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2009

STATKRAFT ENERGI AS ANNUAL REPORT

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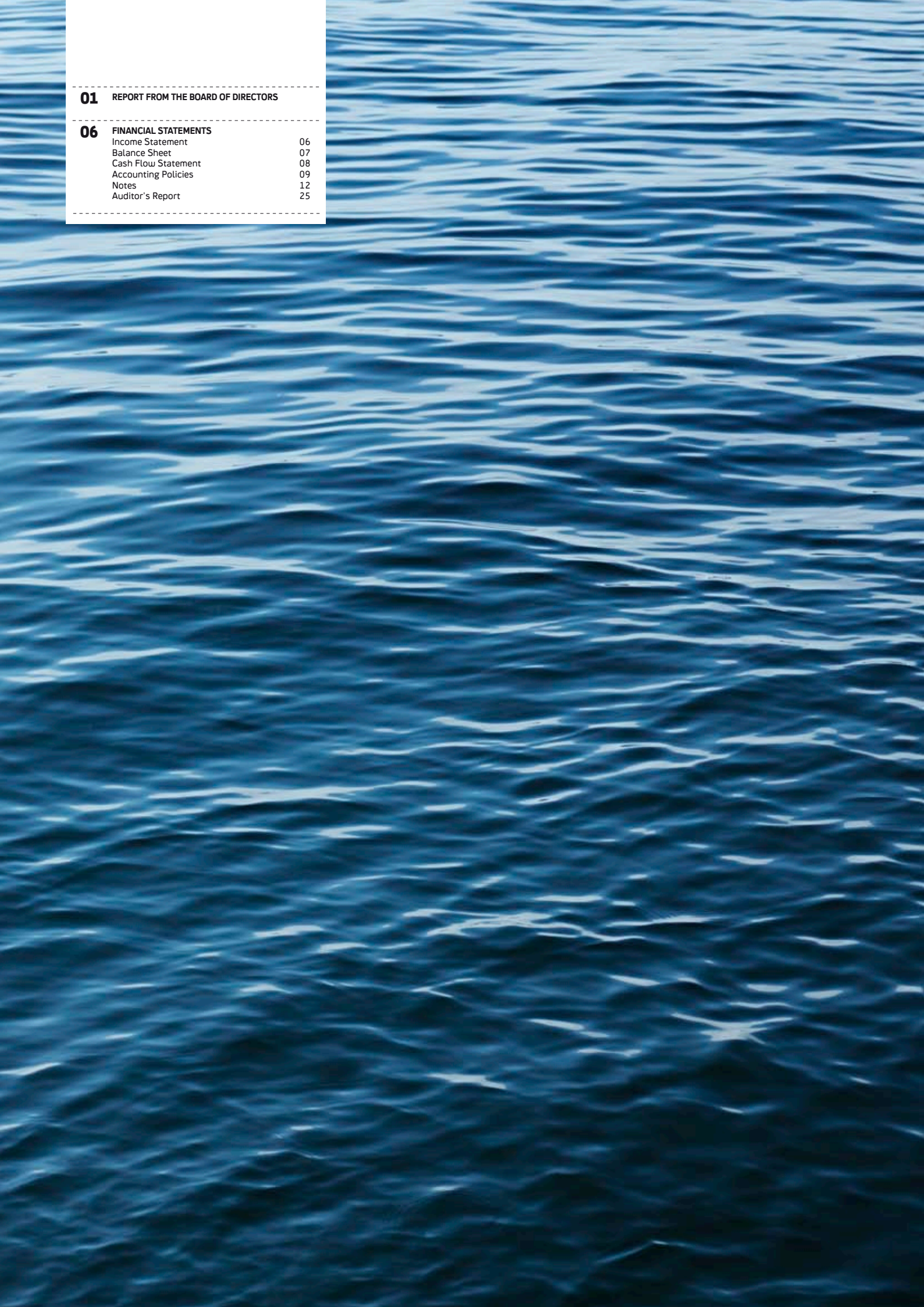

Report from the Board of Directors

STATKRAFT ENERGI AS' BUSINESS

Statkraft Energi AS 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, district heating and solar power, and is a significant player in the European energy exchanges, with specialist expertise within physical and financial energy trading. The Statkraft Group also invests significant amounts in innovation.

Statkraft Energi AS is engaged in the generation and sale of electricity and power-related products. Statkraft Energi's head office is located in Oslo.

Statkraft Energi AS owns 66.7 per cent of Baltic Cable AB, which is headquartered in Malmö, Sweden. Baltic Cable AB operates a subsea power transmission cable between Sweden and Germany.

Statkraft Energi AS owns 60.17 per cent of AS Tyssefaldene. As previously agreed, Statkraft Energi AS took over Boliden's 39.88 per cent shareholding in AS Tyssefaldene on 30 June 2009. The remaining shares are owned by Eramet through the company DNN Industrier AS. Statkraft SF owns the power facilities in Tyssedal, but the waterfall rights and power plants are leased out to AS Tyssefaldene on terms set by the authorities. AS Tyssefaldene produces and distributes hydropower. Statkraft Energi AS and Eramet are entitled to the production and also have an agreement which allocates costs and financing. AS Tyssefaldene's offices are located in Tyssedal in Odda municipality.

IMPORTANT EVENTS

Statkraft Energi AS has achieved stable operations and production. No significant operational interruptions were experienced in 2009.

Two new hydropower plants came online in 2009, Rødberg and Håvardsvatn (owned by AS Tyssefaldene). This increases the annual mean production by 27 GWh (Statkraft Energi's share).

The Baltic Cable suffered a breakdown on 16 February, but was back in operation on 30 March 2009.

On 31 December 2008, the Statkraft Group took over significant hydropower, gas power and district heating assets through a swap deal with E.ON AG. Statkraft Energi AS devoted substantial resources in 2009 to integrate the new assets into the operative business. Through this take-over, the operative units in Statkraft Energi AS have an expanded responsibility for operations.

Statkraft Energi AS assumed responsibility for the employees in Trondheim Energi Kraft AS from 1 January 2009 in preparation for the merger of the companies. In the autumn of 2009, a decision was made to merge Statkraft Energi AS with Statkraft I AS, with Statkraft Energi AS as the acquiring company. This is one of the stages of the merger process. Following the expiry of the creditor period, but prior to the merger becoming effective, a decision was made to cancel the merger. Notification of the cancellation of the merger has been sent to the Register of Business Enterprises. Merging the companies remains an objective.

Statkraft Energi AS and Boliden Odda have entered into a comprehensive agreement that was finalised in the second quarter and became effective as of 1 July. As part of this agreement, Statkraft Energi AS and Boliden Odda signed two long-term industrial power agreements for the period 2009–2030. The power delivery of about 20 TWh is the largest industrial power agreement Statkraft Energi AS has entered into since 1998.

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

The financial crisis in the autumn of 2008 put the negotiations with the power-intensive industry relating to long-term power agreements on hold. With the exception of the agreement with Boliden Odda, no major long-term power agreements were entered into in 2009. However, the demand to cover the need for short-term trading solutions has been substantial. Statkraft Energi AS offers a solution to the power-intensive industry to cover this need, called energy service. This solution entails that Statkraft Energi AS handles the companies' deliveries of spot power quoted on Nord Pool, as well as handling of the companies' imbalances vis-à-vis Statnett and the need for short-term financial or physical hedging transactions. In Statkraft Energi AS' total short-term industrial portfolio, eleven companies in the power-intensive industry, owning a total of 16 plants, have entered into energy service agreements. The total annual consumption of these companies is about 9 TWh.

The intra-Group power purchase agreement with Knapsack Power GmbH was terminated on 31 December 2009, with a compensation of NOK 80 million. The termination will result in streamlining of the operations.

The largest agreement within trading and origination was entered into with Svenska Kraftnät. Statkraft Energi AS will deliver about 2.8 TWh to cover annual grid losses for 2010 and 2011.

FINANCIAL PERFORMANCE[1]

The profit before tax for the year was NOK 6569 million (NOK 8454 million), while the profit after tax was NOK 3425 million (NOK 4643 million). However, 2008 was a historically good year, with both high power prices and high capacity utilisation. The subsidiary Baltic Cable AB posted very satisfying results for 2009.

Operating revenues Gross operating revenues decreased by 12 per cent to NOK 12 055 million (NOK 13 638 million).

The year's average system price on Nord Pool was 35.0 EUR/MWh (44.7 EUR/MWh). Compared with the historically high prices in 2008, the decline was 22 per cent. However, compared with average prices for the years 2004–2008, the decline was 2 per cent.

Statkraft Energi AS' hydropower production totalled 33.6 TWh (36 TWh), a decrease of 2.4 TWh compared with 2008. The production in 2009 was still 1.9 TWh higher than the mean annual production. The gas power production at Kårstø was 1.4 TWh.

Lower prices resulted in net physical spot sales falling by NOK 2830 million to NOK 5172 million. The revenues from the hedging activities and trading and origination offset some of the decline, increasing by NOK 449 million and NOK 158 million, respectively.

Power sales to the industry under statutory prices amounted to 8.9 TWh, resulting in an estimated revenue reduction of NOK 925 million compared with selling the same volume at spot price.

Other operating revenues amounted to NOK 567 million for the year (NOK 358 million). Recognition of the compensation in connection with termination of the power purchase agreement with Knapsack Power GmbH, as well as the consolidation of AS Tyssefaldene, explain the increase.

Energy purchases totalled NOK 817 million (NOK 596 million). Energy purchases are mainly related to purchase of gas for the gas power activities.

Transmission costs in connection with transport of power totalled NOK 684 million (NOK 888 million). The decline is due to lower power prices and production volumes in Norway.

Net operating revenues amounted to NOK 10 554 million (NOK 12 154 million).

Operating expenses The operating expenses amounted to NOK 3541 million in 2009 (NOK 3597 million), a reduction of 1 per cent from 2008.

Salary costs increased by NOK 131 million to NOK 701 million. Slightly less than 60 per cent of the increase is related to the take-over of employees from Trondheim Energi Kraft AS and the expansion of the operational responsibility of the operative units in Statkraft Energi AS. General wage increases and provisions for pension liabilities explain the rest of the cost increase.

Depreciation for the year is NOK 668 million.

Property tax and licence fees total NOK 768 million for the year, a decrease of NOK 67 million from 2008. A lower calculation basis reduced property tax in Norway.

Other operating expenses amounted to NOK 1404 million. The reduction of NOK 131 million from 2008 is related to the reversal of losses on energy contracts, while increased operating expenses related to expanded operational responsibility and consolidation of AS Tyssefaldene have the opposite effect. The consolidation of AS Tyssefaldene increased the operating expenses by NOK 72 million in 2009.

Expenses in connection with R&D activities are recognised as they are incurred. A total of NOK 20 million was recognised in 2009. The company's research activities are intended to achieve new knowledge and develop new methods within hydrology, energy optimisation and maintenance activities.

The tolling agreement with Naturkraft AS has, as a result of lower margin between power prices and gas prices and CO2 (clean spark spread) and currency changes, been written down by NOK 317 million in 2009. In total, the investment has been written down by NOK 714 million.

Operating result The company posted an operating profit of NOK 7013 million (NOK 8557 million).

Financial items Net financial items amounted to NOK -444 million in 2009 (NOK -103 million).

The financial income is NOK 452 million lower compared with 2008. The reduction is due to lower interest income as a result of lower market interest rates, reduced dividend as well as currency rate effects.

The financial expenses fell by NOK 111 million compared with 2008. Interest expenses fell by NOK 209 million as a result of lower market interest rates. In 2009, Statkraft Energi AS incurred currency losses

[1] Figures in parentheses show the comparable figures for 2008.

totalling NOK 123 million. In 2008, the company made a currency gain, classified as financial income.

Taxes The recognised tax expense amounted to NOK 3144 million in 2009 (NOK 3811 million), which corresponds to an effective tax rate of 48 per cent (45 per cent). The lower tax expense is mainly due to lower income tax and lower resource rent tax.

The resource rent tax amounted to NOK 1072 million (NOK 1814 million), which corresponds to 34 per cent of the company's total recognised tax expense, compared with 48 per cent in the same period in 2008. The change in the resource rent tax is mainly due to lower average spot prices. The change is, however, partly offset by a reduced tax-free allowance as a result of significantly lower interest rate.

Cash flow and equity Operating activities generated a cash flow of NOK 5375 million in 2009 (NOK 8045 million). Long-term and short-term balance sheet items had a net negative change of NOK 2470 million (NOK -2823 million). These items are composed of changes in working capital and accrual effects. Net cash flow from operating activities was thus NOK 2905 million (NOK 5222 million).

The investments amounted to NOK 766 million (NOK 689 million). About NOK 190 million was invested in increased capacity. The investments are in connection with Rødberg power station, a replacement of a stator at Svartisen power station as well as new turbine runners. Other investments relate to maintenance of facilities.

The cash flow from the financing is negative, by NOK 2240 million, mainly due to payment of group contribution to Statkraft AS of NOK 3497 million. Raising of new interest-bearing debt resulted in a positive liquidity effect of NOK 1257 million.

As of 31 December 2009, the company had cash and cash equivalents of NOK 136 million. The company's other liquid assets are held under a group account scheme, which means that the assets are classified as receivables due from Statkraft AS in the financial statements. The company is in a good position to finance its own investments due to the fact that operations are expected to continue to generate good cash flows in the years to come.

As of 31 December 2009, the company's short-term liabilities accounted for 38.6 per cent of the company's overall debt, compared with 43.6 per cent as of 31 December 2008. The company has a sound financial position.

At the end of the year total assets amounted to NOK 31 236 million, compared with NOK 29 828 million at the previous year-end.

At the end of 2009, Statkraft Energi AS' equity totalled NOK 12 296 million, compared with NOK 12 090 million at the start of the year. This corresponds to 39.3 per cent of total assets. The equity-to-assets ratio was 40.5 per cent as of 31 December 2008. However, the market value of the equity is significantly higher than the book value. The board regards the company's equity level as satisfactory. This assessment is based on the company's profit forecasts and market capitalisation, and efficient as well as prudent business practice.

GOING CONCERN

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

RISK MANAGEMENT AND INTERNAL CONTROL

The key risk factors for Statkraft Energi AS relate to market operations, operating activities and framework conditions. Handling of risk is important for value creation and is an integrated part of all business activities. This is followed up in the respective units through risk monitoring procedures and risk mitigation measures.

There are substantial volume and price risks related to power production and trading. In the Nordic power market, precipitation levels and winter temperatures are of great significance and lead to considerable fluctuations in both prices and output volumes. In addition, power prices are influenced by the price of gas, coal and oil, as well as CO_2 quota prices. In addition, gas power production is directly exposed to both gas, oil and CO_2. Statkraft Energi AS manages this market risk by trading physical and financial instruments in several markets. The increased integration of the energy market is of great significance for business models and risk management, and great emphasis is placed on seeing the different markets in an overall context. Internal authorisations and limits have been established for all trading, and these are subject to continuous follow-up.

The Group's central treasury department coordinates and manages the financial risk associated with foreign currencies, interest rates and liquidity. The most important instruments of this management are forward currency contracts, interest swap agreements and forward interest agreements. Foreign currency and interest rate risk are regulated by means of mandates. Limits have also been established for liquidity and counterparty risk. Market risk and the other financial risk, as well as exposure related to the mandates, are followed up by independent middle office functions.

The operational risk is mainly handled by means of detailed procedures, emergency preparedness plans and insurance. A comprehensive system for mapping, registering and reporting unsafe conditions, undesirable incidents and injuries has also been established, and these are analysed on an ongoing basis.

Other risk is primarily related to general framework conditions and political decisions. Climate changes can present both threats and opportunities, and are of importance for all the risks described above.

An internal control system for financial reporting has been established for the Group, and this also covers Statkraft Energi AS. The system will contribute to reliable financial reporting. In 2009, Statkraft Energi AS was recertified in accordance with ISO 9000.

ENVIRONMENTAL IMPACT

No serious environmental incidents were recorded in Statkraft Energi AS in 2009, but 19 less serious environmental incidents were recorded. Most of these were in connection with minor and short-term breaches of the river management regulations and minor oil spills, and had little or no environmental impact.

Development projects in the Statkraft Group are planned and carried out in accordance with the requirements in the International Finance Corporation's standard relating to sustainable behaviour. For the environment, this entails impact analyses as regards environmental impact and systematic handling of environmental aspects through the entire project process.

A major project aiming to develop a comprehensive environmental management system was concluded in 2009. The results from the project include Group-wide guidelines for environmental management in Statkraft with description of requirements related to mapping of environmental risk and impact. Statkraft Energi AS was recertified in accordance with the environmental management system ISO 14001:2004 in 2009.

EMPLOYEES

The company employed an average of 831 full-time equivalents in 2009, which represents an increase of 93 compared with 2008. Most of the increase is a result of the expansion of the operational responsibilities of the operative units in Statkraft Energi AS in connection with the Group's take-over of power stations in Sweden, Germany and Wales from E.ON AG. In addition, the employees in Trondheim Energi Kraft AS were included in Statkraft Energi AS from 1 January 2009.

Statkraft Energi AS wants to achieve a better gender balance and a higher percentage of women in management positions. In 2009, 19 per cent (18 per cent) of the company's employees were women and the percentage of women in managerial positions was 18 per cent (19 per cent). The percentage of women on the board of directors is 50. Statkraft Energi AS follows up the work to achieve an even gender balance, including compliance with statutory requirements relating to gender balance.

Statkraft Energi AS strives to attain a diverse working environment and promotes equal treatment in its recruitment and HR policy. Employees and others involved in Statkraft Energi's activities must be chosen and treated in a manner which does not discriminate on the basis of gender, skin colour, religion, age, disability, sexual orientation, nationality, social or ethnic origin, political conviction, trade union membership or other factors.

The Group, including Statkraft Energi AS, annually evaluates its organisation and management as regards competence, organisational matters and working environment. The results from the evaluation in 2009 were, as in previous years, very positive and indicate that Statkraft Energi's employees are satisfied and motivated in their jobs.

The board would like to take the opportunity to thank all employees for their excellent contributions during 2009.

HEALTH AND SAFETY

Statkraft Energi's goal is to avoid injuries and health problems in connection with the company's activities. Health and safety aspects must be identified and evaluated prior to all operating and maintenance activities. All injuries, near-misses and unsafe conditions are registered, analysed and followed up in a systematic manner. Measures and efforts to minimise the number of injuries will continue to have high priority. The company has an expressed objective of learning from injuries, near-misses and unsafe conditions.

The H1 absence indicator was 5.2 in 2009 (1.7), while the H2 injury indicator was 11.8 (11.7). There were eight injuries resulting in absence and ten injuries without absence for own employees in 2009. One of the injuries is considered to be serious. An employee suffered facial injuries from a high-pressure water blow-out from a flange in a bypass pipe in connection with a globe valve. The employee was struck by a tool and partly by the water jet. Seven injuries were recorded at contractors in 2009. The number of injuries was unfortunately higher in 2009 than in 2008. The historical trend, however, is positive, but the board sees continued need for follow-up of health and safety.

The absence due to illness in Statkraft Energi was 3.4 per cent in 2009 (3.6 per cent). The company has a target of absence due to illness of less than 4 per cent. All Norwegian companies in the Statkraft Group have entered into Inclusing working life (IA) scheme, with active follow-up of absence and close cooperation with the company's health service.

FRAMEWORK CONDITIONS

Statkraft Energi's existing activities in Norway are influenced by framework conditions such as tax adjustments, changes in the grid tariff regime, revisions of minimum waterflow provisions and other orders from the Norwegian Water Resources and Energy Directorate, in addition to limitations in the transmission grid, general support schemes and regulations for the industry. The framework conditions can influence Statkraft Energi's production, revenues and profitability. Correspondingly, Statkraft Energi AS is exposed to framework conditions and regulations through its activities in the EU and emerging markets internationally.

The development of Europe's climate and energy policy makes Statkraft Energi's advantages in environmentally friendly and flexible power production increasingly profitable. This applies to the further development of an integrated European energy market, the European CO_2 quota trading system and the goal of achieving 20 per cent renewable energy consumption.

ALLOCATION OF PROFIT

The company posted a profit after tax for the year of NOK 3425 million. The board proposes the following allocation of Statkraft Energi AS' profit for the year:

NOK million	
Group contribution payable	3 141
To other equity	284
Total allocated	3 425

The company's distributable equity at year-end is:

NOK million	
Other paid-in equity:	1 508
Retained earnings	2 229
Deferred tax asset (net)	-462
Distributable equity	3 275

OUTLOOK

The most important drivers for the underlying result in 2010 will be the development in demand, power prices and production volumes. Substantial uncertainty remains as regards the activity level in the power-intensive industry, both in the Nordic region and on the Continent. This may influence the demand for power and, as a result, the prices. Forward prices for 2010 indicate a somewhat higher price level than in 2009. Little precipitation in the fourth quarter of 2009 and the beginning of 2010 indicates that hydropower production may be lower in 2010.

In 2010 and the years to come the board of Statkraft Energi AS will work to further develop the company in line with the Group's strategic goals. Statkraft Energi AS will emphasise further developing the value creation from its core business, power generation and market operations. Ensuring sound operations will be a high-focus priority throughout the year.

The Board of Directors of Statkraft Energi AS
Oslo, 16 March 2010

Bård Mikkelsen
Chair

Eli Skrøvset
Board member

Kristin Steenfeldt-Foss
Board member

Arne Einungbrekke
Board member

Olav Rabbe
Board member

Anniken Tostrup
Board member

Jørgen Kildahl
Chief executive

Income Statement

STATKRAFT ENERGI AS

NOK million	Note	2009	2008
Sales revenues	3	11 488	13 280
Other operating revenues	5	567	358
Gross operating revenues		12 055	13 638
Energy purchases	6	-817	-596
Transmission costs		-684	-888
Net operating revenues		10 554	12 154
Salaries and payroll costs	7,8	701	570
Depreciation and impairments	14	668	657
Property tax and licence fees	9	768	835
Other operating expenses	10	1 404	1 535
Operating expenses		3 541	3 597
Operating profit		7 013	8 557
Financial income	12	221	673
Financial expenses	12	-665	-776
Net financial items		-444	-103
Profit before tax		6 569	8 454
Tax expense	13	3 144	3 811
Net profit		3 425	4 643
Allocation of profit for the year			
Group contribution payable		3 141	2 518
Transferred to other equity		284	2 125
Total allocated		3 425	4 643

Balance Sheet

STATKRAFT ENERGI AS

NOK million	Note	31.12.09	31.12.08
ASSETS			
Deferred tax asset	13	464	809
Property, plant and equipment	14	23 898	23 804
Investments in subsidiaries and associates	15	771	771
Other non-current financial assets	16	1 655	1 488
Non-current assets		26 788	26 872
Inventories	17	852	465
Receivables	18	3 460	2 263
Cash and cash equivalents	19	136	228
Current assets		4 448	2 956
Assets		31 236	29 828
EQUITY AND LIABILITIES			
Paid-in capital	20	10 061	10 061
Retained earnings	20	2 235	2 029
Equity		12 296	12 090
Provisions	21	5 706	5 339
Deferred tax	13	2	1
Long-term interest-bearing liabilities	22	5 928	4 671
Long-term liabilities		11 636	10 011
Short-term interest-bearing liabilities	23	-	129
Taxes payable	13	1 514	1 801
Other interest-free liabilities	24	5 790	5 797
Current liabilities		7 304	7 727
Equity and liabilities		31 236	29 828
Pledges	25	1 627	1 762
Guarantee liabilities	25	4 173	2 349

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Chief executive

Cash Flow Statement

STATKRAFT ENERGI AS

NOK million		2009	2008
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		6 569	8 454
Profit/loss on sale of non-current assets		-5	-2
Depreciation, amortisation and impairments		668	657
Taxes paid		-1 857	-1 064
Cash flow from operating activities		5 375	8 045
Change in long-term items		200	52
Changes in short-term items		-2 670	-2 875
Net cash flow from operating activities	A	2 905	5 222
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment		-766	-689
Proceeds from sale of non-current assets		9	11
Net cash flow from investing activities	B	-757	-678
CASH FLOW FROM FINANCING ACTIVITIES			
New interest-bearing debt		1 257	-
Repayment of long-term debt and subordinate loans		-	-
Dividend and Group contribution paid		-3 497	-4 395
Net cash flow from financing activities	C	-2 240	-4 395
Net change in cash and cash equivalents during the year	A+B+C	-92	149
Cash and cash equivalents 1 Jan.		228	79
Cash and cash equivalents 31 Dec.*		136	228

* The company's liquidity is organised in a group account scheme. The company's liquidity is formally a receivable against the parent company Statkraft AS.

Accounting Policies

STATKRAFT ENERGI AS

ACCOUNTING RULES

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway (Norwegian GAAP). Statkraft Energi AS does not prepare consolidated accounts as the sub-group is consolidated in Statkraft AS' consolidated accounts.

As of 2007, the Statkraft Group has prepared its accounts in accordance with the International Financial Reporting Standards (IFRS). Most of the companies which are part of the Group will continue to prepare their company accounts in accordance with Norwegian GAAP. This also applies to Statkraft Energi AS.

VALUATION AND CLASSIFICATION PRINCIPLES

Uncertainty in estimates The financial statements are based on assumptions and estimates that affect the book value of assets, liabilities, revenues and expenses. The best estimates available at the time the financial statements were prepared have been used, but actual figures may differ from the original estimates.

Principles for recognition of revenues and expenses Recognition of revenues from sale of goods and services takes place when the revenues are earned, while costs are recognised in accordance with the matching principle. Revenues from energy trading are recognised net. Dividends from subsidiaries is recognised as income in the year earned, while dividends from other companies is recognised in accordance with the cash principle. Profit/loss from the sale of ordinary non-current assets is treated as operating revenues or expenses.

RECOGNITION OF SALES REVENUES

Power production Power production is recognised as income with produced volume multiplied by sales price. Statkraft hedges the price on the power production by entering into physical and financial contracts. Financial instruments in energy trading are financial bilateral contracts, forward market contracts (futures and forwards) and options. Physical and financial trading aiming to hedge future production is recognised as hedging. The precondition for the hedging evaluation is that the hedging level is within our own production ability. The production ability is defined as the production the company is 80 per cent certain to achieve. Losses and gains from hedging contracts, calculated as the margin between contract price and spot price, is recognised upon delivery and presented as part of the power sales revenues.

Paid and received option premiums for future power deliveries at fixed terms are recognised in the balance sheet and valuated in accordance with the lower value principle.

Trading and origination The company has separate portfolios for trading and origination that are managed independently of the company's expected power production. The trading portfolios consist of financial power contracts, and the company acts in the market with the aim of making a profit from short-term and long-term changes in the market prices for electrical power. The portfolios consist mainly of products traded on Nord Pool or bilateral standardised products. The portfolios are recognised at fair value in accordance with Section 5-8 of the Accounting Act. One of the trading portfolios trades in contracts which are not traded in a marketplace, and is therefore recognised in accordance with the lower value principle. The origination portfolio includes both standard products and structured contracts. As there is no quoted market with satisfactory pricing for such non standard contracts, the portfolio does not meet the terms for accounting at fair value in accordance with Norwegian GAAP, and the portfolio is therefore recognised in accordance with the lower value principle at a portfolio level.

PENSIONS

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

Actuarial gains and losses attributable to changes in actuarial assumptions or base data are recognised in equity on an ongoing basis after provisions for deferred tax.

Changes in defined benefit pension liabilities attributable to changes in pension plans that have retroactive effect, i.e. where the earning of rights is not contingent on future service, are recognised directly in the income statement. Changes that are not issued with retroactive effect are recognised in the income statement over the remaining service time.

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

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

Defined contribution schemes A defined contribution scheme is a pension scheme where the Group pays fixed contributions to a separate legal entity without incurring further obligations once the payment has been made. The payments are expensed as salaries and payroll costs when they fall due.

RESEARCH AND DEVELOPMENT EXPENSES

Research expenses are expensed as they are incurred. Development costs are capitalised to the extent that a future financial benefit can be identified from the development of an identifiable intangible asset.

MAINTENANCE EXPENSES

Periodic maintenance is capitalised and depreciated over the period until the next corresponding maintenance is expected to be carried out. Daily maintenance is expensed continuously.

PUBLIC SUBSIDIES

Public subsidies are evaluated separately, and are treated in the accounts as a correction to the item the subsidy is meant to cover.

COMPENSATION PAYMENTS

The company pays compensation to landowners for the right to use waterfalls and land. In addition, compensation is paid to others for damage caused to forests, land, telecommunications lines, etc. Compensation payments are partly non-recurring and partly recurring, and take the form of cash payments or a liability to provide compensational power. The present value of liabilities

related to annual compensation payments and free power is classified as provisions for liabilities. Annual payments are recognised as other operating expenses, while non-recurring items are offset against the provision.

LICENCE FEES

Licence fees are paid annually to central and local government authorities for the increase in generating capacity that is obtained from regulated watercourses and catchment transfers. These licence fees are charged as expenses as they accrue. The capitalised value of future licence fees is calculated and presented in Note 9.

CONCESSIONARY POWER

Each year concessionary sales are made to local authorities at regulated prices stipulated by the Norwegian Storting (parliament). In the case of certain concessionary power contracts, agreements have been made regarding financial settlement in which Statkraft is invoiced for the difference between the spot price and the concessionary price.

PROPERTY TAX

Property tax for power plants is calculated on the basis of actual production, with deductions for actual operating expenses and resource rent tax paid for the individual power plant. The income aspect of the property tax is calculated on the same basis as the resource rent taxation, based on the plant's production hour by hour, multiplied by the spot price in the corresponding hour. Actual contract price is used for deliveries of concessionary power.

The resource rent tax basis is arrived at by discounting the net operating revenues for the power plant from the previous five years by the stipulated interest rate for all perpetuity, with deduction of the current value of the power plant's estimated costs for replacing operating equipment. 0.2 to 0.7 per cent property tax is calculated to the individual municipality from the property tax basis. Property tax is presented as an operating expense.

TAXES

General Group companies that are engaged in power generation in Norway are subject to the special rules for taxation of energy companies. The Group must therefore pay income tax, natural resource tax, resource rent tax and property tax. Property tax is classified as an operating expense.

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

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

Resource rent tax Resource rent tax is a profit-dependent tax that is calculated at a rate of 30 per cent of the net resource rent revenue generated by each power plant. Resource rent revenue is calculated on the basis of the individual power plant's production hour by hour, multiplied by the spot price for the corresponding hour. The actual contract price is applied for deliveries of concessionary power and power subject to physical contracts with a term exceeding seven years. Actual operating expenses, depreciation and a tax-free allowance are deducted from the calculated revenue in order to arrive at the net resource rent revenue tax base. The tax-free allowance is set each year on the basis of the taxable value of the power plant's operating assets, multiplied by a normative interest rate set by the Ministry of Finance. The normative interest rate for 2009 was set at 2 per cent. The regulations for establishing resource rent revenue were changed with effect from the 2007 fiscal year. From 2007 onwards negative resource rent revenues per power plant can be pooled with positive resource rent revenues for other power plants owned by the same tax entity. Negative resource rent revenues per power plant from the 2006 fiscal year or previous years are treated in accordance with the old rules, and can therefore be carried forward with interest and offset against future positive resource rent revenues from the same power plant. Deferred tax assets linked to loss carryforwards and deferred tax linked to other temporary differences are calculated per power plant on the basis of whether it is probable that the deferred tax asset will be realised within a time horizon of ten years. Provisions for deferred resource rent tax are made at a nominal tax rate of 30 per cent. The tax-free allowance is treated as a permanent difference in the year it is calculated, and therefore does not affect the calculation of deferred tax in connection with resource rent.

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

CLASSIFICATION AND EVALUATION OF ASSETS AND LIABILITIES

Assets intended for lasting ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables falling due for payment within one year are classified as current assets. Similar criteria are applied to the classification of current and long-term loans.

Non-current assets are recognised at cost and are written down to fair value when any impairment in value is not considered to be temporary in nature. Non-current assets with a limited useful economic lifetime are depreciated or amortised according to plan. Long-term liabilities are recognised in the balance sheet at their nominal value, adjusted for any unamortised premium or discount. Current assets are valued at the lower of cost or fair value. Current liabilities are recognised in the balance sheet at the nominal amount received at the time the liability was incurred.

Property, plant and equipment Investments in production facilities and other property, plant and equipment are recognised at cost less accumulated depreciation and impairments. Depreciation is charged from the time the assets are available for use. The cost of property, plant and equipment includes expenses in connection with acquiring or bringing assets into a condition in which they can be used. Loan costs in connection with major investments are calculated and recognised in the balance sheet. Expenses incurred after the operating asset has been put to use, such as ongoing maintenance expenses, are recognised in the income statement, while other expenses that are expected to generate future economic benefits are recognised in the balance sheet. In connection with fixed-term licenses, provisions are made for removal obligations, as a counterpart item in increased book value of the relevant investment, which is depreciated over the licence period.

Costs incurred for own plant investments are recognised in the balance sheet as facilities under construction. The acquisition cost consists solely of directly attributable costs. Indirect administration costs in connection with the recording of own hours worked in the balance sheet are therefore not included.

Depreciation is calculated on a straight-line basis over asset's useful economic lifetime. Residual values are taken into account in the calculation of annual depreciation. Land is not depreciated. Waterfall rights are classified as land and are not depreciated, since there is no right of reversion to state ownership and the assets are deemed to have perpetual life. Compensation payments to landowners are recognised in the balance sheet as land, see description under compensation payments. Investments in plants

not operated by Statkraft are depreciated similarly, using an average depreciation rate. Periodic maintenance is recognised in the balance sheet over the period until the time when the next maintenance round is expected to be performed. Estimated useful lives, depreciation methods and residual values are assessed annually.

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

Impairments Property, plant and equipment that are depreciated are assessed for impairment when there is any indication that future earnings do not justify the book value. Impairments are recognised as the difference between book value and recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

In assessing impairments, non-current assets are grouped into the lowest level of identifiable assets that can generate independent cash flows (cash-generating units). The possibility of reversing earlier impairments is considered at each reporting date.

Subsidiaries/ associates Subsidiaries are companies where the Group has controlling influence on financial and operational principles. Controlling influence is normally achieved when the company owns more than 50 per cent of the voting shares. Investments are recognised at the cost of the shares and are adjusted for any impairment where necessary. Shares are written down to fair value where the impairment in value is attributable to causes that are not considered transitory and this is deemed necessary in accordance with generally accepted accounting practices. Impairments are reversed when the basis for the impairment no longer exists. Dividend is recognised as income in the same year that the subsidiary makes the provision. If the dividend exceeds the share of the retained earnings after the purchase, the excess share is deemed to represent a repayment of the invested capital and the distributions are deducted from the value of the investment in the balance sheet.

Associates are companies where Statkraft Energi AS has significant influence. Significant influence is normally considered to exist where the company owns or controls 20 to 50 per cent of the voting shares.

Partly-owned power plants Co-owned power plants, i.e. those power plants in which Statkraft owns shares, regardless of whether they are operated by Statkraft or one of the other owners, are accounted for in accordance with the gross method in line with Statkraft's shareholding. Produced power, with the exception of concessionary power, is at the disposal of co-owners directly. Power taken out from partially-owned companies organised as limited companies is included in gross power sales. Statkraft's share of other operating revenues and operating expenses is included in accordance with the shareholders' agreement.

Long-term shareholdings All long-term investments are accounted for using the cost method in the company's financial statements. Dividends received are treated as financial income.

Inventories CO_2 quotas and electricity certificates held for trading purposes are considered to be inventories. Purchased standard goods and spare parts in connection with the operation are classified as current assets. Inventories are evaluated in accordance with FIFO using the lower value principle on the portfolio level.

Water in reservoirs Water in reservoirs is not recognised in the balance sheet. Information relating to the amount of water in the reservoirs is provided in Note 4.

Receivables Accounts receivable and other receivables are recognised at nominal value less provisions for expected losses. Provisions for losses are recognised on the basis of an individual assessment of the receivables concerned.

Short-term financial investments Shares, bonds, certificates, etc. that have been classified as current assets are recognised at market value.

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

Received advance payments are classified as long-term liabilities. The advance payment is recognised as income in line with the provision of the delivery the advance is meant to cover. An annual interest cost is calculated and recognised as a financial cost.

Contingent liabilities Contingent liabilities are recognised in the income statement if it is probable that they will have to be settled. A best estimate is used to calculate the value of the settlement sum.

Restructuring provisions When restructuring measures are adopted, a provision is made for the anticipated expenses related to implementation of the measure. The provision is based on a best estimate and is reassessed at the end of each reporting period. Expenses which are incurred during the implementation of the restructuring are recognised against the provision as they are incurred.

Long-term liabilities With respect to fixed-rate loans, borrowing costs and premiums or discounts are recorded in accordance with the effective interest-rate method (amortised cost).

FINANCIAL INSTRUMENTS

Hedging The accounting treatment of financial instruments depends on the reason for entering into the specific agreement. Each agreement is defined either as a hedging transaction or a trading transaction when it is entered into. Where agreements are treated as hedging transactions in the financial statements, revenues and costs are accrued and classified in the same way as the underlying position. If cash flow hedging is undertaken, unrealised gains/losses on the hedging instrument are not recognised in the balance sheet.

Currency Cash items in foreign currencies are valued at the exchange rate in effect at the balance sheet date. Transactions denominated in foreign currency are converted using the transaction date exchange rate. Currency effects are recognised as financial expenses or income.

Interest Interest instruments which form part of a hedging relationship are accrued in the same manner as interest on interest-bearing liabilities and receivables. Unrealised gains/losses on fixed interest rate positions that are linked to interest-bearing balance sheet items are not recognised in the income statement since these are considered to be part of the hedging arrangement. In the event that loans are repaid before the end of their fixed term (buyback), the gain/loss is recognised in the income statement. Swaps associated with repaid loans are normally terminated. Gains/losses on such swaps are recognised together with the underlying loan.

CASH FLOW STATEMENT PRINCIPLES

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

01 IMPORTANT EVENTS

2009

Statkraft Energi AS has achieved stable operations and production. No significant operational interruptions were experienced in 2009.

Two new hydropower plants came online in 2009, Rødberg and Håvardsvatn (owned by AS Tyssefaldene). This increases the annual mean production by 27 GWh (Statkraft Energi's share).

The Baltic Cable suffered a breakdown on 16 February, but was back in operation on 30 March 2009.

On 31 December 2008, the Statkraft Group took over significant hydropower, gas power and district heating assets through a swap deal with E.ON AG. Statkraft Energi AS devoted substantial resources in 2009 to integrate the new assets into the operative business. Through this take-over, the operative units in Statkraft Energi AS have an expanded responsibility for operations.

Statkraft Energi AS assumed responsibility for the employees in Trondheim Energi Kraft AS from 1 January 2009 in preparation for the merger of the companies. In the autumn of 2009, a decision was made to merge Statkraft Energi AS with Statkraft I AS, with Statkraft Energi AS as the acquiring company. This is one of the stages of the merger process. Following the expiry of the creditor period, but prior to the merger becoming effective, a decision was made to cancel the merger. Notification of the cancellation of the merger has been sent to the Register of Business Enterprises. Merging the companies remains an objective.

Statkraft Energi AS and Boliden Odda have entered into a comprehensive agreement that was finalised in the second quarter and became effective as of 1 July. As part of this agreement, Statkraft Energi AS and Boliden Odda signed two long-term industrial power agreements for the period 2009-2030. The power delivery of about 20 TWh is the largest industrial power agreement Statkraft Energi AS has entered into since 1998.

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

The financial crisis in the autumn of 2008 put the negotiations with the power-intensive industry relating to long-term power agreements on hold. With the exception of the agreement with Boliden Odda, no major long-term power agreements were entered into in 2009. However, the demand to cover the need for short-term trading solutions has been substantial. Statkraft Energi AS offers a solution to the power-intensive industry to cover this need, called energy service. This solution entails that Statkraft Energi AS handles the companies' deliveries of spot power quoted on Nord Pool, as well as handling of the companies' imbalances vis-à-vis Statnett and the need for short-term financial or physical hedging transactions. In Statkraft Energi AS' total short-term industrial portfolio, eleven companies in the power-intensive industry, owning a total of 16 plants, have entered into energy service agreements. The total annual consumption of these companies is about 9 TWh.

The intra-Group power purchase agreement with Knapsack Power GmbH was terminated on 31 December 2009, with a compensation of NOK 80 million. The termination will result in streamlining of the operations.

The largest agreement within trading and origination was entered into with Svenska Kraftnät. Statkraft Energi AS will deliver about 2.8 TWh to cover annual grid losses for 2010 and 2011.

2008

Operation and production in Statkraft Energi AS were stable, without significant operational interruptions. Svartisen power plant was out of operation for the period 31 March to 4 June in connection with the replacement of a generator at the power plant. The downtime was of shorter duration than originally planned.

There was one serious environmental non-compliance on 27 July following a stoppage at Trollheim power plant. This resulted in a stretch of the Surna river experiencing greatly reduced water flow for 3.5 hours. The incident resulted in the stranding of about 20 000 salmon and sea trout smolt. Statkraft Energi AS has contributed to the establishment of two funds intended to reinforce salmon and sea trout populations in the Surna river. Work is under way to install a by-pass valve as a measure to prevent future environmental incidents.*

As a result of the agreement with E.ON AG, Statkraft Energi AS entered into a gas storage contract and a power delivery agreement, both running over the next ten years. Statkraft Energi AS' operating units have had their operational responsibility extended to encompass the new assets in Sweden, Germany and the UK.

In October, Statkraft Energi AS and Boliden Odda signed two long-term, commercial industrial power agreements for the period 2009 to 2030. The agreement for the delivery of around 20 TWh is the largest industrial power agreement Statkraft Energi AS has entered into since 1998. As part of the agreement, Statkraft Energi AS will acquire the shares in AS Tyssefaldene held by Boliden Odda, thus increasing its shareholding in the company to 60.17%. The agreement was finalised in the second quarter of 2009.*

Baltic Cable AB and the European Market Coupling Company (EMCC) have signed an agreement to introduce market coupling of the Baltic Cable power cable. One of the consequences of the agreement will be the abolition of variable charges for power exchange in Sweden with a view to ensuring optimal flow for the cable. EMCC is a joint venture company that will help manage bottlenecks via market coupling and thus contribute to increased integration in the European power market. The agreement will probably enter into force in 2010*.

Statkraft Energi AS has a tolling agreement with the owner of the Kårstø gas power plant. The carbon quota allocation for Kårstø was approved in December. The decision will result in a significant reduction in carbon quotas allocated to Kårstø for the period 2008 to 2012. The number of quotas allocated annually is 320 000, which corresponds to 2500 operating hours. This represents 40 per cent of the level of carbon quotas allocated by the European authorities. The agreement was reassessed following the lower-than-expected quota allocation. The result of this assessment was a write-down of NOK 397 million for the tolling agreement.

*Updated March 2010

02 SEGMENT INFORMATION

Statkraft Energi AS's business activities lie within the Statkraft Group's Generation and Markets segment.

The majority of the company's operating revenues are generated in Norway.

03 SALES REVENUES

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

NOK million	2009	2008
Net physical spot sales	5 172	8 002
Concessionary sales at statutory prices	283	191
Industrial sales at statutory prices	1 671	1 957
Long-term sales contracts	2 369	1 747
Dynamic hedging	1 654	1 205
Trading and origination	307	149
Other	32	28
Total	11 488	13 280

Statkraft Energi AS has long-term physical sales contracts with power-intensive industry and the wood processing industry at prices set by the Norwegian Storting (parliament), as well as obligations to supply power to local authorities at concessionary prices.

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

TWh	2010	2011	2012–2020	2021–
Industrial power	8.9	1.1	0.1	0.0
Concessionary power	2.3	2.3	2.3	2.3
Total fixed sales agreements	11.2	3.4	2.4	2.3

Price and volume for industrial and concessionary power at statutory prices

	2009	2008
Industrial power – Volume (TWh)	8.9	8.9
Industrial power – Price (NOK/MWh)	197	196
Concessionary power – Volume (TWh)	2.3	2.3
Concessionary power – Price (NOK/MWh)	94	94

Regulatory-priced industrial contracts mostly run until the end of 2011. As the regulatory-priced contracts expire, these will mainly be replaced by long-term agreements.

04 RESERVOIR LEVELS AND PRODUCTION (UNAUDITED)

	Reservoir levels as of 31 Dec.		Maximum	Production [1]		
TWh	2009	2008	capacity	2009	2008	Mean
Statkraft Energi AS	23.0	23.5	33.9	33.6	36	31.7

[1] After loss.

Inflow was lower than in a normal year in 2009. Reservoir levels at year-end were higher than normal.

05 OTHER OPERATING REVENUES

NOK million	2009	2008
Power plant leasing revenues	135	128
Other leasing and service revenues	285	190
Other	147	40
Total	567	358

06 ENERGY PURCHASES

Energy purchases are mainly related to purchase of gas for the gas power activities.

07 SALARIES AND PAYROLL COSTS

NOK million	2009	2008
Salaries	500	412
Employer's national insurance contributions	74	52
Pension costs	111	82
Other benefits	16	24
Total	701	570

The company's chief executive is a member of Statkraft's Group management and is employed by Statkraft AS. His services are purchased from Statkraft AS.

Members of Group management, with the exception of the chief executive, may qualify for an annual bonus of up to NOK 500 000. The bonus is disbursed on the basis of attainment of individually specified objectives. Group management has not received any remuneration or financial benefits from other companies in the same Group other than those mentioned above. No additional remuneration for special services over and above their normal managerial functions has been provided.

Members of the board elected by employees received NOK 55 000 in fees (per board member). No other fees were paid to members of the board in 2009. Nor were any loans or pledges granted with respect to board members.

On average, the company had the equivalent of 831 full-time employees in 2009. The corresponding figure for 2008 was 738.

08 PENSIONS

OCCUPATIONAL PENSION SCHEMES

The company is obliged to have an occupational pension scheme under the Mandatory Occupational Pension Act. Statkraft Energi AS operates an operational pension scheme for its employees in the Norwegian Public Service Pension Fund scheme. The pension scheme fulfils the statutory requirements. The benefits include retirement, disability, surviving spouse and child's pensions. For individuals qualifying for the full entitlement, the scheme provides pension benefits amounting to 66 per cent of pensionable salary, up to a maximum of 12G (12 times the National Insurance Scheme's basic amount). The company also offers early retirement at the age of 62 under the AFP pension scheme. Pension benefits from the Norwegian Public Service Pension Fund are guaranteed by the Norwegian state (Section 1 of the Pension Act).

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

UNFUNDED PENSION LIABILITIES.

In addition to the above, Statkraft Energi AS has entered into pension agreements that provide all employees whose pensionable incomes exceed 12G with a retirement and disability pension equivalent to 66 per cent of that portion of their pensionable income exceeding 12G.

A pension scheme has been introduced for operations and professional workers that will provide additional benefits to the AFP from 62-65 years. The scheme compensates for previous agreements on special retirement ages in relation to the Norwegian Public Service Pension Fund.

Breakdown of pension costs for the period

NOK million	2009	2008
Current value of accrued pension entitlements for the year	75	51
Interest costs on pension liabilities	49	52
Return from pension assets	-28	-32
Recognised effect of pension plan changes	-	-
Employer's national insurance contributions	15	11
Net pension costs incl. employer's contribution	111	82

Reconciliation of pension liabilities and pension fund assets

NOK million	2009	2008
Gross pension liabilities	1 730	1 332
Pension assets in the Norwegian Public Service Pension Fund	-952	-759
Employer's national insurance contributions	110	77
Net pension liabilities	888	650

Breakdown of increased pension liability recognised in the balance sheet due to the recognition of estimate deviations in equity:

NOK million	2009	2008
Cumulative amount recognised directly in equity before tax as of 1 Jan.	524	388
Recognised in the period	137	136
Cumulative amount recognised directly in equity before tax as of 31 Dec.	661	524
Recognised in equity after tax	476	377
Recognised in deferred tax	185	147

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

For demographic factors the K2005 and IR73 tariffs are used to establish mortality and disability risks.

Assumptions as of 31 December are used to calculate the net pension liability at year-end, while assumptions as of 1 January are used to calculate the pension costs for the year. The assumptions are based on the guidelines issued by the Norwegian Accounting Standards Board.

09 PROPERTY TAX AND LICENCE FEES

NOK million	2009	2008
Property tax	572	587
Licence fees	196	248
Total	768	835

Licence fees are adjusted in line with the Consumer Price Index, with the first adjustment taking place on 1 January five years after the licence was granted and every fifth year thereafter. The present value of current and permanent licence fees related to the company's generating facilities is estimated at NOK 4 900 million and is discounted at an interest rate of 4 per cent in accordance with regulations relating to the adjustment of licence fees.

10 OTHER OPERATING EXPENSES

NOK million	2009	2008
Materials	96	55
Purchase of third-party services	254	426
Costs of power plants operated by third parties	400	308
Compensation payments	41	48
Other operating expenses	613	698
Total	1 404	1 535

R&D activities are expensed on an ongoing basis. An amount of NOK 20 million was recognised in 2009. The company's research activities are intended to provide further knowledge and develop new methods within hydrology, energy optimisation and maintenance activities.

Annual compensation obligations are estimated at NOK 374 million, see Note 21. Costs of power plants operated by third parties include the tolling agreement with Naturkraft AS. The item Other operating expenses includes write-down of the tolling agreement amounting to NOK 317 million in 2009, the corresponding figure for 2008 was NOK 397 million.

11 FEES PAID TO EXTERNAL AUDITOR

Deloitte AS is Statkraft Energi AS' auditor.
Deloitte also audits the subsidiary Baltic Cable AB.

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

Amounts in NOK *	2009	2008
Statutory auditing	1 573 683	1 500 174
Other certification services	-	-
Tax consultancy services	-	-
Other services	73 015	-
Total	1 646 698	1 500 174

* The amounts are exclusive of VAT.

12 FINANCIAL ITEMS

Financial income

NOK million	2009	2008
Interest income from Group companies	109	137
Interest income other	3	56
Dividend	109	154
Currency gains	-	324
Other financial income	-	2
Total	221	673

Financial expenses

NOK million	2009	2008
Interest expenses paid to Group companies	325	534
Currency losses	123	-
Imputed interests long-term energy contracts	193	226
Other financial expenses	24	16
Total	665	776

13 TAXES

The tax expense comprises the following:

NOK million	2009	2008
Income tax	1 674	1 924
Resource rent tax	1 072	1 814
Correction relating to previous years	11	22
Change in deferred tax	387	51
Total tax expense in the income statement	3 144	3 811

Income tax payable:

Income taxes payable on the Group's profit for the year	1674	1924
Effect of Group contributions on tax liability	-1221	-979
Reduction in prepaid natural resource tax relating to previous years	-	-945
Income tax payable	453	0

Payable tax in the balance sheet:

Natural resource tax	453	461
Resource rent tax	1 072	1 343
Changes previous years	-11	-3
Tax payable in the balance sheet	1 514	1 801

Reconciliation of nominal tax rate and effective tax rate

NOK million	2009	2008
Profit before tax	6 569	8 454
Expected tax expense at a nominal rate of 28%	1 839	2 367
Effect on taxes of:		
Resource rent tax including change in deferred tax	1 299	1 474
Tax-free income	-29	-43
Changes relating to previous years	11	31
Other permanent differences, net	24	-18
Total tax expense	3 144	3 811
Effective tax rate	48%	45%

BREAKDOWN OF DEFERRED TAX

The following table specifies the tax effect of temporary differences and tax loss carryforwards. Deferred tax assets are recognised in the balance sheet to the extent that it is probable that these will be utilised.

The company presents deferred tax assets and deferred tax liabilities connected with different regimes individually:

NOK million	2009	2008
Current assets/current liabilities	216	236
Property, plant and equipment	229	-102
Pension liabilities	-247	183
Total deferred tax asset	198	317
Applied tax rate	28%	28%

NOK million	2009	2008
Temporary differences, resource rent tax	-566	-458
Resource rent carryforwards	831	950
Total deferred tax/tax asset	265	492
Applied tax rate	30%	30%

14 PROPERTY, PLANT AND EQUIPMENT

NOK million	Regulation facilities	Turbines, generators etc.	Shares in power plants operated by other	Land, underground facilities, buildings, road, bridge and quay facilities	Facilities under construction	Other **	Total
Cost 1 Jan. 2009	17 184	7 088	2 447	6 719	821	1 154	35 413
Additions 2009	50	27	106	43	513	25	764
Transferred from facilities under construction	109	60	0	55	-290	66	0
Disposals 2009	0	0	0	-6	-	-3	-9
Cum depr./impairments 31 Dec. 2009	-4 888	-3 889	-959	-1 794	-	-740	-12 270
Book value 31 Dec. 2009	12 455	3 286	1 594	5 017	1 044	502	23 898
Ordinary depreciation for the year	-257	-186	-54	-87	0	-84	-668
Impairments during the year	-	-	-	-	-	-	-
Depreciation period	30–75 years	15–40 years	5–50 years	0–75 years		3–40 years	

** The item Other mainly includes buildings, office and computer equipment, electro-technical installations and vehicles.

A more detailed specification of the useful economic lifetime of the various assets is provided below:

	Depreciation period (years)		Depreciation period (years)
Dams		Buildings (admin etc.)	75
– riprap dams, concrete dams	75	Other fixed installations	
– other dams	30	– permanent	20
Tunnel systems	75	– less permanent	10
Mechanical installations		Miscellaneous fixtures	5
– pipe trenches	40	Land	perpetual
– units (turbine, valve)	40	Office and computer equipment	3
– other mechanical installations	15	Furnishings and equipment	5
Underground facilities	75	Vehicles	8
Roads, bridges and quays	75	Construction equipment	12
Electrotechnical installations		Small watercraft	10
– transformer/generator	40		
– switchgear (high voltage)	35		
– control equipment	15		
– operating centre	15		
– communication equipment	10		

Waterways	Municipality	Lessee	Agreement entered	Duration	Comments
Guolasjåkka	Kåfjord	Troms Kraft	1972	As long as the concession runs	The lessor may after 50 years require the rental fee to be replaced by the capitalized amount
Bardufossen	Bardu	Troms Kraft	1950	2010	Statkraft has a right to redeem the lessee's assets at technical value at expiry of the rental period
Sundsfjordvassdraget	Gildeskål	SKS Produksjon AS	1959/2006	As long as the consession runs	
Sundsfjordvassdraget	Gildeskål	Sjøfossen Energi	2006	As long as the concession runs	
Sundsfjordvassdraget	Gildeskål	Sjøfossen Energi	1947	2018	Statkraft has a right to redeem the lessee's assets at technical value of have it removed at exipry of the rental period
Bjoreio	Eidfjord	Indre Hardanger Kraftlag	1989	Could be terminated with two years notice. Termination by Statkraft can at the earliest be effective from 2019	All tecnhical equipment at Statkraft's sites shall be removed at exipry of the rental period
Smørkleppåi	Vinje	Kjetil Negarden	1981/1984	2011	Statkraft has a right to redeem the lessee's assets at technical value or have it removed at expiry of the rental period.

The figures stated for power plants under co-ownership, or where other parties have the right to appropriate a proportion of output in return for a share of the costs, represent the company's relative shareholding.

County authorities and publicly owned energy companies have the following appropriation rights with respect to the output of power plants operated by Statkraft Energi AS:

Power plants	Third-party shareholdings
Eidfjord	35.00%
Folgefonn [1]	14.94%
Grytten	12.00%
Kobbelv	17.50%
Leirdøla	35.00%
Svartisen	30.00%
Svorka	50.00%
Ulla-Førre	28.00%
Vikfalli	12.00%

[1] The appropriation right in Folgefonn applies to a fixed volume of 170 GWh.

Statkraft Energi AS has a right to purchase the shareholdings of other parties in Grytten in 2035 and other parties' shareholdings in Folgefonn in 2030.

Statkraft Energi AS has the following shareholdings in power plants operated by others:

NOK million	Shareholding	Share of property, plant and equipment
Aurlandsverkene	7.00%	316
Mørkfoss-Solbergfoss	33.33%	18
Røldal-Suldal Kraft AS [1]	8.74%	-
I/S Sira-Kvina kraftselskap	32.10%	1 195
AS Tyssefaldene	60.17%	65
Total		1 594

[1] Statkraft Energi AS owns 8.74 per cent of the shares in Røldal-Suldal Kraft AS, which in turn owns 54.79 per cent of the IS Røldal-Suldal Kraft power plant. Statkraft's indirect shareholding in the company is therefore 4.79 per cent.

ECo has a right to acquire Statkraft Energi's shareholding in Aurlandsverkene in 2029.

AS TYSSEFALDENE, JOINTLY CONTROLLED ASSETS

AS Tyssefaldene generates and distributes hydropower. Statkraft Energi and Eramet have appropriation rights to the production and also have an agreement which allocates costs and financing. AS Tyssefaldene's offices are located in Tyssedal in Odda Municipality.

As of 30 June 2009, Statkraft Energi AS owned 60.17 per cent of AS Tyssefaldene. As previously agreed, Statkraft Energi AS took over Boliden's 39.88 per cent shareholding in AS Tyssefaldene. The remaining shares are owned by Eramet through the company DNN Industrier AS. Statkraft SF owns the power facilities in Tyssedal, but the waterfall rights and power plants are leased out to AS Tyssefaldene on terms set by the authorities.

As of 1 January 2009, AS Tyssefaldene has been classified as a jointly controlled asset and is consolidated in accordance with the proportionate consolidation method.

Statkraft Energi AS recognises its share of revenues, costs, assets and liabilities in accordance with the proportionate consolidation method. The specification in the accounts takes place by specifying the share as a separate item for each main group. Internal transactions are eliminated.

Specification of result items	AS Tyssefaldene	Shareholding *	Shareholding Statkraft Energi AS
Operating revenues	555		60
Operating expenses	546		72
Finance	3		1
Taxes	1		1
Profit/loss	5		-14

* Statkraft Energi AS shareholding until 30 June 2009 was 20.29 per cent. From 30 June 2009, the shareholding was increased to 60.17%.

Specification of balance sheet items as of 31 Dec. 2009:	AS Tyssefaldene	Shareholding	Shareholding Statkraft Energi AS
Non-current assets	140	60.17%	84
Current assets	43	60.17%	26
Long-term liabilities	74	60.17%	45
Current liabilities	13	60.17%	8
Equity	95	60.17%	57
Cost price for shares			51
Valuation difference fund (cf. Note 20)			6

15 SHARES IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates are valuated in accordance with the cost method.

Shares in subsidiaries

NOK thousand Company name	Registered office	Shareholding and voting rights	Share capital	Book value	Equity	Profit for 2009
Baltic Cable AB	Malmö	66.7%	3 000	771 333	122 847	118 860

Baltic Cable AB owns and operates a subsea power transmission cable between Sweden and Germany. Statkraft Energi AS pays a monthly rent to use the cable. Rent recognised in the income statement in 2009 amounted to NOK 129 million. All agreements are entered into at market terms and conditions.

Shares in associates

(NOK thousand) Company name	Shareholding and voting rights	Book value
Aursjøveien AS	33.0%	17

16 OTHER NON-CURRENT FINANCIAL ASSETS

NOK million	2009	2008
Loans to associates	24	18
Long-term receivables	309	1
Long-term power agreement	1 316	1 462
Other shares and ownership interests	6	7
Total	1 655	1 488

17 INVENTORIES

NOK million	2009	2008
Spare parts	38	37
CO_2 quotas held for trading purposes	12	5
Green certificates held for trading purposes	783	423
Gas inventories	19	-
Total	852	465

18 RECEIVABLES

NOK million	2009	2008
Accounts receivable – external	1 062	734
Accounts receivable – Group	288	200
Accrued revenues etc.	377	767
Other receivables	295	327
Current receivables from Group companies	1 438	235
Total	3 460	2 263

The item Current receivables due from Group companies primarily relates to the Group's group account scheme, see Note 19.

19 CASH AND CASH EQUIVALENTS

The company's liquidity is organised in a group account scheme. This means that the subsidiaries' cash holdings are formally considered to be receivables due from the parent company, and all Group companies are jointly and severally liable for the Group's drawdowns.

The amount of tax payable is secured by guarantee, see Note 25.

20 EQUITY

	Paid-in capital			Retained earnings		
NOK million	Share capital	Share premium reserve	Other paid-in capital	Fund for valuation differences	Retained earnings	Total equity
Equity as of 1 Jan. 2008	5 500	3 053	1 508	-	3	10 064
Profit for the year	-	-	-	-	4 643	4 643
Estimate deviation pensions	-	-	-	-	-99	-99
Group contribution paid	-	-	-	-	-2 518	-2 518
Equity as of 31 Dec. 2008	5 500	3 053	1 508	-	2 029	12 090
Implementation effect upon transition to gross method		-	-	18	-	18
Profit for the year	-	-	-	-	3 425	3 425
Share of profit for the year AS Tyssefaldene	-	-	-	-14	14	-
Estimate deviation pensions	-	-	-	-	-98	-98
Recognised directly in equity AS Tyssefaldene	-	-	-	2	-	2
Group contribution paid	-	-	-	-	-3 141	-3 141
Equity as of 31 Dec. 2009	5 500	3 053	1 508	6	2 229	12 296

The company has a share capital of NOK 5.5 billion, divided on 55 million shares, each with a par value of NOK 100. All the shares have the same voting rights and all are owned by Statkraft AS. The company's registered office is in Oslo (P.O. Box 200 Lilleaker).

21 PROVISIONS

NOK million	2009	2008
Pension liabilities	888	650
Provisions for annual compensation payments	374	374
Provision for losses on contracts	714	397
Other provisions	3 730	3 918
Total	5 706	5 339

Pension liabilities are described in further details in Note 8.

The item Other provisions includes prepayments of NOK 3119 million received in connection with future power sales agreements (NOK 3278 million). The largest of these are the agreement with Elsam and the Rana contract. In addition, liabilities include a gas agreement and a power sales agreement with AS Tyssefaldene which are amortised until maturity. A gain of NOK 76 million linked to terminated foreign exchange contracts which are amortised in the period leading up to 2010 was also recognised in the balance sheet (NOK 146 million).

22 LONG-TERM INTEREST-BEARING LIABILITIES

NOK million	2009	2008
Loans from Group companies	5 890	4 671
Other liabilities	38	-
Total	5 928	4 671
Nominal average interest rate NOK	3.66%	6.93%

The loans are denominated in NOK and fall due in 2018.

23 SHORT-TERM INTEREST-BEARING LIABILITIES

NOK million	2009	2008
Loans from Baltic Cable AB	-	129
Total	0	129

24 OTHER INTEREST-FREE LIABILITIES

NOK million	2009	2008
Accounts payable – external	489	205
Accounts payable – Group	90	95
Indirect taxes payable	430	499
Other interest-free liabilities	321	121
Current liabilities to Group companies	4 460	4 877
Total	5 790	5 797

Of short-term liabilities to Group companies for 2009, NOK 4362 million relate to group contributions paid for 2009. In 2008, the group contributions paid was NOK 3497 million.

25 PLEDGES, OBLIGATIONS AND GUARANTEES

PLEDGES

Under certain circumstances, county authorities and publicly owned energy utilities are entitled to a share of the output from power plants belonging to Statkraft Energi AS in return for paying a share of the construction costs, cf. Note 14. To finance the acquisition of such rights, the county authorities/companies have been granted permission to pledge the power plant as security. The mortgage debt raised by the local authorities under this scheme totals NOK 1627 million. As of 31 December 2009, the book value of the pledged assets in Statkraft Energi AS totalled NOK 6113 million.

OBLIGATIONS AND GUARANTEES

Statkraft Energi AS has total off-balance-sheet obligations and guarantees amounting to NOK 4173 million. Of this, NOK 1132 million relates to financial power swap agreements, NOK 3000 million to Nord Pool and NOK 41 million to guarantees to the tax office and other guarantees.

26 DERIVATIVES

Statkraft Energi AS trades in financial instruments for various purposes. The treatment of these instruments in the financial statements will depend on their purpose as described in the note on accounting policies.

Currency and interest rate derivatives

	31.12.09		31.12.08	
	Book value	Fair value	Book value	Fair value
Total	-	-12	-	60

Fair value of interest swap agreements and forward currency contracts is determined using valuation techniques where expected future cash flows are discounted to current value. Expected cash flows are calculated and discounted using observed market interest rates for the various currencies (swap interest rate curve) and observed foreign currency rates. Valuation of forward currency contracts is based on observable currency exchange rates, from which the forward exchange rate is extrapolated. Calculated present values are checked against the corresponding calculations from counterparties to the contracts.

ENERGY TRADING

Commodity derivatives valued at fair value

NOK million	Fair value 2009	Recognised changes in 2009	Fair value 2008
Trading portfolio (external)	150	118	32

With respect to power trading, the trading portfolios are valued at fair value in accordance with Section 5-8 of the Norwegian Accounting Act. The portfolios comprise short-term financial forward and option contracts for power and carbon contracts traded via Nord Pool. The portfolios also comprise bilateral financial contracts normally with identical terms to standardised contracts traded via Nord Pool. Nord Pool's closing prices are used to calculate fair value. The swap interest rate is used as a discounting factor.

Contracts in the trading portfolios are traded with a short time horizon. As of 31 December 2009, fair value was broken down as follows per future time period:

NOK million	
2010	46
2011	80
2012	21
2013	4
2014	-1
Total fair value 31 Dec. 2009	150

Commodity derivatives not valuated at fair value:
Statkraft Energi AS has four power portfolios within power trading whose financial instruments are not recognised at fair value in the financial statements. All these portfolios consist of both physical and financial contracts. When assessing the risks and value attached to each portfolio, the physical and financial contracts are treated as one item. The fair value of financial power contracts will therefore not be representative of the value of the entire portfolio.

Portfolio	Accounting procedures	
Nordic hydropower	Hedging	Section 4-1, subsection 1 No. 5 of the Accounting Act
Continental Assets	Lower value principle	Section 5-2 of the Accounting Act
Origination	Lower value principle	Section 5-2 of the Accounting Act
Statkraft Financial Energy	Lower value principle	Section 5-2 of the Accounting Act

27 → MARKET RISK

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY

Statkraft Energi's financial instruments are exposed to market risk. Market risk is the risk that a financial instrument's fair value or future cash flows will fluctuate as a result of changes in market prices. Market risk primarily relates to risk in connection with electricity prices, CO_2 prices, gas prices, interest rates and currency exchange rates.

Risk management in Statkraft Energi AS focuses on the entire contract portfolio. Internal guidelines for the degree of market exposure have been established for all portfolios. The responsibility for ongoing follow-up of issued authorisations and frameworks lies with independent organisational units. The frameworks for trading in both financial and physical contracts are continually monitored and regularly reported.

The following section contains a more detailed account of the various types of market risk, and how these are managed.

DESCRIPTION OF THE VARIOUS PORTFOLIOS AND THE RISK MANAGEMENT OF THE PORTFOLIOS

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

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

The physical sales obligations include statutory-priced industrial contracts, long-term sales contracts, concessionary power obligations, as well as miscellaneous free power and compensation power contracts. The majority of the statutory-priced industrial contracts will expire in the period leading up to 2011. The long-term contracts have varying terms, but the longest runs until 2030. Concessionary power agreements run in perpetuity. For some of these sales obligations the price is indexed to other market risks such as metals and foreign currency.

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

Statkraft Energi AS is exposed to both price and volume risk, because both future price and inflow are unknown. Mandates are based on annual volume thresholds and available production. The objective of the portfolio management is to optimise portfolio revenues and reduce risk. The risk is quantified using simulations of various scenarios for relevant risk factors.

Continental Assets The assets in the portfolio are Baltic Cable AB, the gas power plants and other assets in the UK and in Continental Europe. The purpose of the portfolio is to handle energy production in continental Europe, including the gas power plant at Kårstø as well as associated risk.

The contract portfolio consists of financial and physical contracts relating to the assets. The financial contracts in the portfolio are forward contracts for power, CO_2, gas, oil products and coal. The price development in the spot market for power, gas, the underlying commodities included in the indexing of the gas contracts and CO_2 therefore affect the gas power plants' earnings. Statkraft Energi AS engages in trading in accordance with the applicable mandates by locking in earnings when power prices are attractive relative to gas prices combined with attractive CO_2 costs. In addition, Statkraft Energi AS also engages in financial trading to maximise the revenues from Baltic Cable.

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

Trading and origination Statkraft Energi AS has various portfolios for trading and origination that are managed independently of the company's expected power production. Trading teams have been established in Oslo, Trondheim and Stockholm. The portfolios act in the market with the aim of realising gains on changes in the market value of energy and energy-related products, as well as gains on non-standardised contracts.

The trading activities entail buying and selling standardised and liquid products. Power and CO_2 products are traded, as well as green certificates, gas and oil products. The contracts in the trading portfolio have durations ranging from zero to five years.

Origination activities include both standardised products and structured contracts. Structured products may be energy contracts with a special hourly profile, long-term contracts or power contracts in different currencies. Listed liquid contracts such as system price, area prices and foreign currency are generally used to reduce the risk involved in trading in structured products and contracts. The majority of the contracts in the portfolio have terms of up to five years, though some contracts run until 2018.

Statkraft Energi AS has allocated risk capital for the trading and origination business. Clear restrictions have been established for permitted trading products. The mandates for trading and origination activities are adhered to through specified limits for Value-at-Risk and Profit-at-Risk. Both methods calculate the maximum loss a portfolio can incur, with a given probability factor over a given period of time. Credit risk and operational risk are also quantified against the allocated risk capital.

FOREIGN EXCANGE AND INTEREST RATE RISK

Currency risk Statkraft Energi AS incurs currency risk in the form of transaction risk, mainly in connection with power sales revenues and investments.

The operational currency for trading on the energy exchange in Norway is EUR, which means that all contracts that are entered into via energy exchange are denoted in EUR and are thus exposed to EUR. Corresponding currency exposure arises from energy trading on other exchanges.

Currency exposure related to cash flows is hedged in accordance with the Group's financial strategy. Currency risk exposure is followed up continuously by Statkraft AS. Responsibility for entering into and following up positions is subject to division of responsibility and allocated to separate organisational units.

Interest risk The main part of Statkraft Energi's interest rate exposure is related to a long-term floating-rate loan from Group companies. Interest risk exposure is continually followed up by the section for risk management in Statkraft AS' financial department. The responsibility for entering into and following up positions is subject to division of responsibility and allocated to separate organisational units.

28 CREDIT RISK, LIQUIDITY RISK AND INSURANCE RISK

CREDIT RISK

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

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

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

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

Placement of surplus liquidity is handled by Statkraft AS and the liquidity is mainly divided among institutions with a credit rating of BBB or better. For financial instruments, loss exposure is calculated in the event of breach of contract by the counterparty.

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

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

The individual counterparty exposure limits are monitored continuously and reported regularly. In addition, the counterparty risk is quantified by combining exposure with the probability of defaulting for the individual counterparty. The overall counterparty risk is calculated and reported for all relevant units.

LIQUIDITY RISK
Statkraft Energi AS assumes liquidity risk in that the term to maturity of financial liabilities does not correspond with the cash flow which the assets generate, and by variations in security requirements related to financial contracts in the forward market (energy exchanges). The Statkraft Group has good borrowing opportunities from the Norwegian and European money markets and banking market. Drawdown facilities are used to secure access to short-term financing. Liquidity risk exposure is continually followed up by the section for risk management in Statkraft AS' financial department. The responsibility for entering into and following up positions is subject to division of responsibility and allocated to separate organisational units.

INSURANCE
Statkraft Energi AS has substantial risk exposure in the operations through potential damage to own assets and lost production as well as potential liability as a result of injury or damage to a third party's person or property. Insurance coverages have been established which limit the negative effect of these significant risk exposures. All assets in Statkraft Energi AS are insured according to the reacquisition value with the exception of insurance of dams, where the maximum compensation per incident is NOK 400 million and tunnels, where the maximum compensation per incident is NOK 100 million. Statkraft Energi also has water loss insurance, where maximum compensation is NOK 500 million per incident.

29 RELATED PARTIES

The operations, the production management and power optimisation of the Group's power plants in Sweden and Finland are coordinated with Statkraft's power plants in Norway through an operating agreement with Statkraft Energi AS. In addition, Statkraft Energi AS has operational responsibility for the group's Norwegian wind turbine companies and the power plants in Laos and Nepal.

Statkraft Energi's operative units manage and administrate the power plant operations in the Nordic region and in Continental Europe. The parties are Statkraft Energi AS and Statkraft Markets GmbH.

The management of the SFE portfolio and the Continental Assets portfolio will be handled by Statkraft Financial Energy AB and Statkraft Markets GmbH, respectively.

Statkraft Energi AS buys administration, office service and IT services from Statkraft AS.

The administration of Statkraft Carbon Invest AS will be handled by Statkraft Energi AS.

Statkraft Energi AS cooperates with Trondheim Energi Kraft AS with regards to power optimisation and associated support functions. The cooperation is regulated by a power purchase agreement.

Statkraft Energi AS has a tolling agreement with Naturkraft AS. Statkraft AS owns 50 per cent of Naturkraft AS.

Statkraft Energi AS pays for the leasing of cable to Baltic Cable AB.

Statkraft Energi AS has entered into agreements relating to power purchase from the Group company Kraftwerkgesellschaft Herdecke mbH & Co. Statkraft Markets GmbH resells physical power from the power plants in the German market.

Jørgen Kildahl is a board Member of Multiconsult AS, which has sold services to Statkraft Energi AS.

The agreements have been entered into at market terms.

Auditor's Report

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Statkraft Energi AS

AUDITOR'S REPORT FOR 2009

We have audited the annual financial statements of Statkraft Energi AS as of 31 December 2009, showing a profit of NOK 3,425 millions. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway have been applied to prepare the financial statements. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

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

Oslo, 16 March 2010
Deloitte AS

Aase Aa. Lundgaard (signed)
State Authorised Public Accountant (Norway)