilities	36,922	-	-	-	-	-	-	-	36,922
Total liabilities	72,007	32,846	4,714	1,710	1,249	567	474	664	29,783
Depreciations and impairments	385	256	2	95	7	9	-	2	15
Maintenance investments	162	84	-	59	-	8	-	11	0
Investments in new capacity	240	170	-	0	-	44	16	10	-
Investments in shareholdings	150	150	-	-	-	-	-	0	-
<b>The year 2007</b>									
Gross operating revenues	17,950	13,209	631	1,565	3,430	317	49	379	-1,630
Operating profit	7,401	7,274	237	399	107	73	-171	31	-551
Share of profits from associates and joint ventures	2,652	1,388	-48	155	-20	-3	0	1,235	-54
Profit before financial items and tax	10,052	8,662	189	554	87	70	-171	1,266	-605
<b>Balance sheet 31.12.07</b>									
Investment in associated companies	32,332	8,026	0	1,764	40	75	9	18,890	3,528
Other assets	77,960	58,463	5,547	6,279	1,751	1,648	169	528	3,575
Total assets	110,292	66,489	5,547	8,043	1,791	1,723	177	19,418	7,103
Current liabilities	25,928	15,384	5,036	543	960	69	152	36	3,748
Long-term non-interest-bearing liabilities	9,603	7,701	114	732	132	78	50	159	637
Long-term interest-bearing liabilities	33,111	-	-	-	-	-	-	-	33,111
Total liabilities	68,642	23,086	5,149	1,274	1,092	147	202	196	37,495
Depreciations and impairments	1,656	1,083	7	390	58	49	3	7	58
Maintenance investments	574	450	-	57	1	22	-	44	-
Investments in new capacity	1,434	996	0	156	-	196	-	86	-
Investments in shareholdings	1,800	1,625	37	-	-	8	1	129	-

# Statkraft SF (Norwegian GAAP) interim financial statements

## INCOME STATEMENT

Figures in NOK million	2008	Q1 2007	The year 2007
<b>Other operating revenues</b>	<b>88</b>	83	335
Salaries	-4	-4	-16
Depreciation and write -downs	-12	-13	-51
Other operating expenses	-23	-24	-102
<b>Operating expenses</b>	<b>-39</b>	-41	-170
<b>Operating profit</b>	<b>49</b>	42	165
Financial income	188	224	9,080
Financial expenses	-237	-256	-979
<b>Net financial items</b>	<b>-49</b>	-32	8,101
<b>Profit before tax</b>	<b>-</b>	9	8,266
Taxes	-11	32	-1,268
<b>Net profit for the period</b>	<b>-11</b>	41	6,998

## BALANCE SHEET

Figures in NOK million	31/03/08	31/03/07	31/12/07
<b>ASSETS</b>			
Intangible assets	68	433	68
Property, plant and equipment	779	414	730
Investments in subsidiaries and associates	32,450	32,046	32,450
Other financial fixed assets	6,227	11,021	6,034
<b>Fixed assets</b>	<b>39,524</b>	43,913	39,282
Receivables	13,389	10,673	13,196
Cash and cash equivalents	73	105	175
<b>Current assets</b>	<b>13,462</b>	10,778	13,371
<b>Assets</b>	<b>52,986</b>	54,690	52,653
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital	29,250	29,250	29,250
Retained earnings	485	97	495
<b>Equity</b>	<b>29,735</b>	29,347	29,745
Provisions	13	144	135
Deferred taxes	122	-	-
Long-term interest-bearing liabilities	9,985	14,223	9,798
<b>Long-term liabilities</b>	<b>10,120</b>	14,368	9,933
Interest-bearing current liabilities	4,822	2,722	4,786
Taxes payable	1,305	1,817	1,318
Other non-interest-bearing liabilities	7,003	6,435	6,871
<b>Current liabilities</b>	<b>13,131</b>	10,974	12,975
<b>Equity and liabilities</b>	<b>52,986</b>	54,690	52,653

## CASH FLOW STATEMENT

Figures in NOK million	2008	Q1 2007	The year 2007
Net cash flow from operating activities	-49	3	5,940
Net cash flow from investing activities	-53	1,218	3,940
Net cash flow from financing activities	-	-1,218	-9,807
<b>Net change in cash and cash equivalents</b>	<b>-102</b>	3	73
Cash and cash equivalents 01.01	175	102	102
Cash and cash equivalents 31.03 / 31.12	73	105	175

## Equity

Figures in NOK million	31/03/08	31/03/07	31/12/07
Paid-in capital 01.01	29,250	29,250	29,250
<b>Paid-in capital 31.03 / 31.12</b>	<b>29,250</b>	29,250	29,250
Retained earnings 01.01	496	56	57
Net profit for the period	-11	41	6,998
Dividend	-	-	-6,560
<b>Retained earnings 31.03 / 31.12</b>	<b>485</b>	97	495
<b>Equity 31.03 / 31.12</b>	<b>29,735</b>	29,347	29,745

## **Annex: Statkraft AS Group**

### **Highlights in the quarter**

Electricity prices and levels of production were significantly higher in the first quarter of 2008 compared with the same period in 2007. The Group posted pre- and post-tax profits of NOK 5,731 million (NOK 3,534 million) and NOK 3,803 million (NOK 2,605 million) respectively. Following adjustment for unrealised changes in value and material non-recurring items, pre-tax profits totalled NOK 4,553 million (NOK 3,483 million) with profits after tax totalling NOK 2,943 million (NOK 2,584 million).

Work continued during this quarter in connection with the letter of intent entered into with E.ON AG, which involves Statkraft exchanging its holding in E.ON Sverige for flexible production assets and shares in E.ON AG. It is anticipated that a final agreement will be signed during the first half of 2008.

Commercial operation of the gas-fired power plant in Knapsack, Germany commenced on 16 January. In February, the German authorities announced the final allocation of carbon quotas for the German gas-fired power plants during Phase 2 (2008-2012). Volumes for both plants were set at 84.4%.

In March, Statkraft resolved to proceed with the development of the Blaengwen Wind Farm in Wales. Statkraft and the American corporation Catamount each own 50 percent of the wind farm, which will have an installed capacity of 23 MW.

Statkraft has entered into an agreement with the government of Republika Srpska, part of Bosnia-Herzegovina, that initially covers planning work in relation to the development and construction of hydropower projects.

The Group has adopted a new strategy in relation to its commitment to wind power that, among other things, will lead to increased focus on the development and construction of offshore wind farms in the North Sea Basin. In March, Statkraft signed a cooperation agreement with NorWind in relation to offshore wind power. Under this agreement, NorWind is to complete a concept study concerning a large-scale, fixed-bottom offshore wind farm.

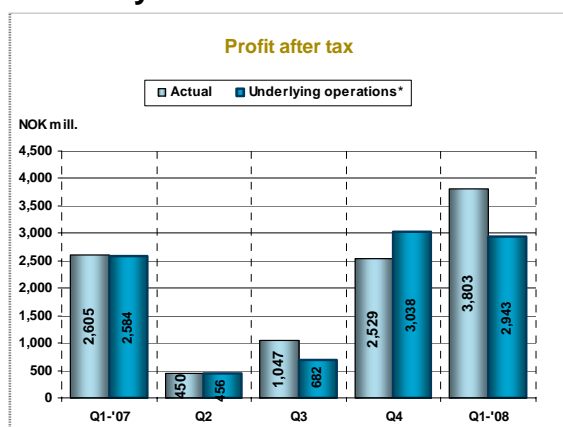
At the end of March, Statkraft and its joint venture partner Norsk Solkraft won a licence to develop a 3 MW photovoltaic solar energy plant in Italy.

The first quarter also saw the commencement of processes aimed at bringing about the merger of the Group's various activities within the areas of power sales, district heating and metering and billing. The goal is to establish national business models within the individual areas of operation.

Retail electricity providers Fjordkraft and Trondheim Energi have introduced UN-recognized climate quotas within the private sector market and for customers who wish to ensure that their business activities are carbon neutral.

# Financial performance

## Quarterly results



\* Adjusted for unrealised changes in value and material non-recurring items.

In the first quarter of 2008, the Group posted pre- and post-tax profits of NOK 5,731 million (NOK 3,534 million) and NOK 3,803 million (NOK 2,605 million) respectively. This improvement against the first quarter of 2007 was primarily due to increased sales revenues and unrealised changes in value. Adjusted for unrealised changes in value and material non-recurring items affecting the Group and its associates, pre-tax profits totalled NOK 4,553 million (NOK 3,483 million), with profits after tax totalling NOK 2,943 million (NOK 2,584 million). The results for the period were influenced by a significantly higher system price (+39%) and increased levels of production (+29%) than during the corresponding period in 2007.

## Return on investment

The Group achieved a return on average capital employed (ROACE) before tax of 20.6% during the previous 12 months. The corresponding figure for the calendar year 2007 was 17.7%. These figures are adjusted for unrealised changes in value and material non-recurring items in order to accurately reflect the performance of the Group's ordinary operations.

The return on equity for the previous 12 months was 16.5% after tax. The total return on capital was 9.0% after tax, as against 8.3% for the calendar year 2007.

## Operating revenues

The Group generated gross operating revenues of NOK 7,164 million during the first

quarter of the year (NOK 4,951 million). This represents an increase of 45%.

The average Nord Pool system price was 303 NOK/MWh (218 NOK/MWh) during the first quarter of 2008 and Group output was 15.2 TWh (11.8 TWh). Gas-fired power generation in Germany contributed 1.4 TWh to the overall increase in output of 3.4 TWh, while the remainder of the increase came from hydropower in the Nordic region. Higher prices and increased levels of production brought about a rise in net physical spot sales of NOK 1,885 million, or 137%, compared with the first quarter of 2007. Hedging activities followed up on the historically strong results from 2007 and contributed NOK 925 during the first quarter.

### Operating revenues

STATKRAFT AS GROUP	Q1	The year	
Figures in NOK million	2008	2007	2007
Net physical spot sales, incl. green certificates	3,259	1,374	5,469
Concessionary sales at statutory prices	63	60	213
Sales of electricity to industry at statutory prices	402	451	1,713
Long-term commercial contracts	464	353	1,582
Dynamic hedging	925	865	1,593
Trading and origination	45	179	623
Distribution grid	568	469	1,535
End-users	1,230	1,058	3,390
District heating	122	101	315
Other/eliminations	-90	-158	111
<b>Sales revenues</b>	<b>6,988</b>	<b>4,751</b>	<b>16,544</b>
Other operating revenues	176	200	1,075
<b>Gross operating revenues</b>	<b>7,164</b>	<b>4,951</b>	<b>17,619</b>

Energy purchases totalled NOK 1,285 million during the first quarter (NOK 650 million). The increase was primarily attributable to gas purchases for the gas-fired power plant in Knapsack.

Transmission costs associated with the transport of power totalled NOK 302 million (NOK 230 million). The increase was due to a rise in the variable portions of the transmission tariff as a consequence of higher transmission volumes and prices.

Unrealised changes in the value of energy contracts amounted to NOK 1,399 million (NOK -17 million).

## Operating expenses

During the first quarter of 2008, Group operating expenses totalled NOK 1,738 million (NOK 1,449 million), an increase of 20%.

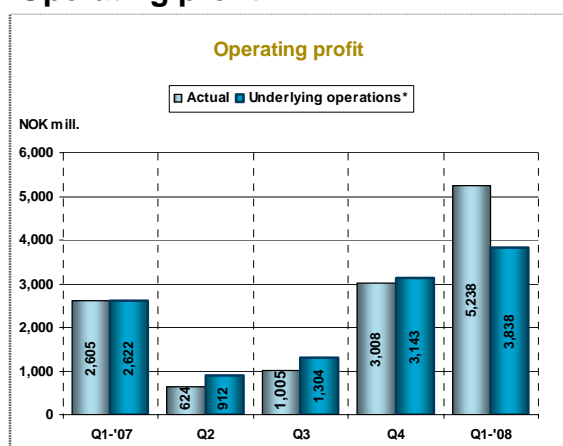
Salaries and payroll costs rose by NOK 59 million to NOK 462 million. The increase was primarily the result of a rise in levels of activity

and ordinary salary increases, together with increased provision for pension liabilities.

The increase in depreciation and amortisation of NOK 73 million primarily relates to the gas-fired power plant in Knapsack and additional depreciation on the stator at the Svartisen hydropower plant in Norway. Depreciation and amortisation totalled NOK 454 million during the first quarter of the year.

Other operating expenses amounted to NOK 544 million. The increase of NOK 114 million can primarily be ascribed to new business and costs relating to project development, together with a general rise in the level of activity.

## Operating profit



\* Adjusted for unrealised changes in value and material non-recurring items.

Operating profit in the first quarter of the year totalled NOK 5,238 million (NOK 2,605 million). Adjusted for unrealised changes in value and material non-recurring items this represents an improvement of 46%. The largest part (94%) of the operating profit was attributable to the Generation & Hedging segment.

## Share of profit from associates

The share of profit from the Group's associates totalled NOK 1,164 million in the first quarter of the year (NOK 1,029 million). Adjusted for unrealised changes in value and material non-recurring items, the share of income totalled NOK 1,121 million (NOK 1,082 million), an improvement attributable to E.ON Sverige.

Total unrealised changes in value from associates amounted to NOK 111 million (NOK 254 million), while significant non-recurring items amounted to NOK -68 million (NOK -309 million).

## Financial items

Net financial items totalled NOK -671 million during the first quarter of the year (NOK -100 million).

A significant portion of the increase can be ascribed to a negative development totalling NOK 387 million in unrealised changes in value in the Group's interest rate and currency agreements. Of this negative development, unrealised currency losses on long-term items linked to liabilities in SEK and EUR amounted to NOK 303 million. This is a consequence of the depreciation of the Norwegian krone against the Swedish kronor and the euro, whereas the Norwegian krone strengthened against the same currencies in 2007. Currency hedging of future cash flows in EUR has also produced a negative unrealised yield as a result of exchange rate fluctuations, whereas there was a net unrealised gain in the first quarter of 2007. A change in the value of interest rate derivatives has however made a positive contribution of NOK 148 million. So far this year derivative values have fallen significantly less than during the first quarter of last year.

Year-on-year interest costs on liabilities have increased by a total of NOK 167 million, compared with the first quarter of 2007. The rise is attributable both to higher portfolio interest charges, as a result of higher market interest rates, and increased average liabilities. Higher market interest rates have also resulted in an increase in interest income during the first quarter of this year, compared with the same period in 2007. Interest income so far this year totalled NOK 83 million, an increase of NOK 37 million compared to 2007.

The repayment of state-guaranteed loans resulted in a reduction in the guarantee premium payable to the Norwegian state. As at 31 March 2008, the overall portfolio of state-guaranteed loans totalled NOK 11.4 billion, as against NOK 14.1 billion at the same time last year.

The Group has three loan portfolios in NOK, SEK and EUR respectively. The portfolios have both floating and fixed interest rates with a 79.4% exposure to floating interest rates. The average interest rates incurred during the first quarter of this year on loans denominated in NOK, SEK and EUR were 6.0%, 4.7% and 5.2% respectively.

## Taxes

Taxes during the first quarter of the year totalled NOK 1,928 million (NOK 929 million), giving an effective rate of 33.6% (26.3%). The effective tax rate for 2007 was 24.3%.

The increase in the effective tax rate is primarily attributable to two factors – an increase in resource rent tax and a pro rata reduction in income that is not taxed in the Group. The latter factor relates to share of profit from associates. Resource rent tax for the first quarter amounted to NOK 444 million (NOK 149 million), corresponding to 23% of the Group's total tax expense (16.0%). Income not taxed in the Group comprised 20.3% of the Group's pre-tax profit (29.1%).

The increase in resource rent tax can be ascribed to a higher tax rate, increased production and a higher average system price.

## Cash flow and capital structure

Operating activities generated a cash flow of NOK 2,770 million in the first quarter of the year (NOK 1,710 million). Changes in short-term and long-term committed capital increased by NOK 687 million (NOK 1,216 million). Net cash flow from operating activities was accordingly NOK 3,457 million (NOK 2,926 million).

Investments amounted to NOK 365 million and related primarily to maintenance operations and increases in capacity.

New borrowing totalled NOK 32 million, while borrowing repayments amounted to NOK 557 million.

### Cash flow

STATKRAFT AS GROUP	Q1		The year
Figures in NOK million	2008	2007	2007
Net cash flow from operating activities	3,457	2,926	7,720
Net cash flow from investing activities	-365	-633	-4,002
Net cash flow from financing activities	-525	7,433	-2,321
Net change in cash and cash equivalents	2,567	9,726	1,397
Currency effect on cash flows	1	-2	-5
Cash and cash equivalents 01.01	3,150	1,758	1,758
Cash and cash equivalents 31.03 / 31.12	5,717	11,482	3,150

There was a positive change in net liquidity during the first quarter of 2008 of NOK 2,567 million, and the Group's cash and cash equivalents totalled NOK 5,717 million at the end of the period, as against NOK 3,150 million at the start of the year.

Interest-bearing debt totalled NOK 36,989 million at the end of the first quarter of the year, as against NOK 37,284 million at the start of 2008. The interest-bearing debt ratio was 43.4%, compared with 45.6% at the end of 2007. There was no new borrowing during the period.

Current assets, excluding cash and cash equivalents, totalled NOK 13,864 million and short-term interest-free liabilities amounted to NOK 17,018 million.

At the end of the first quarter of the year, Statkraft had equity of NOK 48,331 million before dividends. This corresponds to 42.6% of total capital, which is an increase of 2.3% since the end of 2007.

## Business areas

KEY FIGURES AS PER Q1 2008					
BUSINESS AREAS	Statkraft AS	Generation	New	Regional	Other <sup>1)</sup>
Figures in NOK million	Group	& Markets	Energy		
<b>INCOME STATEMENT Q4 2007</b>					
Gross operating revenues	7,164	4,985	84	2,329	-234
Energy purchases and transmission costs	-1,587	-809	-5	-989	216
Unrealised changes in value energy contracts	1,399	1,343	0	40	16
Net operating revenues	6,976	5,519	79	1,380	-2
Operating profit	5,238	4,580	-29	768	-81
Share of profit from associates and joint ventures	1,164	-94	-4	232	1,030
<b>Profit before financial items and tax</b>	<b>6,402</b>	<b>4,486</b>	<b>-33</b>	<b>1,000</b>	<b>949</b>
<b>BALANCE SHEET AS OF 31 December 2007</b>					
Property, plant, equipment, intangible assets	57,529	33,053	1,657	23,444	-625
Investments in associates and joint ventures	33,387	1,224	2,180	10,937	19,046
Other assets	22,520	13,384	360	3,600	5,176
<b>Total assets</b>	<b>113,436</b>	<b>47,661</b>	<b>4,197</b>	<b>37,981</b>	<b>23,597</b>
Capital employed, basic	42,498	24,953	1,525	17,509	-1,489
Maintenance investments	99	50	0	49	0
Investments in new generating capacity	184	63	43	60	18
Investments in shareholdings	10	1	0	9	0

<sup>1)</sup> Includes the investment in E.ON Sverige

The structure of the business areas reflects the Group's strategic priorities, with activities divided into three core operating areas. There are also other business areas covering Group functions and financial investments.

## Generation & Markets

KEY FIGURES				
GENERATION & MARKETS	Unit	Q1		The year
		2008	2007	2007
Gross operating revenues	NOK mill.	4,985	2,960	11,062
Energy purchases and transmission costs	NOK mill.	-809	-184	-1,218
Unrealised changes in value energy contracts	NOK mill.	1,343	-12	-656
Net operating revenues	NOK mill.	5,519	2,764	9,188
EBITDA	NOK mill.	5,379	2,181	6,408
Operating profit	NOK mill.	4,580	1,998	5,608
Share of profit from associates and joint ventures	NOK mill.	-94	87	451
Profit before financial items and tax	NOK mill.	4,486	2,085	6,059
Maintenance investments	NOK mill.	50	55	304
Investments in new generating capacity	NOK mill.	63	129	707
Investments in shareholdings	NOK mill.	1	150	462
Full-time jobs (equivalents)	No.	858	800	829
Share of Group's gross operating revenues	%	70	60	63
Share of Groups's full-time jobs (equivalents)	%	37	38	36

The activities managed by Generation & Markets range from the operation and maintenance of hydropower plants in the Nordic region to an extensive physical and financial power trading operation across Europe. Hydropower production capacity is 33.2 TWh, while gas-fired capacity is 1,210 MW. Production assets are in general flexible. The business is experiencing a period of growth and the two gas-fired power plants at

Herdecke and Knapsack in Germany and the gas-fired power plant at Kårstø in Norway have recently commenced operation. Statkraft now trades on 10 power exchanges and three gas hubs.

### Highlights in the quarter

Generation & Markets achieved excellent results in the first quarter of 2008.

In the final quarter of 2007, Statkraft entered into a letter of intent with E.ON AG concerning an exchange of assets. For Generation & Markets, this exchange will involve the taking over of a significant portfolio of gas-fired and hydropower plants. Thorough preparations have been made to allow for the integration of these new assets with existing operations.

Commercial operation of the gas-fired power plant at Knapsack commenced on 16 January and power purchase agreements between Statkraft Energi AS and Essent came into effect on 17 January. In February, the German authorities announced the final allocation of carbon quotas for the German gas-fired power plants during Phase 2 (2008-2012). Volumes for both plants were reduced to 84.4%. The volume allocated to the gas-fired power plant at Herdecke was in reality further reduced as the allocation was based on a lower output than the plant's true capacity. This was because the plant was not considered to constitute a new gas-fired power plant, but a replacement for a former plant. Statkraft's appeal against the Herdecke decision was rejected.

### Financial performance

Generation & Markets achieved excellent profits of NOK 4,486 million before financial items and tax during the first quarter of the year, an improvement of 115% compared with the same period last year. Gross operating revenues rose by 68% to NOK 4,985 million due to a significant increase in spot sale income as a result of higher system prices and increased levels of production. Costs in relation to purchases of energy (gas) totalled NOK 526 million for the first quarter of the year. Changes in unrealised energy contracts represented an increase of NOK 1,355 million compared to the first quarter of 2007.

The Generation & Trading segment contributed NOK 4,250 million during the first quarter of the year, which corresponds to 95% of the

business area's profit before tax and financial items. Statutory-priced concessionary sales and sales under industrial contracts accounted for 2.7 TWh of production during the quarter. This resulted in a reduction in revenues of NOK 384 million, compared to the revenues that would have been generated through sale of this output at system price. Dynamic hedging of the Nordic hydropower portfolio achieved a profit of NOK 819 million in the first quarter of the year, while dynamic hedging in relation to Baltic Cable and gas contributed NOK 106 million.

The Trading & Origination and Grid (Baltic Cable) segments recorded a profit of NOK 236 million before financial items and tax.

### Operations

Operational activity has been stable during the first quarter of the year and saleable hydropower production totalled 11.1 TWh (8.7 TWh). Generation & Markets also produced 1.4 TWh of saleable production from gas-fired power plants (0.0 TWh).

There was utility-adjusted downtime of 1.73% during the first quarter of the year. This is somewhat higher than the target of 1.68%. The discrepancy was mainly caused by unexpected downtime in connection with auditing of the hydropower plant at Aura and repair work at Grytten. Generation at the Svartisen power plant was halted on 31 March to allow repairs to be carried out to the stator. It is anticipated that the power plant will recommence operation on 23 June.

The sickness absence rate in Generation & Markets is at a stable, low level and stood at 3.6% for the first quarter of the year (3.6%). No injuries were reported among employees during the first quarter. In the same period last year, there was one lost-time injury and four injuries that did not result in absence from work. The number of injuries among contractors was down by two compared with the first quarter of 2007.

## New Energy

### KEY FIGURES

NEW ENERGY	Unit	Q1		The year 2007
		2008	2007	
Gross operating revenues	NOK mill.	84	62	837
Energy purchases and transmission costs	NOK mill.	-5	-2	-13
Unrealised changes in value energy contracts	NOK mill.	0	0	0
Net operating revenues	NOK mill.	79	60	824
EBITDA	NOK mill.	44	-5	517
Operating profit	NOK mill.	-29	-22	444
Share of profit from associates and joint ventures	NOK mill.	-4	0	158
Profit before financial items and tax	NOK mill.	-33	-22	602
Maintenance investments	NOK mill.	0	0	0
Investments in new generating capacity	NOK mill.	43	47	151
Investments in shareholdings	NOK mill.	0	0	1,201
Full-time jobs (equivalents)	No.	74	52	68
Share of Group's gross operating revenues	%	1	1	5
Share of Groups's full-time jobs (equivalents)	%	3	2	3

The objective of the New Energy business area is to ensure further growth in the Group's generating capacity through the development and construction of new, environment-friendly generating capacity. This business area also manages the Group's holdings in Småkraft and SN Power. New Energy is also responsible for the Group's innovation activities. Statkraft aims to be a leading player in the development of environment-friendly energy in Europe.

### Highlights in the quarter

During the first quarter of the year, the New Energy business area has undergone a reorganisation and focused its activities through the establishment of separate business units for, respectively, wind power, hydropower in Southeast Europe, and growth and innovation.

The Group has adopted a new strategy in relation to its commitment to wind power that, among other things, will lead to increased focus on the development and construction of offshore wind farms in the North Sea Basin. In March, Statkraft signed a cooperation agreement with NorWind in relation to offshore wind power. Under this agreement, NorWind is to complete a concept study concerning a large-scale, fixed-base offshore wind farm.

In March, Statkraft resolved to proceed with the development of the Blaengwen Wind Farm in Wales. Statkraft and the American corporation Catamount each own 50 percent of the wind farm, which will have an installed capacity of 23 MW. Statkraft and Catamount

have three other wind farms under development in the United Kingdom.

At the end of March, Statkraft and its joint venture partner Norsk Solkraft were granted a license to develop a 3 MW photovoltaic solar energy plant in Italy.

### **Financial performance**

New Energy posted a first quarter loss of NOK -33 million (NOK -22 million) before tax and financial items. As a result of the delayed completion of the La Higuera power plant in Chile (of which SN Power owns 50%), a provision has been made of USD 15 million. This is to cover additional costs in relation to power purchases that will be necessary to comply with contractual obligations to supply power that come into effect in the autumn of 2008. This reduced the New Energy business area's quarterly profits by NOK 40 million.

Gross operating revenues for the first quarter totalled NOK 84 million. The rise of NOK 22 million was mainly attributable to an increase in power sales revenues from wind farms in Northwest Norway.

Operating expenses rose by NOK 25 million to NOK 108 million, primarily as a result of increased levels of activity in development and innovation, together with a rise in grid rental charges due to increased power sales revenues.

In addition to the delays in Chile, there are cost over-runs and delays in connection with the construction projects in India (in which SN Power owns a 44% share). Electricity prices have risen in Chile and India during 2006 and 2007 and accordingly both projects still show a satisfactory level of profitability.

### **Operations**

On 7 January a fire occurred in the cable linking Smøla Wind Farm to the national grid. The damage was sufficiently extensive to prevent the wind farm from supplying power to the national grid for 11 days. The estimated loss in production was approximately 13 GWh. A proportion of the lost revenue is covered by the Group's business interruption insurance.

Statkraft and the government of Republika Srpska, part of Bosnia-Herzegovina, have signed an agreement concerning extensive collaboration within the energy sector. The first joint project concerns planning work for the development and construction of four

hydropower plants in the lower reaches of the River Vrbas with a total installed capacity of 100 MW. Statkraft has also applied for a licence to construct hydropower plants on the River Neretva (150 MW).

At the end of the first quarter, Småkraft AS had 11 small-scale power plants under construction with an anticipated annual generating capacity of 134 GWh. The company's quarterly results were slightly negative, partly because a production subsidy from Enova of 40 NOK/MWh did not come into effect from 1 January 2008 as had been expected. Småkraft was granted two new licences during the first quarter of the year.

Project development work is being undertaken through SN Power in Asia, Africa and Latin America. So far this year the company's power plants in India, Nepal and the Philippines have generated healthy revenues due to good operational performance and high electricity prices. Heavy precipitation in Peru has meant that prices have been lower than anticipated. The Allain Duhangan project in India has suffered three fatal accidents this quarter as a result of landslides and avalanches. The Norwegian Geotechnical Institute has been engaged by SN Power to evaluate possible measures to prevent such accidents in the future.

The business area's sickness absence rate is low and stood at 2.4% for the first quarter of the year. No injuries were reported during the quarter.

## Regional

### KEY FIGURES

REGIONAL	Unit	Q1		The year
		2008	2007	2007
Gross operating revenues	NOK mill.	2,329	2,119	6,879
Energy purchases and transmission costs	NOK mill.	-989	-863	-2,966
Unrealised changes in value energy contracts	NOK mill.	40	65	11
Net operating revenues	NOK mill.	1,380	1,321	3,924
EBITDA	NOK mill.	1,498	945	2,354
Operating profit	NOK mill.	768	772	1,625
Share of profit from associates and joint ventures	NOK mill.	232	307	733
Profit before financial items and tax	NOK mill.	1,000	1,079	2,358
Maintenance investments	NOK mill.	49	107	267
Investments in new generating capacity	NOK mill.	60	64	510
Investments in shareholdings	NOK mill.	9	0	137
Full-time jobs (equivalents)	No.	1,163	1,084	1,197
Share of Group's gross operating revenues	%	33	43	39
Share of Groups's full-time jobs (equivalents)	%	51	51	52

The Regional business area is responsible for managing and developing Statkraft's shareholdings in regional power utilities in Norway. Statkraft participates in the entire value chain through its holdings in these companies. Trondheim Energi, Skagerak Energi and Fjordkraft are included in the consolidated financial statements. BKK and Agder Energi are reported as associates.

### Highlights in the quarter

This business area manages the Group's industrial shareholdings with the aim of developing and streamlining all parts of the value chain in order to in the best possible way satisfy customer requirements. In 2007, the organisational structure of the Group's business areas was reviewed with the aim of identifying competitive business models capable of meeting the challenges encountered in the various business areas. The first quarter of the year also saw the commencement of processes aimed at bringing about the merger of the Group's various activities within the areas of power sales revenues, district heating, and metering and billing. The goal is to establish national business models within these individual areas of operation.

Bredbåndssalliansen acquired Ventelo in December 2007 and the integration of Ventelo with BaneTele and Network Norway is well underway. To support the creation of an industrial structure for Bredbåndssalliansen that will enable the best possible value creation, Statkraft will work towards the coordination

with Bredbåndssalliansen of the broadband and fibre-optic networks operated by BKK and Agder Energi.

Retail electricity providers Fjordkraft and Trondheim Energi Kraftsalg have introduced UN-recognised climate quotas within the private sector market and for customers that wish to ensure that their business activities are carbon neutral.

### Financial performance

The Regional business area recorded sales of NOK 2,329 million during the first quarter of the year, a 10% improvement compared with the same period last year. This equates to 33% of Group sales (43%).

Associates Agder Energi and BKK contributed NOK 539 million, down NOK 361 million compared to the same period last year. The decrease must be seen in the context of the excellent revenues generated by financial hedging activities during the same period last year. Skagerak Energi has a 34% shareholding in Telenor Cinclus, which supplies automatic meter-reading and two-way communications systems. Delays have arisen in connection with the roll-out of delivery under contracts in Sweden and the board is monitoring the situation.

The business area posted an overall profit before tax and financial items of NOK 1,000 million (NOK 1,079 million) for the first quarter of the year, corresponding to 16% (30%) of the Group's total profit before financial items and tax.

The Generation & Hedging segment accounted for NOK 709 million of the profit before financial items and tax, while grid operations contributed NOK 178 million, power sales to end-users NOK 45 million and district heating NOK 25 million. The net contribution from other segments and shared services was NOK 43 million.

### Operations

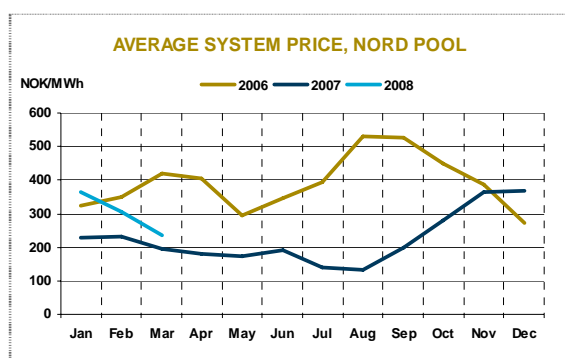
The companies within this business area in general maintained stable operations and levels of production during the first quarter of the year.

The sickness absence rate was 4.9% during the first quarter of the year. There were four lost-time injuries, giving an H1 indicator of 7.4. There were also two injuries that did not result in absence from work.

## Markets

### The Nordic power market

The system price in the Nordic market was higher during the first quarter of 2008 than during the same period last year. The price was affected by high CO<sub>2</sub> prices from the turn of the year and an improved hydrological balance. In addition, high coal prices caused an increase in marginal costs at thermal power plants. The average system price during the first quarter of the year was 303 NOK/MWh, as against 218 NOK/MWh in the first quarter of 2007 and 364 NOK/MWh during the first quarter of 2006. The average monthly price was highest in January (364 NOK/MWh) and lowest in March (237 NOK/MWh).



Source: Nord Pool

During March differentials increased between the different price areas in the Nordic market. Prices were low in area NO1 (Southern Norway), at 25 NOK/MWh below the system price during March, while prices in areas NO2 (Central Norway) and NO3 (Northern Norway) exceeded the system price by 24 NOK/MWh and 15 NOK/MWh respectively. The increased differential between prices in different areas was mainly due to heavy snowfalls in southern Norway, together with reduced transmission capacity to Sweden and Denmark.

Power consumption in the Nordic region as a whole was lower during the first quarter of 2008 than during the same period last year, while power consumption in Norway was higher. Total power consumption in the Nordic region during the first quarter of the year was 1.9 TWh less than during the same period in 2007, a decrease of 1.7%. Total power consumption in Norway increased by 2.2% compared with the first quarter of 2007. This increase was mainly attributable to an increase in general consumption, increased demand from power-intensive industry and the use of electric boilers. General power consumption in

Norway was 27.4 TWh, an increase of 2.4% compared to the previous year. The weather during the first quarter of this year has been significantly milder than usual and general consumption adjusted for temperature fluctuations was 29.5 TWh, an increase of 3.8% compared to the first quarter of 2007.

During the first quarter of the year, the Nordic power generation area produced 1.1 TWh more electricity than during the same period last year, which is an increase of 1.0%. Net exports of power from the Nordic region to Germany and Poland totalled 4.1 TWh during the first quarter of the year, while net power imports from Russia and Estonia amounted to 2.9 TWh during the same period.

Norwegian power output was also higher during the first quarter of 2008 (40.1 TWh) compared with the same period last year (36.7 TWh). Net Norwegian power exports amounted to 2.6 TWh. Expectations of high power prices during the first quarter of the year, as a consequence of a rise in CO<sub>2</sub> prices from the start of 2008, led to high water levels in the reservoirs at the start of the year. Heavy snowfalls and a mild winter have, however, resulted in a sharp fall in prices, especially in Southern Norway, and power exports have during some periods approached maximum capacity. Power exchange capacity has been significantly lower than expected because repair work affecting the transmission cables to Sweden and Denmark has taken longer than anticipated. In addition, operational start of the cable linking Norway and the Netherlands has been postponed.

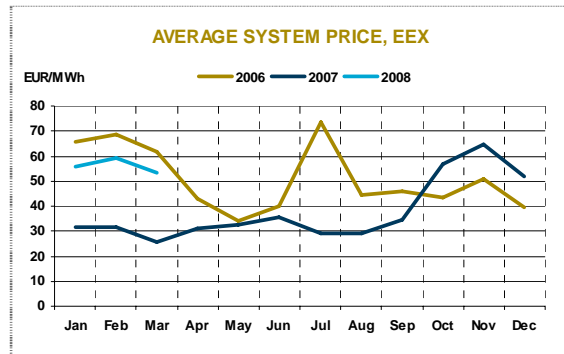
#### POWER CONSUMPTION AND OUTPUT IN THE NORDIC AREA

TWh	2008	2007	2006	Change 2008-2007
Nordic consumption	113.1	115.0	121.0	-1.7 %
Nordic output	114.3	113.2	120.2	1.0 %
Net Nordic imports (+) / exports (-)	-1.2	1.8	0.8	-
Norwegian consumption	37.5	36.7	39.0	2.2 %
Norwegian output	40.1	36.7	41.8	9.3 %
Norwegian imports (+) / exports (-)	-2.6	0.0	-2.8	-

Sources: "Nord Pool Nordic electricity market information" for the weeks 13/2008, 13/2007 and 13/2006, and "Nord Pool Landsrapport Norge" (Nord Pool Country Report Norway) for the weeks 13/2008, 13/2007 and 13/2006.

At the end of the first quarter of 2008, water levels in reservoirs in the Nordic region stood at 113.9% of normal and at 41.8% of maximum reservoir capacity.

## The German power market



Source: European Energy Exchange (EEX)

In January the price of electricity in Germany was 56.0 EUR/MWh, a rise of 24.1 EUR/MWh compared to January 2007. The price that month was the second highest average electricity price ever recorded in January. Prices on EEX (the German power exchange)

were higher than prices in the Nordic region during 70% of the hours in January.

In February there was a fall in the prices of EUAs (European emission allowances), but marginal costs increased at thermal power plants because of higher coal prices. The German power market showed a rising trend during February and the price of electricity was 59.5 EUR/MWh. This was the second highest average electricity price ever recorded during February. EEX prices were higher than Nordic prices during 94% of hours during February.

Coal prices fell in March, reducing marginal costs at thermal power plants. The price of electricity fell to 53.4 EUR/MWh, the second highest price ever recorded for March. EEX prices were higher than Nordic prices during 93% of hours during March.

## HSE and the workforce

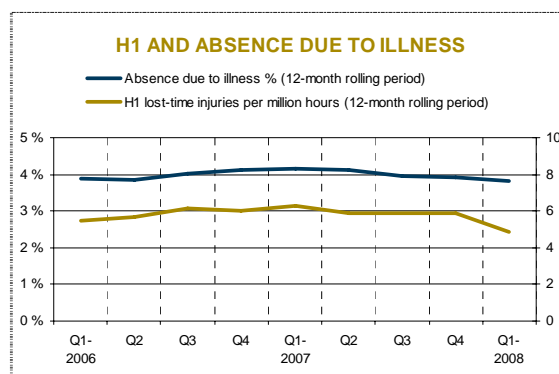
At the end of the first quarter of 2008 the Group employed the equivalent of 2,296 full-time employees, nine more than at the end of 2007.

KEY FIGURES, HSE			
STATKRAFT AS GROUP	Q1		
	2008	2007	2006
Full-time jobs (equivalent) 31 March	2,296	2,109	1,985
H1 (lost-time injuries per million hours)	3.5	7.5	5.2
H2 (all injuries per million hours)	5.3	17.8	16.6
F (days lost through injury per million hours)	21	77	50
Absence due to illness (%)	4.2	4.6	4.5

During the first quarter of the year four lost-time injuries were recorded in the Group, as against eight in the first quarter of 2007. The H1 indicator for the first quarter of this year was 3.5, which was a significant improvement compared to the indicator of 7.5 for the equivalent period last year and is a satisfactory result measured against internal targets. The Generation & Markets business area distinguished itself particularly positively with no injuries recorded. Lost-injuries were evenly distributed between Skagerak Energi and Trondheim Energi, with one incident which could have been very serious (severing of a high-voltage cable). In all, six injuries were recorded in the Group during the first quarter of the year. All the incidents have been reviewed to establish the causative factors and corrective measures have been put in place where relevant. No lost-time injuries have been recorded among the Group's suppliers. A project is currently being implemented to establish a joint health and safety management system within the Group with processes and requirements adapted to international operating conditions.

The sickness absence rate for the first quarter of 2008 was 4.2%, somewhat lower than for the equivalent period in 2007 (4.6%).

Statkraft's goal is to achieve a sickness absence rate below 4%. A successor to the Group's "Energy for Life" initiative is currently at the planning stage. The aim will be to inspire every business unit to participate in physical activity and to take measures to promote improved health.



There were no serious environmental non-compliances or serious environmental incidents during the first quarter of the year. There were, however, two less serious environmental non-compliances: an incidence of over-damming at Kvistforsen Power Plant in Sweden and a failure to remove debris following drilling at Bjølvo in Norway. No serious environmental consequences were recorded in connection with the non-compliances. In addition five less serious environmental incidents were recorded within the Group, including the discovery of two dead sea eagles at Smøla in March. Three further dead sea eagles were discovered in April, and the total number of dead eagles since start-up at Smøla is now 17. The project to introduce a joint environmental management system within the Group is running according to plan and, among other things, a review of environmental considerations will be undertaken in all units during the course of the second quarter of 2008.

## Outlook

Statkraft is in a period of strong growth. Three gas-fired power plants have been completed and the letter of intent entered into with E.ON AG for the sale of shares in E.ON Sverige, in exchange for flexible production assets and shares in E.ON AG, will increase the Group's generating capacity by approximately 7 TWh. In addition there is the agreement with SCA concerning collaboration on the development of hydropower and wind power in Sweden, together with investments through SN Power in power plants in the Philippines, Chile and Peru. Within a few years, Statkraft has been transformed from a Norwegian hydropower company into an international company with activity in numerous types of production. The strategy adopted by Statkraft has put the Group in an excellent position to achieve further growth and development both in Norway and internationally. In order to ensure an effective structure for continued growth and profitability, Statkraft is planning a reorganisation of the Group, and aims to implement the new organisation model in the third quarter.

The high reservoir levels at the turn of the year and the relatively full snow reservoirs mean that the current resource situation is robust. The system price has been significantly higher during the first quarter compared with the same period last year, and forward prices also indicate that prices will remain higher during the remainder of the year than during 2007. This, together with the increase in generating capacity through the gas-fired power plants forms the basis for a relatively high level of power production during 2008 and increases in income from ongoing power sales. There is, however, uncertainty attached to price developments as, among other things, prices

will be affected by the prolonged reduction in exchange capacity because of repairs to transmission cables linking Norway with Sweden and Denmark. This will particularly affect prices in Southern Norway.

The Group has a strong focus on innovation and the development of new technologies for power production. During this quarter, cooperation agreements were entered into with NorWind on offshore wind power and with Norsk Solkraft on the construction of solar power plants, together with construction of the world's first prototype osmotic power plant. In addition there is extensive collaboration with the Norwegian University of Science and Technology (NTNU), Uppsala University and the Technical University of Denmark on research into ocean energy with the aim of establishing Europe's leading skills and educational network in this area. This collaborative project encompasses research into offshore wind power, wave power and tidal power.

On 21 April, Enova launched a new application round in respect of wind power investment subsidies with an application deadline of 15 September 2008. For this application round, the earlier ceiling of 25% on investment subsidies has been abolished. This means that projects supported by Enova can be anticipated to achieve an acceptable level of profitability. At the same time, there are signals that the Norwegian authorities have reopened talks on establishing a green certificate market with Sweden. In due course this is expected to improve the framework conditions for wind power and contribute to an increased focus on the construction of wind farms in Norway.

Oslo, 7 May 2008  
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**Statkraft**