Statkraft

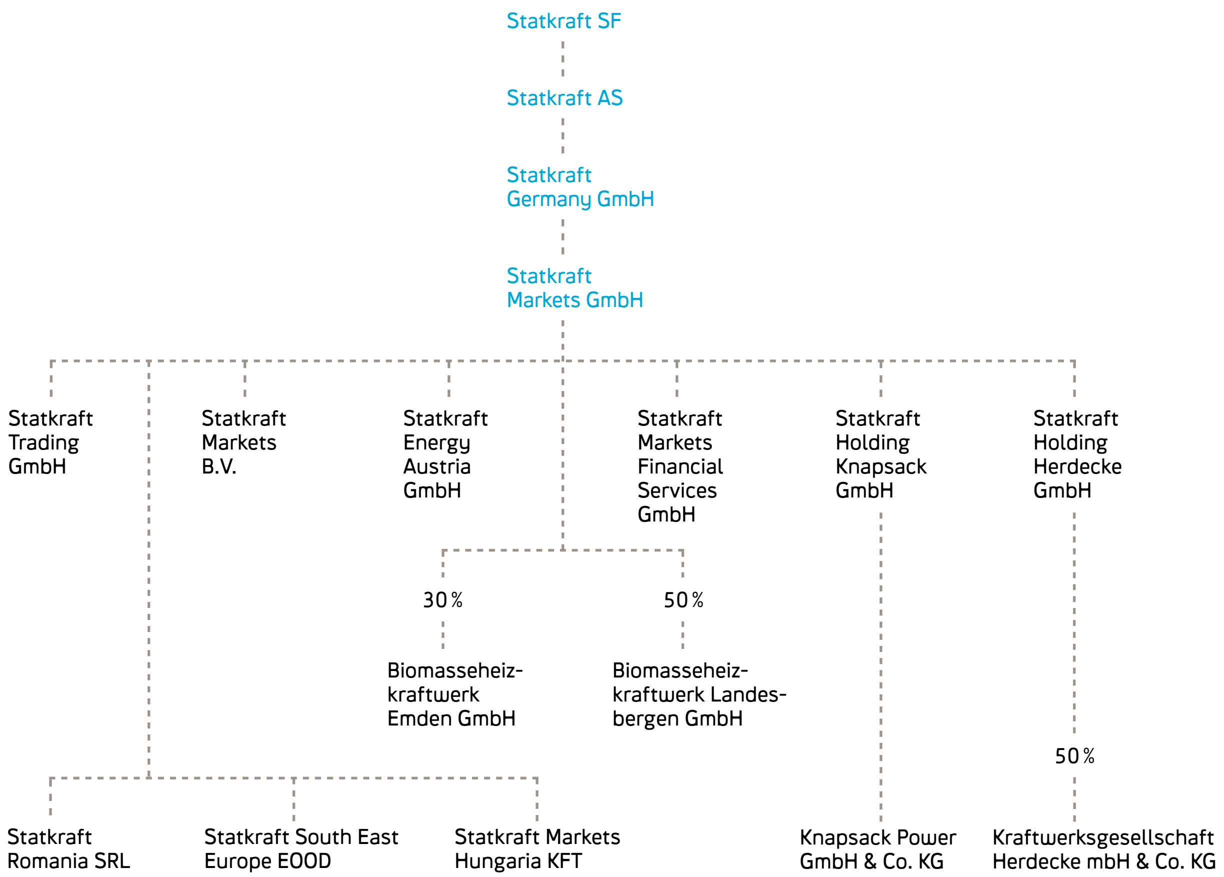
STATKRAFT MARKETS GMBH
ANNUAL REPORT 2010

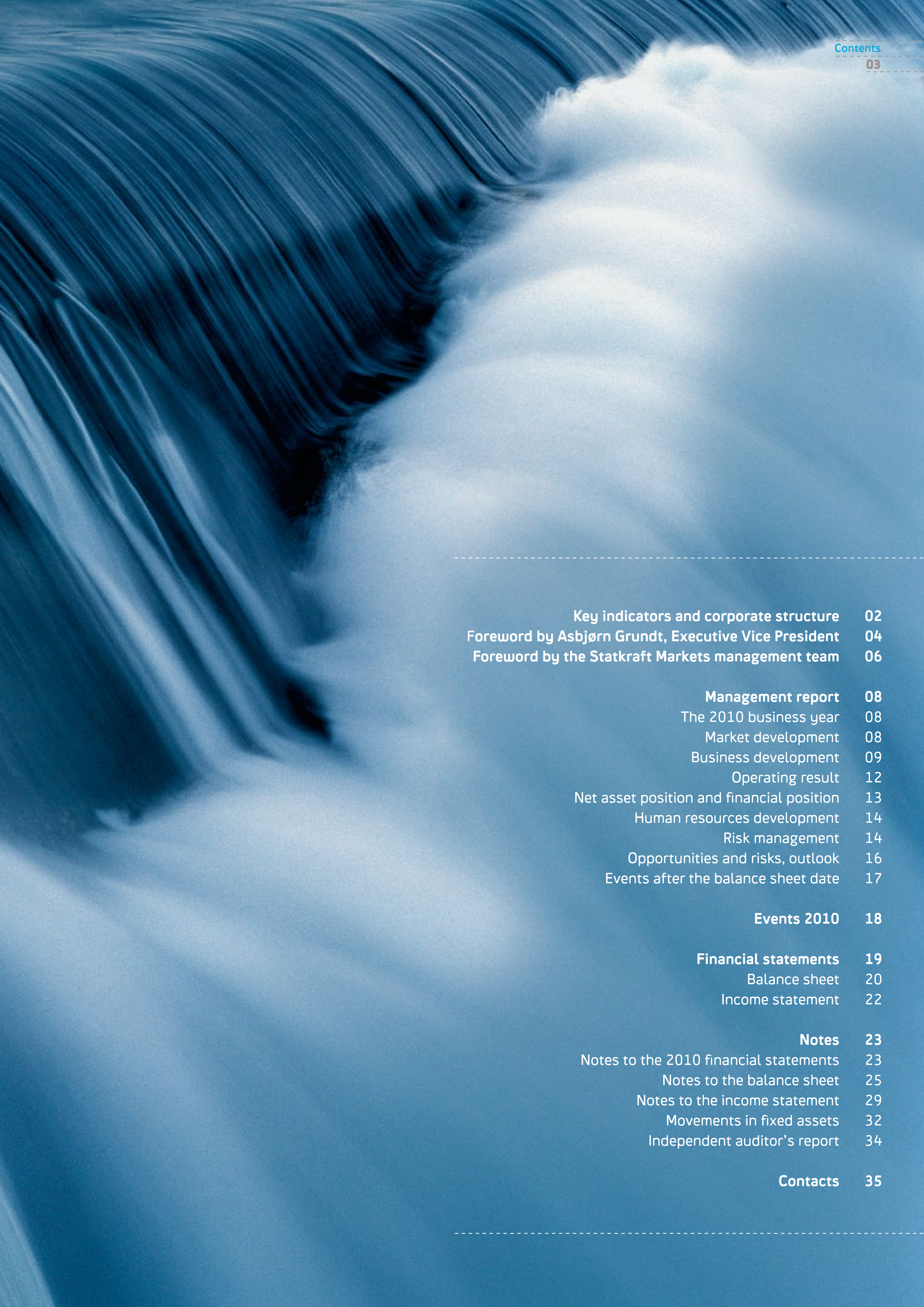
Key indicators of Statkraft Markets GmbH

Values in € million	2010	2009	2008	2007
Sales revenue	7,837.6	5,577.8	5,173.2	2,896.8
EBIT	−79.8	12.6	−2.5	27.8
Profit before taxes	−83.1	−2.9	−1.7	19.0
Profit after taxes	−86.5	−4.2	−1.4	10.0
Cash flow of continuous operations	2.3	−45.2	1.5	26.2
Cash and cash equivalents	13.9	12.7	20.7	15.1
Net working capital	151.7	37.9	5.4	12.9
Balance sheet total	1,025.8	817.6	736.8	474.5
Equity	317.8	317.8	317.8	190.1
Equity ratio (%)	30.9	38.9	43.1	40.1
Number of employees*)	196	190	274	82

*) The method used to calculate the number of employees at the end of the year was changed in 2010, requiring an adjustment of the previous-year figure.

Corporate structure





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Asbjørn Grundt
Executive Vice President, Market Operations and IT, Statkraft AS

“We focus our efforts on those businesses in which we have a competitive advantage in asset development and operations.”

Foreword by Asbjørn Grundt

Dear Partners and Customers,

In 2010 Statkraft reviewed its strategy, shortly after Christian Rynning-Tønnesen had been appointed as the new CEO and his new management board was established. Regarding the vision underlying our strategic platform 2012, there is a degree of continuity: We want to deliver growth in pure energy. In our view, pure energy encompasses generation of electricity from hydro, gas, wind and biomass. Equity positions in coal or nuclear are not part of this scope.

According to our strategy, we will develop hydropower worldwide, with the focus on Norway, South America, South Asia and Turkey. In gas-fired generation we are looking into enlarging and replacing existing plants that we own in Germany. We plan to invest in offshore in the UK and in onshore projects in Norway and Sweden. We decided to step out of photovoltaic electricity generation in order to focus our efforts on those businesses in which we have a competitive advantage in asset development and operations.

Last but not least, we will continue to grow our trading and origination business in Europe. Understanding the functioning of the relevant energy markets – including the commodities that are related to energy – continues to give us a competitive edge for the commercial management of our assets. In addition, this delivers a good return on the risk capital employed.

This strategy has been supported by our owner, the state of Norway. The capital increase of EUR 1.7 billion that was decided on 15 December 2010 will enable Statkraft to undertake investments in the order of EUR 10 billion in the period 2011 to 2015. This will underline Statkraft's ambition to be one of Europe's leading players in environmentally friendly energy.

I would like to express my gratitude to all of you for being our trusted partners and customers. As we cooperate with you either as trading partners or co-owners of assets, we look forward to continuing our friendly cooperation and to developing our businesses together.

Asbjørn Grundt

ASBJØRN GRUNDT
Executive Vice President

DR TORSTEN AMELUNG
Managing Director

DR GUNDOLF DANY
Managing Director

STEFAN-JÖRG GÖBEL
Managing Director

STEPHANUS PETERS
Managing Director

DR CARSTEN POPPINGA
Managing Director

DR JÜRGEN TZSCHOPPE
Managing Director

“The current market system in Germany – as in other countries – still has to deliver on the integration of conventional power and renewable power generation.”

Foreword by the Statkraft Markets management team

Dear Business Partners!

The year 2010 marked the breakthrough of a longterm energy concept with renewable energy as the backbone of supply in Europe. Statkraft's ambition to grow in environmentally friendly power generation fits this strategy very well, and has been the guideline for Statkraft Markets GmbH in 2010.

In the field of power generation, various activities and investments have been undertaken to increase the technical and environmental performance of the German generation fleet. Moreover, the planning of a new CCGT in Knapsack has been finalised. The board of Statkraft approved construction of yet another highly efficient gas-fired power station on this site, confirming Knapsack's status as a new main generation hub in the high load area of Cologne.

Despite ongoing concerns regarding overcapacity in Europe, a limited number of efficient new gas-fired plants will be needed to cover up the supply and to lower the CO_2-footprint of German electricity production by displacing high-emission coal-fired units. A lively debate is targeting the consequences of the strong renewable strategy and future flexibility needs, especially in times with low solar radiation and wind. However, the current market system in Germany – as in other countries – still has to deliver on the integration of conventional power and renewable power generation. We expect the next years to provide more clarity on the integration of new sources of energy not only into the system but also into the markets.

Looking beyond German borders, the Statkraft group is engaging in various trading and asset activities across Europe. A few examples: In France, we are looking into concessions for existing hydropower stations and opportunities for newly built CCGTs. The Continental Energy Management team took over dispatch of several wind farms in the UK, adding this to the existing plant fleet in Germany, the UK and Turkey. Our trading and origination activities were also increasingly geared towards the growth of renewable energy in Europe. Besides our assets, Statkraft has taken over the energy management of a number of third-party wind farms and biomass plants in the UK and Germany.

We are gratefully indebted to our business partners and our employees for the achievements in 2010, and look forward to a good and trustful cooperation in the years to come.

DR TORSTEN AMELUNG
Managing Director

DR GUNDOLF DANY
Managing Director

STEFAN-JÖRG GÖBEL
Managing Director

STEPHANUS PETERS
Managing Director

DR CARSTEN POPPINGA
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DR JÜRGEN TZSCHOPPE
Managing Director

Management Report for the 2010 business year

Problematic margin development for gas-fired power plants – positive development for hydroelectric power and energy trading

Statkraft Markets GmbH has every reason to be very satisfied with an eventful business year in 2010. Business activities in 2010 included energy trading, i.e. the trading of electricity, fuels and emission certificates in continental Europe, the generation of power from its own environment-friendly run-of-river, pumped-storage and gas-fired power stations, energy management as well as support and services for developing new power plant projects for the parent company Statkraft AS in Oslo. The key operative subsidiaries are Knapsack Power GmbH & Co. KG and Kraftwerksgesellschaft Herdecke GmbH & Co. KG.

2010 was a difficult year as far as the margins for gas power plants were concerned. One of the main reasons for this development was a substantial amount of electricity generated from subsidised solar plants in the German market during the summer months. This resulted in impairment losses in the generation portfolio which had a highly negative impact in 2010.

Hydropower and energy trading again made positive contributions to earnings. The power plant marketing and energy functions also continued to be successfully developed on the UK market in 2010.

Market development

Sharp increase in gas prices in 2010, light recovery of the electricity market

Electricity markets have recovered somewhat since 2009. At EUR 44.49 in 2010, the average price for spot deliveries on the German electricity market, calculated as the average day-ahead baseload price on the EEX, was over EUR 5/MWh higher than in the previous year, while remaining significantly lower than the 2008 price. At an annual average of EUR 55.02/MWh, the EEX price for peak hours (peak load from 8 a.m. to 8 p.m. on working days) was around EUR 4/MWh higher than in 2009. Higher prices were mostly recorded in the fourth quarter when the peak load price rose to an average of EUR 64.09/MWh, largely due to the cold December.

Although the general rise in electricity prices is partly a symptom of the fast growing economy in Germany, it also needs to be seen in the light of trends on German gas markets on which prices also went up significantly in 2010.

Prices at the NCG virtual trading point (NetConnect Germany) rose from a moderate EUR 14/MWh in the first quarter to almost EUR 25/MWh in December. Gas price trends can be explained by the fact that gas prices at the NCG trading point were considerably lower than those for long-term import contracts and a degree of adjustment was therefore to be expected. However, it is striking in this context that the typical seasonal profile did not emerge and that prices rose steadily from the first through to the fourth quarter.

One of the consequences of diverging price increases for electricity and gas prices, however, is the disappointing development of the margins for electricity production from gas-fired power stations.

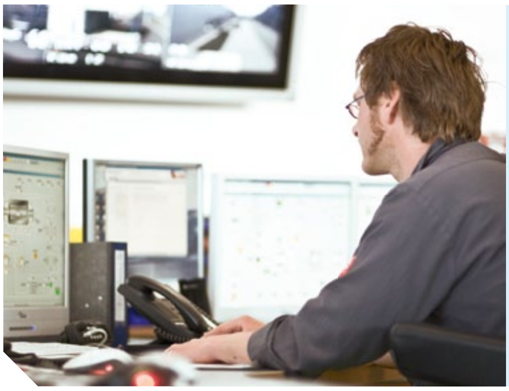
There was very little movement on the emissions market compared with 2009. After spot prices fell in the first quarter to under EUR 13/t, price levels were up to around EUR 14/t by December.

Spot prices have become much less volatile on markets since 2008 and structured optional products, such as virtual power plants, consequently produce fundamentally lower margins. This development is due to the fact that the electricity market in particular is relatively well supplied and that peak loads can usually be run down without making use of highly inefficient capacities. This effect is compensated by, in some cases, considerable medium to long-term fluctuations in prices, such as on the natural gas market, which have a direct impact on the price of electricity and open up trading options.

The German Bundestag passed an amending law to the Renewable Energy Act (EEG) in May 2010 which reduced the feed-in tariffs for photovoltaics array building systems and solar plants on 1 July 2010. However, rapidly falling production costs mean that the photovoltaic market will continue to grow substantially faster in the future than originally expected. In fact, over 8,000 MW of solar power was produced at peak hours in the late summer of 2010. Owing to the payment structure in the solar power market, these developments have a highly negative impact on incentives for investments in the environmentally friendly and flexible power plant capacities which will be urgently required in the medium term.

Another important political event was undoubtedly the decision of the Bundestag to pass the amending law to the Nuclear Energy Act in October 2010. The new law extended the pre-phase out operating periods of existing nuclear power plants – depending on the age of plants – by 8 to 14 years.

Fuel price fluctuations have a direct effect on electricity prices and generate trading opportunities



Staff increase in the business unit “Operations & Maintenance” ensures optimised procedures among the locations

Business development

Operations & Maintenance

Following the successful integration of the gas and hydroelectric power plants acquired from E.ON AG last year, a key focus of business activity in 2010 was on the ongoing organisational overhaul of “Operation & Maintenance”. The organisation was strengthened by recruiting new personnel. In particular the processes on the interfaces between the “Health/Safety/Environment (HSE)”, “Inventory Management & Purchasing”, “Technical Central Department” central functions based in the “Regional Centre” in Hürth-Knapsack and the power plant locations were developed further and brought up to the standards in the Statkraft Group.

Plant availability was very high and annual electricity production well above average in the run-of-river power plants in the Weser river basin and the pumped-storage power plant in Erzhausen. Particular mention should be made in this context of the successful optimisation of the rotor-stator blade arrangement in the pumped-storage power plant in Erzhausen, where minimum output could be significantly reduced to enable the plant to operate over a much broader power range.

Increased availability and broader range of services for the pumped storage power plant in Erzhausen

Total power production of 5.4 TWh almost 10% higher than previous year. Further capacity expansion in planning

The major audit of the Robert Frank gas power plant in Landesbergen launched the previous year was successfully completed with the plant's recommissioning in early March. While the audit took longer than planned owing to unexpected findings, the comprehensive technical overhaul of all the relevant main components nonetheless created the conditions which will allow for a good technical performance and reliable operation in the future. The success of these measures was reflected over the course of the year by consistently good availability.

A 3-month audit of the Emden gas power plant was also used in autumn to do some fundamental maintenance work on key components of the watersteam system. Recommissioning was successful in December and initial operational experience was highly positive.

The second "minor revision" was successfully completed as planned on the gas turbines in the gas and steam power plant run by a Statkraft Markets GmbH subsidiary in Knapsack. Two other planned shutdowns were carried out to undertake maintenance work. All in all, availability matched the periods typical for this type of plant.

Energy Management

The market setting for plant operation and production marketing was also characterised by falling margins and low electricity prices and volatility in 2010. Despite a cold winter, gas prices at the beginning of the year were low; however, prices rose sharply over the course of the year at a much faster pace than electricity prices. The emissions market was rather unspectacular and the achievable margins from gas power plants continued to decline. Increasing use was made of marketed production in third markets, such as back-up and green electricity, to absorb some of the collapse in margins.

Production in 2010 of 5.4 TWh was higher than the previous year's 5.0 TWh. This also encompassed proportionate production from the Herdecke power plant in which Statkraft has a 50% shareholding and which is operated in successful cooperation with our partner Mark-E. The increase may be ascribed to a higher generation volume by modern gas power plants operated by subsidiaries in Knapsack and Herdecke. Production by Statkraft Markets GmbH power plants dropped from 1.0 TWh to 0.8 TWh owing to the negative development of margins for comparatively low-efficiency gas power plants.

Work continued on new gas power plant projects for Statkraft in 2010. In addition to a further production line with a capacity of approximately 430 MW in Knapsack, intensive work was undertaken on planning replacement facilities in Emden. Further new, strengthening and replacement projects using various technologies are also in the early stages of development.

Energy management activities were extended as services to other countries to encompass the United Kingdom and Turkey alongside Germany.

Trading and Origination

Trading activities on the UK power and gas market continued to be developed despite the continuing central role played by power trading in continental Europe. Critical trends were also recognised at a very early stage in 2010, including in particular the fall in electricity prices and the changes caused by the increasing production of renewable energy, all of which resulted in positive trading results.

Results in the origination and portfolio management fields continued to be extremely pleasing. A positive contribution was made in this context by structured contracts bundled and managed in Portfolio Management (such as virtual power plants (VPPs) based on a correspondingly structured supply agreement).

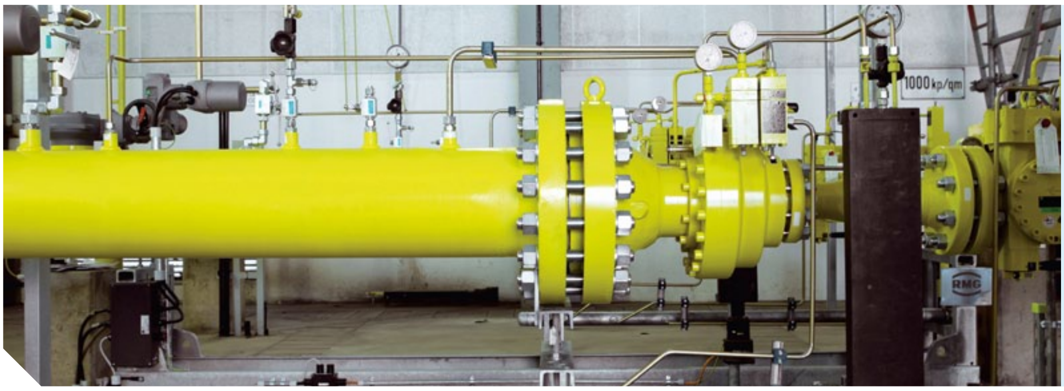
Statkraft Markets GmbH continued to enjoy a close and mutually trusting collaborative relationship with ewz in Switzerland, Braunschweiger Versorgungs-AG & Co. KG (BVAG) in Germany and Salzburg AG in Austria.

The market in south-east Europe continued to suffer from the impact of the ongoing global financial crisis. In 2010, there were only small price differences between individual countries. Although prices and volatility remained low, the results in this area nonetheless improved significantly in 2010. Cross-border power trading in five south-eastern European countries via subsidiaries in Romania, Bulgaria, Hungary and Statkraft Western Balkans d.o.o. (a sister company of Statkraft Markets GmbH in Belgrade) continued to be expanded with the objective of exploiting future trading opportunities.

Trading with renewables also made a substantial positive contribution to overall profits in 2010. Statkraft Markets GmbH actively sells certified electricity from renewable generation sources to energy utilities which wish to, or must, supply their customers with green electricity. Statkraft offers the opportunity to purchase certified power and can market it across borders in Europe. Statkraft Markets GmbH has supply contracts with British, Dutch and German energy traders and distribution companies, which are mainly supplied with environment-friendly hydropower from Scandinavia.

Emissions trading produced outstanding results in 2010. Sluggish progress in the UN negotiations towards a new global climate change agreement after 2010 and the economic crisis have also slowed down growth in this area.

Positive result from trading thanks to far-sighted trading strategy



Statkraft can now supply gas to third-party power plants on the basis of tolling contracts, enabling it to profit from the deregulation of the gas market

Expansion of trading activities in a number of countries in south-east Europe despite problematic market conditions

Operating result

Sales were up from EUR 5.6 billion to EUR 7.8 billion. This increase was basically the result of greater volume of trade with electricity, gas and emission certificates. Electricity trading business contributed a share of EUR 6.4 billion and the traded volume increased from 88 TWh in 2009 to 132 TWh in 2010. Sales also benefited from gas trading worth EUR 1.1 billion.

Gross profit of EUR 39.3 million from Trading & Origination in 2010

The gross margin fell in the year under review from EUR 114.8 million in 2009 to EUR 89.8 million. Based on a portfolio valuation geared to the lower-of-cost-or-market principle, the reduction is largely ascribable to Trading and Origination. Trading and Origination consequently reported a gross margin of EUR 39.3 million. The gross margin in the power plant field (Energy Management and Operations & Maintenance) was EUR 50.5 million.

Personnel costs rose by EUR 1.3 million in 2010 to EUR 13.6 million. This is mainly due to a 3% increase in the size of the workforce.

The increase in depreciation to EUR 73.5 million compared with EUR 27.0 million is largely due to impairment losses for gas power plants amounting to EUR 37.0 million. These impairment losses are derived from an internal DCF (discounted cash flow). Goodwill of EUR 11.0 million was written off in its entirety in this context.

Other operating expenses rose to EUR 81.7 million from EUR 62.9 million. Higher trade income in particular also led to an increase in currency exchange losses by EUR 10.4 million up to EUR 13.8 million. In contrast, other operation income of EUR 13.1 million in currency exchange gains was reported. Owing to planned maintenance measures the costs of services for power plants rose from EUR 5.4 million to EUR 10.3 million.

Services for the company group contributed to the increase in costs and were EUR 2.2 million higher than the figure of EUR 33.9 million for the previous year. Services for the company group mainly include trading, accounting and IT services from Statkraft Trading GmbH, Statkraft Germany GmbH and Statkraft Markets BV subsidiaries.

Despite reporting negative financial results of EUR –4.2 million in 2010, Statkraft Markets GmbH nonetheless improved on its performance for the previous year by EUR 11.3 million. This is mainly due to value adjustments in financial assets in the previous year. Owing to lower rates of interest compared to the previous year, financial expenses of EUR 5.3 million – EUR 1.5 million less than the previous year – were also incurred in the year under review. Financial expenses mainly concern maturity group loans of EUR 175.0 million.

Owing to the special impact of impairment losses, the overall results from ordinary activities were negative and amounted to EUR –83.1 million. Without these effects the adjusted result is EUR –35.8 million. Negative earnings before tax of EUR –86.5 million will be balanced on the basis of a profit transfer agreement entered into on 1 January 2009 by the sole shareholder Statkraft Germany GmbH.

Net asset position and financial position

The company reported cash flow from operating activities of EUR 2.3 million during the current year (previous year: EUR –45.2 million). The negative operative cash flow for the previous year was due to the reporting date, as outstanding payments for supplies in trade with emission certificates for December 2009 were only due for payment in January 2010. Cash flow derived from investing activities amounted to EUR –34.0 million (previous year: EUR –16.1 million) and cash flow from financing activities amounted to EUR 80.0 million (previous year: EUR 0 million). This resulted in a change in cash and cash equivalents of EUR 48.3 million. Taking account of the negative cash position at the beginning of the year of EUR –45.3 million, this resulted, on 31 December 2010, in a positive position of EUR 3.0 million. The cash position at the end of 2010 was composed of liquid assets (EUR 13.9 million) and the negative cash pool balance (EUR –10.9 million).

Depreciation and amortisation of property, plant and equipment and of financial assets for the 2010 business year of EUR 73.5 million were accompanied by investments in property, plant and equipment of EUR 32.6 million. Investments of EUR 1.7 million were made in financial assets. The result is that the value of property, plant and equipment fell by EUR 50.4 million in the previous year to EUR 420.7 million.

The changes in current assets and in liabilities are largely due to the balance sheet date. The inclusion of an additional loan to finance power plant investments and audits resulted in an increase in liabilities to affiliated companies of EUR 80 million. Based on the profit transfer agreement, the change in the company's equity of EUR 317.80 million since last year merely reflects adjustments in line with the Accounting Law Modernisation Act (BilMoG).

The total equity ratio is 30.9 % (2009: 38.9%) with total assets of EUR 1,025.8 million – figures which continue to underline Statkraft Markets GmbH's credit status. The increase in total assets and associated drop in the equity ratio is mainly due to the major rise in trade payables and receivables generated by higher trading volumes. The increase of EUR 80 million in long-term liabilities to affiliated companies in December 2010, which was made available for investments in the power plant sector, has also influenced the equity ratio.

Following a major inspection, the gas-fired power station Robert Frank in Landesbergen began operating again at the beginning of March.

Positive balance of cash funds per 31 December 2010 amounting to EUR 3.0 million

Human resources development

The average number of employees was 195 in comparison with 192 in 2009

The number of staff was 196 on 31 December 2010, and on average 195 for the year.

The high quality and dedication of its employees have been the central factor in the company's successful development in recent years. Continuous training and other human resources development programmes are set up in order to ensure high qualification and competence levels in our staff in the future. Moreover in 2010, Statkraft Markets GmbH managed to secure commitments to the company from key employees. As Statkraft Markets GmbH operates with its subsidiaries throughout the whole of Europe, there are employees from 22 different nations working at the two locations in Düsseldorf and Hürth-Knapsack. This international environment is very attractive for employees outside Norway and Germany and also has a generally positive impact on the company's development potential in new European markets.

Risk management

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

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

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

Risk is managed by means of a mandate and limit system. Contracts can only be closed in compliance with risk limits which are defined both for market risk and counterparty risk. Market price risks in the volatile power and gas markets are measured by Value at Risk (VaR) and Profit at Risk (PaR). Middle Office supervises the portfolio exposures as well as the total risk in the company. In the case of limit breaches, Middle Office takes responsibility to reduce exposures and to minimise unhedged risks.

Counterparty risk is managed through an internal rating process. For each counterparty, the credit limit is monitored and periodically reviewed, while current exposures are reported regularly. The rating and limit system helps to focus on counterparties with high creditworthiness. Counterparty risk includes positive market values of financial derivatives. In view of the worldwide financial crisis, limits relating to financial institutions and special industrial customers have been critically reviewed and adjusted. Statkraft Markets GmbH did not suffer any losses in 2010 as a result of the insolvency of any customers.

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

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

All of the systems for core processes have been designed with multiple redundancies

The close contact between risk management and power plant personnel is a component of our strategies for the avoidance of technical risks

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

Opportunities and risks, outlook

Statkraft will sustain its focus on environmentally friendly and flexible power generation and energy trading in continental Europe. The optimisation of the existing power plant portfolio and the development of further generation capacity will play an important role in combination with an expansion in trading activities.

A new sector for international trading activities: "Global Carbon"

Two questions will play an outstanding role with regard to the operation of power plants and the development of Statkraft's power plant portfolio in Germany. On the one hand, pricing and flexibility will be crucially important in the procurement of gas, particularly as regards price maintenance and reselling options at trading points are concerned. At the same time, developing an energy policy which ensures that enough environmentally friendly and flexible power plant capacity continues to be available in Germany in the future is of undisputed importance. The expansion of flexible generation is an integral part of the Statkraft Group's strategy, as is demonstrated by the decision to invest in a second CCGT power plant in Knapsack. Further investments in flexible capacities (e.g. pumped storage, gas power plants, overseas cables) generally still make sense in order to supply power during periods in which less solar or wind power can be generated owing to weather conditions, time of day or time of year. As investments in gas power are low it will continue to play a role in the European energy mix. In the short-term, the expansion of renewable energy resources will have a negative impact on the margins for gas power plants and as such represent a risk for profitability. In the long term, in contrast, opportunities will arise for Statkraft's existing and future flexible generation portfolio.

Flexible generation capacities such as gas-fired power remain a significant factor in the energy mix

An understanding of the interaction of global energy markets (coal, LNG, oil-derived substances) and regional electricity, gas and emissions markets will be important in the future and will open up new opportunities for Statkraft. A key driver in this context is the fact that global raw material prices are, and will continue to be, determined by demand in growth markets to a far greater extent, while far more regional circumstances are influencing prices on the electricity market in particular. A key to efficient energy management and successful energy trading will therefore be to analyse global markets and to engage with them actively where necessary. The new "Global Carbon" division marks one step in this direction. In this field there are plans to open trading branches in Singapore and South Africa in 2011. Statkraft will also continue to diversify its trading portfolio in Europe and extend its activities in the United Kingdom.

The EU Commission's proposal for the regulation of bilateral ("over-the-counter") business may – depending on final implementation – entail a change in the trading environment. One aspect of the proposal is for the obligatory clearing of all standardised OTC derivatives. At present it is not at all clear to what extent physical trading transactions in the energy market would be affected. The clearing of standard products naturally places greater demands on the liquidity of market players. The increased amount of internal administrative work associated with new reporting requirements can also be seen as a risk.

The margins for gas power plants are expected to remain weak in 2011. As the good results produced by hydroelectric power plants and by trading and origination will not be able to compensate for this entirely, negative but significantly better results than in 2010 (excluding special effects) are forecast.

Events after the balance sheet date

The operative business of Statkraft Markets GmbH has developed as anticipated in the period between the close of the 2010 fiscal year and preparation of this management report. Less income than expected has been generated in the power plant sector owing to the fact that one power plant has been undergoing an unscheduled audit since early March 2011. Half of available capacity should be available again by June.

The nuclear disaster in Japan and the subsequent discussion in Germany have led to a radical change of direction in the country's energy policy. If, as expected, the power plants which have been closed as part of the moratorium are not reconnected to the grid, and if plans to abandon nuclear energy altogether are speeded up, the overall long-term position in Germany will shift considerably. Immediately following the decision to impose a moratorium, forward prices rose by around 5% to 10% on the power exchanges; this development created somewhat better margins for Statkraft Markets GmbH's gas power plants. However, revenues are not expected to rise dramatically given the comparatively lower efficiency of Statkraft Markets GmbH's gas power plants. The situation is different for highly efficient power stations, such as those run by the subsidiary Knapsack Power GmbH & Co KG.

No other matters of special significance for the company have occurred.

Düsseldorf, 30 May 2011

DR TORSTEN AMELUNG
Managing Director

DR GUNDOLF DANY
Managing Director

STEFAN-JÖRG GÖBEL
Managing Director

STEPHANUS PETERS
Managing Director

DR CARSTEN POPPINGA
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DR JÜRGEN TZSCHOPPE
Managing Director

Events 2010

Activities on the UK market

As part of the swap with E.ON in January 2009 and the integration of the hydropower plant Rheidol in Wales to the Statkraft portfolio, a division “UK Dispatch” was established. The new team was responsible for trading the generated energy volume on the wholesale market. In 2010, Statkraft received the “supply licence”. This enables electricity to be be brought to market from smaller, renewable energy sources for third parties. The management of these energy supply contracts is also carried out by “UK Dispatch”. The team continued to be strengthened over the previous year.

New CEO and new strategy

On the first of May 2010, Christian Rynning-Tønnesen took over the position as the new CEO, following Bård Mikkelsen. Furthermore, the management board underwent a reorganisation and was joined by new members. The new strategy focuses on Statkraft's core competencies in renewable energy. Main areas of growth will be flexible generation and trade in Norway and Western Europe, international hydropower and wind power from onshore (Norway, Sweden) and offshore wind parks (UK).

Statkraft increases capacity in Knapsack

The signing of the EPC contract (Engineering, Procurement and Construction) on 13 September 2010 with Siemens approved the expansion plans to increase the generation capacity within gas power. In Knapsack (Germany), the most modern and most efficient combined-cycle gas turbine power plant (CCGT) will add 430 MW to the existing capacity of 800 MW. CCGTs are an important part of the renewables strategy in Germany because they can balance fluctuations from wind and solar power.

Financial statements

Balance sheet as at 31 December 2010

Assets	31 December 2010 EUR	Prior year EUR'000
A. Fixed assets		
I. Intangible assets		
1. Software	1,066,835.34	943
2. Goodwill	0.00	10,995
	1,066,835.34	11,938
II. Tangible assets		
1. Land, land equivalent rights and buildings	24,951,756.68	33,344
2. Technical equipment and machinery	194,327,067.54	216,131
3. Other equipment, factory and office equipment	3,130,804.70	3,289
4. Plant under construction	16,060,968.38	15,638
	238,470,597.30	268,402
III. Financial assets		
1. Shares in affiliated companies	156,672,177.89	156,682
2. Participating interests	9,335,737.05	9,336
3. Loans to companies in which the company has a participating interest	13,500,000.00	13,950
4. Other loans	1,685,785,47	10,820
	181,193,700.41	190,788
	420,731,133.05	471,128
B. Current assets		
I. Inventories		
Raw materials and supplies	9,569,166.75	5,562
II. Receivables and other assets		
1. Trade receivables	352,172,018.72	203,149
2. Receivables from affiliated companies	120,037,210.82	39,574
3. Other assets	97,296,715.42	79,911
	569,505,944.96	322,634
III. Cash in hand, bank balances	13,923,774.95	12,693
	592,998,886.66	340,890
C. Prepaid expenses	12,123,042.99	5,592
	1,025,853,062.70	817,610

Shareholders' equity and liabilities	31 December 2010 EUR	Prior year EUR'000
A. Equity		
I. Subscribed capital	4,000,000.00	4,000
II. Capital reserves	305,104,558.71	305,105
III. Other earnings reserves	45,978.68	0
IV. Retained earnings brought forward	8,663,853.54	8,664
	317,814,390.93	317,768
B. Provisions		
1. Provisions for pensions and similar obligations	3,753,031.34	13,210
2. Provisions for taxes	574,384.23	1,076
3. Other provisions	81,886,966.36	88,670
	86,214,381.93	102,956
C. Liabilities		
1. Bank loans and overdrafts	5,105.38	9,418
2. Trade payables	274,772,535.59	93,718
3. Liabilities to affiliated companies	337,473,572.28	276,923
4. Other liabilities	1,621,438.54	8,201
	613,872,651.79	388,260
D. Prepaid income	7,951,638.05	8,625
	1,025,853,062.70	817,610

Income statement

For the period 1 January to 31 December 2010

	2010 EUR	2009 EUR'000
1. Sales revenue	**7,837,646,389.80**	5,577,805
a) Energy tax	**–116,143.71**	–2,753
2. Other operating income	**29,750,957.55**	9,602
3. Cost of materials		
a) Cost of raw materials, consumables	**–37,267,859.93**	–49,619
b) Cost of purchased services	**–7,740,229,412.38**	–5,420,222
4. Personnel expenses		
a) Salaries	**–11,847,323.80**	–10,211
b) Social security contributions, pension costs and other benefit costs thereof for pensions: EUR 85,076.07 (previous year: EUR 12 K)	**–1,714,855.17**	–2,013
5. Amortisation and depreciation of fixed intangible and tangible assets	**–73,534,756.47**	–27,046
6. Other operating expenses	**–81,663,561.40**	–62,951
7. Income from profit transfer agreements	**451,599.13**	438
8. Other interest and similar income of which from affiliated companies: EUR 706,180.06 (previous year: EUR 423 K)	**1,183,645.31**	690
9. Write-offs in financial assets	**–10,000.00**	–9,259
10. Expenses from assumption of losses	**–493,565.80**	–561
11. Interest and similar expenses of which from affiliated companies: EUR 4,397,518.52 (previous year: EUR 6,618 K)	**–5,299,307.75**	–6,779
12. Result from ordinary business operations	**–83,144,194.62**	–2,879
13. Extraordinary expenses	**–3,448,492.00**	0
14. Taxes on income	**278,580.00**	–1,274
15. Other taxes	**–181,505.26**	–94
16. Income from assumption of losses	**86,495,611.88**	4,247
17. Net income / net loss	**0.00**	0

Notes to the 2010 financial statements

General remarks

The annual financial statements have been prepared in compliance with Sections 242 et seqq. and Sections 264 et seqq. German Commercial Code (HGB) as well as with the relevant provisions of the German Law on Limited Liability Companies (GmbHG). The regulations for large firms organised in a corporate form apply. They have been prepared for the first time in accordance with all of the provisions modified by the German Accounting Law Modification Act (BilMoG). During the initial preparation of the financial statements in accordance with BilMoG, the option of Article 67 (8) second sentence EGHGB (Introductory Act to the German Commercial Code) was exercised so that the figures from the previous year were not adjusted. The positive valuation effects on results resulting from the initial application of BilMoG have been disclosed in equity with no effect on profit or loss.

The income statement was prepared according to the cost summary method.

Accounting and valuation rules

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

Purchased **intangible fixed assets** and **tangible fixed assets** are recognised at acquisition cost; if subject to wear and tear, scheduled depreciation is taken in accordance with their useful life. A useful life of up to 7 years for intangible assets, of up to 39 years for buildings and up to 30 years primarily for other assets was assumed.

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

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

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

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

Liquid assets are recognised at nominal value.

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

Pension provisions were measured by the projected unit credit method, applying actuarial principles, and based on Dr Klaus Heubeck's 2005 G mortality tables published in 2006. These provisions were discounted at the average market interest rate of the past seven years as announced by Deutsche Bundesbank, based on the assumption of a remaining term of 15 years (Section 253 (2) second sentence HGB). This interest rate is 5.15 % p.a. In addition, a pay scale trend of 3.75 % p.a. and a rise in pensions of 1.00 % p.a. were assumed.

The option of Section 67 (1) first sentence EGHGB to distribute the required allocations to the pension provisions over a maximum of 15 years was not exercised. The allocation was effected in full in the 2010 fiscal year.

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

Derivative financial instruments pursuant to Section 254 HGB. The business activities of Statkraft Markets GmbH include the trade and sale of electricity, gas, emission rights and commodities. For this purpose, forward contracts are concluded that are settled before maturity against hedged transactions. The individual forward contracts are listed in the corresponding portfolios. The market valuation is performed by means of forward rates and internally developed models that comply with industry standards or, if the market price cannot be reliably determined, at acquisition costs. The material factors in these models are the anticipated price change on the energy markets, the historical price development, the volatility of market prices as well as the general interest rate development.

The physical and derivative pending trade transactions concluded in the Trading division are measured outside of the balance sheet, within the framework of an examination broken down according to trading desks, at their fair value within the scope of portfolio hedges. The effect of risk compensation from underlying transactions of a similar nature using hedge transactions is consolidated in the portfolio hedges.

Items which must be described as open in a narrower sense, i.e. for which no transactions compensating for their risk exist, are excepted from this. In this case and to the extent necessary, provisions for impending losses from pending transactions have been created.

The pending physical and derivative transactions concluded in the Origination division are measured within the framework of a portfolio hedge from the physical underlying transactions and the concluded hedge transactions.

The balance sheet presentation of the effective parts of the hedges is realised using the net hedge presentation method, according to which the offsetting value changes of the underlying and hedge transactions which are a consequence of the hedged risk in each case are not shown in the balance sheet.

The hedge accounting in the form of portfolio hedges described above secures risks arising from price change risks in the commodities traded at the relevant desk.

The term of the intent to hedge for the portfolio hedges is indefinite. There is a documented, appropriate and functional risk management system in place for the determination of the prospective effectiveness of the portfolio hedges. Action frameworks, responsibilities and controls have been set forth as binding internal guidelines. Trade with commodity derivatives is allowed within stipulated limits. These limits are set down and monitored daily by independent organisational units.

The central management variables in the area of Trading & Origination are Value at Risk (VaR) and Profit at Risk (PaR). VaR and PaR values are generally based on a confidence level of 99 %. The holding period for the VaR depends on the liquidity of the instruments held in the portfolios and thus varies from one day for trading portfolios to up to one year for origination portfolios. The PaR functions as an additional management variable in the case of origination portfolios, and describes the risk under the assumption that all positions are closed without further risk-reducing activities during the entire policy period for contracts held in the portfolio in the spot market.

The effectiveness of the portfolio hedges is assessed at the end of each year by considering the fair value of the specific hedge. If the balance of all of the fair values of the included transactions – taking into account any inventories encompassed by the hedges – is negative, a provision for hedges is created. If the balance of fair values is positive, they are not included in the balance sheet.

	Nominal volume Buys 31.12.2010 EUR millions	Nominal volume Sales 31.12.2010 EUR millions	Market value 31.12.2010 EUR'000	In balance sheet per 31.12.2010 EUR'000	Balance sheet item 31.12.2010 EUR'000
Commodity derivatives	9,438	9,252	–29,014	–58,644	Other provisions
thereof Trading	8,664	8,553			
thereof Origination	744	699			

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

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

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

Sales from trading are disclosed as gross figures.

Notes to the balance sheet

Fixed assets

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

The **goodwill** was written off completely on the basis of an internal DCF (discounted cash flow) calculation during the reporting period. In addition, there were related unscheduled write-offs on parts of the fixed assets, specifically the gas-fired power plants. The consideration of declining margins in the operation of the gas-fired power plants was the most important cause behind these unscheduled write-offs.

Equity interests valued at EUR 9,336 K (previous year: EUR 9,336 K) concern the shares at the two biomass CHP plants in

Emden and Landesbergen acquired in the framework of a swap concluded with E.ON AG in 2008.

The company has granted loans to the two biomass CHP plant companies. They are disclosed with a value of EUR 13,500 K (previous year: EUR 13,950 K) as **loans to undertakings in which the company has a participating interest**.

List of shareholdings

Name of the company	Share-holding in %	Result of the 2010 fiscal year EUR'000	Share capital/ Liable capital as of 31.12.2010 EUR'000	Equity as of 31.12.2010 EUR'000
Statkraft Energy Austria GmbH, Vienna/Austria	100	30	50	77
Statkraft Markets Financial Services GmbH, Düsseldorf	100	0*)	25	1,093
Statkraft Markets B.V., Amsterdam/Netherlands	100	478	6,061	2,342
Statkraft Holding Herdecke GmbH, Düsseldorf	100	0*)	25	20,325
Statkraft Holding Knapsack GmbH, Düsseldorf	100	0*)	25	141,979
Knapsack Power GmbH & Co. KG, Düsseldorf **)	100	–43,058	25	77,189
Knapsack Power Verwaltungs GmbH, Düsseldorf **)	100	2	25	45
Kraftwerksgesellschaft Herdecke mbH & Co. KG, Hagen **)	50	4,493	10,000	14,493
Kraftwerksverwaltungsgesellschaft Herdecke mbH, Hagen **)	50	1	25	33
Statkraft Markets Hungária Kft., Budapest/Hungary	100	1	198	190
Statkraft South East Europe EOOD, Sofia/Bulgaria	100	–32	3	104
Statkraft Romania SRL, Bucharest/Romania ***)	100	–55	100	449
Statkraft Trading GmbH, Düsseldorf	100	0*)	25	25
Statkraft Germany Drei GmbH, Düsseldorf	100	–2	25	22
Statkraft Germany Vier GmbH, Düsseldorf	100	–2	25	22
Statkraft Germany Fünf GmbH, Düsseldorf	100	–2	25	22
Biomasseheizkraftwerk Emden GmbH, Emden	30	–1,206	1,000	8,784
Biomasseheizkraftwerk Landesbergen GmbH, Landesbergen	50	–1,420	1,000	8,355

*) Result for the year after transfer of profits/losses
**) Indirectly held participating interest
***) Indirectly held participating interest of 1%

Receivables and other assets

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

Receivables due from affiliated companies relate to trade receivables in the amount of EUR 11,679 K (previous year: EUR 10,223 K) and to receivables from the cash pool in the amount of EUR 2,390 K (previous year: EUR 0). Receivables due from the shareholder Statkraft Germany GmbH in the amount of EUR 102,233 K (previous year: EUR 24,317 K) relate to input tax reimbursement claims and a loss set-off claim. Furthermore, receivables due from affiliated companies relate to receivables from profit and loss absorption agreements in the amount of EUR 451 K (previous year: EUR 438 K) and short-term loans granted to subsidiaries in the amount of EUR 3,284 K (previous year: EUR 4,596 K).

Prepaid expenses

Prepaid expenses of EUR 12,123 K (previous year: EUR 5,593 K) notably include expenses for option premiums, network fees, gas procurement and IT services relating to the 2011 business year.

Deferred tax reimbursements

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

Equity

There were no capital increases or decreases during the reporting period. As a consequence of the controlling and profit and loss absorption agreement with Statkraft Germany GmbH, which has been in effect since 1 January 2009, the company's equity remained virtually unchanged in comparison with the previous year at EUR 317,769 K. The change in equity of EUR 46 K disclosed in the balance sheet is a consequence of the adjustment pursuant to the application of the German Accounting Law Modification Act. In accordance with Section 67 (1) third sentence (EGHGB), the resulting dissolution amounts of accruals were listed directly in the newly created revenue reserves.

Provisions for pensions and similar obligations

Reinsurance policies have been concluded to secure the pension obligations. Accordingly, the obligations and the asset value of the reinsurance policies have been disclosed in the balance sheet as a total balance pursuant to Section 246 (2) second sentence HGB. Appropriate amounts have been invested in special funds to meet the commitments from pension obligations. These funds are exempt from attachment by all other creditors. They have been measured since 2010 at fair value, which is now set off against the pertinent underlying obligations. This results in an excess obligation in the reporting period, which is recognised in the provisions. In the previous year, the special fund was disclosed at acquisition cost in the balance sheet and shown under other loans.

The historical acquisition costs of the plan assets per 31 December 2010 amount to EUR 12,834 K for the pensions obligations, while the fair value per 31 December 2010 amounts to EUR 12,837 K.

The item of EUR 3,753 K (previous year: EUR 13,210 K) breaks down to EUR 10 K (previous year: EUR 10,216 K) for pension provisions (after the offset of the reinsurance claim of EUR 12,837 K), to EUR 2,768 K (previous year: EUR 2.179 K) for provisions for partial retirement and to EUR 975 K (previous year: EUR 815 K) for jubilee provisions and other personnel provisions.

Other provisions

Other provisions were notably created for impending losses from pending transactions/ provisions from hedges (EUR 63,953 K, previous year: EUR 71,603 K), employee bonuses (EUR 719 K, previous year: EUR 528 K), network and broker fees (EUR 1,676 K, previous year: EUR 1,270 K), cost of balance energy (EUR 1,267 K, previous year: EUR 639 K), demolition costs (EUR 5,178 K, previous year: EUR 3,678 K), restoration provisions (EUR 4,350 K, previous year: EUR 4,525 K), contributions to employers' liability insurance associations (EUR 203 K, previous year: EUR 255 K) and holiday leave not yet taken/settlement obligations (EUR 158 K, previous year: EUR 278 K).

Liabilities

The liabilities have a residual term of up to one year; liabilities of EUR 255,000 K (previous year: EUR 175,000 K) have a residual term of over five years. Liabilities amounting to EUR 28,782 K are collateralised by guarantees of the parent company.

The liabilities due to affiliated companies relate to trade accounts payable in the amount of EUR 67,931 K (previous year: EUR 52,829 K), liabilities from loans in the amount of EUR 255,000 K (previous year: EUR 175,000 K) and liabilities from loss compensation obligations in the amount of EUR 493 K (previous year: EUR 561 K). As of the balance sheet date, there are liabilities from the cash pool due to the top-level parent company Statkraft AS, Oslo/Norway, in the amount of EUR 13,259 K (previous year: EUR 48,533 K). As of the balance sheet date, there were trade liabilities due to the shareholder Statkraft Germany GmbH in the amount of EUR 791 K (previous year: EUR 2,035 K).

The other liabilities of EUR 1,621 K (previous year: EUR 8,201 K) include the amount of EUR 257 K (previous year: EUR 0) for tax liabilities.

Other financial obligations

Obligations pursuant to tenancy leases and leasing agreements came to a total of EUR 2,941 K (previous year: EUR 2,500 K) as per 31 December 2010.

A letter of support has been presented to a clearing office in Austria for the accounting grid obligations of Statkraft Energy Austria GmbH. There was no liability to this clearing office as at the balance sheet date.

Statkraft Markets GmbH issued a guarantee of EUR 2,000 K to the Bulgarian State Energy and Water Regulatory Commission, relating to liabilities of Statkraft South East Europe EOOD, Sofia/Bulgaria, pursuant to electricity supply contracts within Bulgaria. The liabilities of Statkraft South East Europe EOOD, Sofia/Bulgaria, from electricity supply contracts within Bulgaria, amount to EUR 381 K as of 31 December 2010.

Due to your current assets and financial position, the company assumes the originally engaged subsidiaries can fulfil all of their obligations. Therefore, the risk of claims for all listed contingencies is classified as improbable.

Notes to the income statement

Sales

Sales revenue in the past fiscal year amounted to EUR 7,837,646 K and was distributed among electricity (EUR 6,474,559 K), gas (EUR 1,100,023 K) and emissions as well as renewables (EUR 260,462 K). Sales revenue also includes income from Group services to Statkraft Energi AS, Oslo/Norway, in an amount of EUR 580 K, as well as from other services to customers in an amount of EUR 2,022 K. Sales revenue also includes EUR 116 K in energy tax which has been deducted on the face of the income statement.

Classified by regional markets, sales were notably generated in Germany (EUR 5,832,210 K), Great Britain (EUR 1,151,296 K), France (EUR 439,959 K), the Netherlands (EUR 315,975 K), Italy (EUR 31,008 K), Hungary (EUR 23,219 K), the USA (EUR 17,532 K), the Czech Republic (EUR 11,255 K), Belgium (EUR 9,233 K), Greece (EUR 5,643 K), Romania (EUR 4,986 K), Norway (EUR 3,908 K) and Bulgaria EUR 1,690 K). The remaining sales were generated in other countries of the EU or EEA.

Other operating income

Other operating income amounted to EUR 29,751 K. It notably consists of income from the recharging of internal cost for projects and services to Group companies in an amount of EUR 8,326 K and participations in the amount of EUR 4,171 K, foreign currency gains in an amount of EUR 13,060 K (thereof unrealised earnings from the measurement EUR 235 K) and income from the reversal of provisions in an amount of EUR 323 K.

Depreciation and amortisation of fixed intangible assets and tangible assets

The write-offs on fixed tangible assets include unscheduled depreciation of the gas-fired power plants at the sites in Emden and Landesbergen in the amount of EUR 36,953 K in addition to scheduled depreciation.

Other operating expenses

The item other operating expenses includes, above all, expenses for legal and consultancy fees (EUR 4,555 K), rent, repair and similar costs (EUR 6,417 K), services for power plants (EUR 10,285 K), expenses from Group services (EUR 36,085 K), foreign currency losses (EUR 13,837 K, thereof unrealised expenses from the measurement EUR 466 K), IT-related expenses (EUR 1,889 K), marketing and information costs (EUR 1,368 K), travel expenses (EUR 518 K), expenses for telephone and data transmission (EUR 508 K), membership fees (EUR 686 K), guarantee costs (EUR 261 K), expenses for external employees (EUR 303 K) as well as general allowances on receivables (EUR 1,482 K).

The Group service expenses of EUR 36,085 K include an item of EUR 11,325 K for expenses from the service agreement with Statkraft Trading GmbH. Another EUR 6,331 K relates to expenses from the service agreement with Statkraft Germany GmbH.

Interest and similar expenses

The interest expenses in the 2010 fiscal year totalling EUR 5,299 K include interest components from pensions in the amount of EUR 629 K and interest components from Other provisions in the amount of EUR 153 K.

Extraordinary expenses

The extraordinary expenses of EUR 3,448 K relate to expenses pursuant to pension obligations incurred within the context of the initial application of BilMoG.

Taxes on income

Taxes on income amount to EUR −279 K, breaking down into EUR −176 K for corporate income tax and EUR −103 K in municipal trade tax, related to the two previous years.

Auditor fees

The total fee charged by the auditors Deloitte & Touche GmbH for fiscal year 2010 comes to EUR 106 K: EUR 100 K for the audit of the financial statements and EUR 6 K for other certification services.

Major transactions with affiliated and associated companies

Statkraft Markets GmbH conducted the following major transactions with affiliated and associated companies in the 2010 fiscal year:

1. Service agreements between Statkraft Markets GmbH and Statkraft Energi AS regarding:
   a. Conduct of energy transactions on its own behalf, but for the account of Statkraft Energi AS;
   b. Provision of electricity marketing related to the electricity purchase contract with Kraftwerksgesellschaft Herdecke mbH & Co. KG and Knapsack Power GmbH & Co. KG as well as the shares (two-thirds) in Baltic Cable AG, Malmö/Sweden
2. Electricity supply contracts between Statkraft Markets GmbH and Knapsack Power GmbH & Co. KG
3. Service agreement between Statkraft Markets GmbH and Statkraft Germany GmbH regarding the performance of services for the departments Finance and Business Support, HR and Communications
4. Service agreement between Statkraft Markets GmbH and Statkraft Trading GmbH regarding the performance of services for the departments Power Plant Scheduling, Energy Trade and Origination
5. Loan agreement between Statkraft Markets GmbH (borrower) and Statkraft Treasury Center S.A.
6. Business management agreement between Statkraft Markets GmbH and Biomasseheizkraftwerk Emden GmbH
7. Business management agreement between Statkraft Markets GmbH and Biomasseheizkraftwerk Landesbergen GmbH
8. Loan agreement between Statkraft Markets GmbH (lender) and Biomasseheizkraftwerk Emden GmbH
9. Loan agreement between Statkraft Markets GmbH (lender) and Biomasseheizkraftwerk Landesbergen GmbH

Management

The managing directors are Dr Torsten Amelung (Chairman), Düsseldorf (with sole powers of representation); Dr Jürgen Tzschoppe (Commercial Asset Management), Düsseldorf; Stefan-Jörg Göbel (Trading & Origination), Düsseldorf; Dr Carsten Poppinga (Finance), Düsseldorf; Stephanus Peters (Origination), Amsterdam/Netherlands (authorised to act jointly); and Dr Gundolf Dany (Operations & Maintenance), Pulheim (with sole powers of representation). The managing directors perform the duties and responsibilities of the divisions shown above as their full-time occupations.

Total emoluments paid to the management

The company has decided to exercise the option of the protective clause of Section 286 (4) HGB with respect to the emoluments paid to management. Only one managing director, Dr Gundolf Dany, received emoluments from the company in the 2010 business year.

Employees

The company had an annual average of 195 employees during the reporting period (2009: 192).

Group affiliation

The company's annual financial statements are included in the consolidated financial statements of Statkraft AS, Oslo/Norway, as of 31 December 2010 (smallest group).

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

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

Proposal for appropriation of profit

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

Düsseldorf, 30 May 2011

DR TORSTEN AMELUNG	DR GUNDOLF DANY	STEFAN-JÖRG GÖBEL	STEPHANUS PETERS	DR CARSTEN POPPINGA	DR JÜRGEN TZSCHOPPE
Managing Director	Managing Director	Managing Director	Managing Director	Managing Director	Managing Director

Movements in fixed assets in the 2010 business year

Gross book values

	Balance as at 1.1.2010 EUR	Additions EUR	Transfers EUR	Disposals EUR	Balance as at 31.12.2010 EUR
I. Intangible fixed assets					
Software	1,632,850.79	209,794.21	0.00	0.00	1,842,645.00
Goodwill	11,779,877.84	0.00	0.00	0.00	11,779,877.84
	13,412,728.63	**209,794.21**	**0.00**	**0.00**	**13,622,522.84**
II. Tangible fixed assets					
Land, land equivalent rights and buildings	36,351,170.92	33,812.26	1,198,757.99	0.00	37,583,741.17
Technical equipment and machinery	237,965,456.72	15,793,734.55	14,162,937.42	57,748.68	267,864,380.01
Other equipment, factory and office equipment	6,467,840.02	866,746.86	120,091.15	58,717.95	7,395,960.08
Plant under construction	15,637,524.11	15,905,230.83	-15,481,786.56	0.00	16,060,968.38
	296,421,991.77	**32,599,524.50**	**0.00**	**116,466.63**	**328,905,049.64**
III. Long-term financial assets					
Shares in affiliated companies	156,682,177.89	0.00	0.00	0.00	156,682,177.89
Participating interests	18,594,737.05	0.00	0.00	0.00	18,594,737.05
Loans to companies in which the company has a participating interest	13,950,000.00	0.00	0.00	450,000.00	13,500,000.00
Other loans	10,819,593.59	1,685,785.47	0.00	10,819,593.59	1,685,785.47
	200,046,508.53	**1,685,785.47**	**0.00**	**11,269,593.59**	**190,462,700.41**
	509,881,228,93	34,495,104.18	0.00	11,386,060.22	532,990,272.89

	Accumulated amortisation/depreciation				Net book values		
	Balance as at 1.1.2010 EUR	Additions EUR	Disposals EUR	Balance as at 31.12.2010 EUR	Balance as at 31.12.2010 EUR	Balance as at 31.12.2009 EUR	
							I. Intangible fixed assets
	689,699.31	86,110.35	0.00	775,809.66	1,066,835.34	943,151.48	Software
	785,325.19	10,994,552.65	0.00	11,779,877.84	0.00	10,994,552.65	Goodwill
	1,475,024.50	**11,080,663.00**	**0.00**	**12,555,687.50**	**1,066,835.34**	**11,937,704.13**	
							II. Tangible fixed assets
	3,006,848.43	9,625,136.06	0.00	12,631,984.49	24,951,756.68	33,344,322.49	Land, land equivalent rights and buildings
	21,833,944.94	51,724,729.66	21,362.13	73,537,312.47	194,327,067.54	216,131,511.78	Technical equipment and machinery
	3,178,739.90	1,104,227.75	17,812.27	4,265,155.38	3,130,804.70	3,289,100.12	Other equipment, factory and office equipment
	0.00	0.00	0.00	0.00	16,060,968.38	15,637,524.11	Plant under construction
	28,019,533.27	**62,454,093.47**	**39,174.40**	**90,434,452.34**	**238,470,597.30**	**268,402,458.50**	
							III. Long-term financial assets
	0.00	10,000.00	0.00	10,000.00	156,672,177.89	156,682,177.89	Shares in affiliated companies
	9,259,000.00	0.00	0.00	9,259,000.00	9,335,737.05	9,335,737.05	Participating interests
	0.00	0.00	0.00	0,00	13,500,000.00	13,950,000.00	Loans to companies in which the company has a participating interest
	0.00	0.00	0.00	0,00	1,685,785.47	10,819,593.59	Other loans
	9,259,000.00	**10,000.00**	**0.00**	**9,269,000.00**	**181,193,700.41**	**190,787,508.53**	
	38,753,557.77	73,544,756.47	39,174.40	112,259,139.84	420,731,133.05	471,127,671.16	

Independent auditor's report

We have audited the annual financial statements – comprising balance sheet, income statement and notes – and including the accounting, and the management report of Statkraft Markets GmbH, Düsseldorf, for the fiscal year from 1 January to 31 December 2010. The accounting and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the management of the company. It is our responsibility to form an opinion, based on our audit, on those annual financial statements, including the accounting, and the management report.

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

Our audit did not reveal any reasons for objection.

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

Düsseldorf, 21 June 2011

Deloitte & Touche GmbH
Chartered Accountants

signed
(Bork)
German Public Auditor

signed
(Frank)
German Public Auditor

Note: German version prevails

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