Statkraft

2014

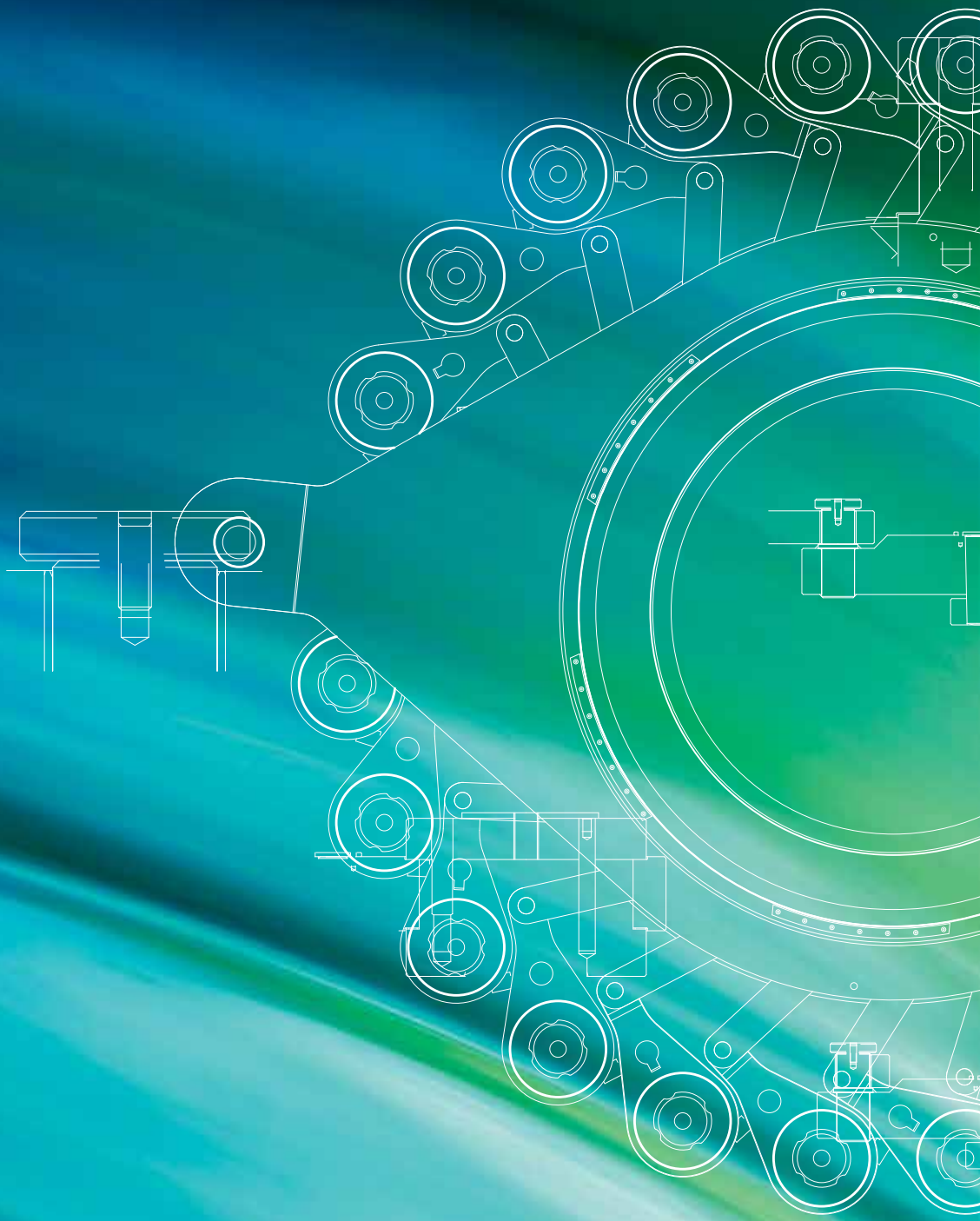
Annual and Corporate Responsibility Report

Statkraft's Annual and Sustainability Report 2014 is an online report that can be accessed on:

http://www.statkraft.com/annualreport2014

The present document contains a compilation of the information posted in the online report, prepared for the purpose of reporting in a format compatible with the submission of United Nations Global Compact's Communications on Progress.

Annual Report
2014



Statkraft

Financial key figures

Statkraft AS Group	Unit	2014	2013	2012 (restated)	2011	2010
From the income statement						
Gross operating revenues*****	NOK mill	52 254	49 564	37 550	22 449	29 252
Net operating revenues	NOK mill	25 805	24 246	18 352	17 161	23 176
EBITDA	NOK mill	17 631	16 047	10 492	9 795	15 955
Operating profit	NOK mill	13 560	13 002	5 559	6 218	12 750
Share of profit from associates	NOK mill	661	1 101	871	898	766
Net financial items	NOK mill	-6 283	-11 592	2 341	-3 642	-917
Profit before tax	NOK mill	7 937	2 511	8 771	3 466	12 599
Net profit	NOK mill	3 892	208	4 551	40	7 451
Items exluded from underlying business**						
Unrealised changes in value energy contracts	NOK mill	2 396	3 288	-1 030	-1 152	62
Non-recurring items	NOK mill	2 053	125	-2 224	-1 035	70
Underlying business**						
Gross operating revenues	NOK mill	48 348	47 458	38 910	22 377	28 990
Net operating revenues	NOK mill	20 602	20 545	19 207	18 187	22 721
EBITDA	NOK mill	12 132	12 444	11 347	10 880	15 161
Operating profit	NOK mill	9 111	9 589	8 813	8 405	12 618
From the balance sheet						
Property, plant & equipment and intangible assets	NOK mill	102 638	104 779	91 788	88 331	80 772
Investments in associates	NOK mill	19 027	16 002	15 924	15 080	17 090
Other assets	NOK mill	46 152	32 906	38 195	41 514	58 105
Total assets	NOK mill	167 817	153 687	145 907	144 925	155 967
Total equity	NOK mill	88 059	71 107	62 350	65 655	75 302
Interest-bearing debt	NOK mill	36 744	40 377	40 625	37 287	40 486
Capital employed, basic [1]	NOK mill	82 244	82 985	71 282	62 546	66 722
Cash flow						
Net change in cash flow from operating activities	NOK mill	6 898	8 106	10 290	9 521	13 577
Dividend for the year to owner (incl. non-controlling interests)	NOK mill	74	3 094	4 293	9 400	7 964
Depreciation	NOK mill	4 071	3 045	4 933	3 564	3 205
Maintenance investments [2]	NOK mill	2 368	1 980	1 811	1 129	1 000
Investments in increased capacity, fixed assets [3]	NOK mill	7 525	11 303	7 327	5 217	1 852
Investments in shareholdings [4]	NOK mill	1 287	62	2 583	1 923	888
Cash and cash equivalents	NOK mill	12 663	7 685	5 440	8 605	20 052
Unused drawing rights	NOK mill	14 200	14 200	14 205	14 200	9 074
Financial variables						
Interest-bearing debt ratio [5]	%	29.4	36.2	39.5	36.2	35.0
Equity ratio [6]	%	52.5	46.3	42.7	45.3	48.3
Long-term rating - Standard &Poor's		A-	A-	A-	A-	A-
Long-term rating - Moody's		Baa1	Baa1	Baa1	Baa1	Baa1
Key figures, accounts						
EBITDA-margin, accounts [7]	%	33.7	32.4	27.9	43.6	55
EBITDA-margin, underlying [7]	%	25.1	26.2	29.2	48.6	52
ROACE before tax [8]	%	11.0	12.5	13.0	13.9	19.7
Net return on investments in associated companies [9]	%	3.5	6.9	5.5	5.6	4.5
Tax rate [10]	%	51.0	91.7	48.1	98.8	40.9
Key figures, upstream business						
Production cost hydropower* [11]	Øre/kWh	7.8	7.5	7.8	7.3	7.1
Production capacity***	TWh	53.7	51.2	50.4	50.1	49.8
Production, actual	TWh	56.0	55.9	60.0	51.5	57.4
Installed capacity******	MW	17 161	16 630	16 055	15 800	15 510
Key figures, downstream business*						
Energy supplied, net	TWh	5.7	6.0	7.1	7.1	7.8
Distribution grid capital (NVE capital) [12]	NOK mill	2 858	2 743	2 685	2 690	2 782
Total volume supplied, electricity customers	TWh	12.6	13.0	13.2	11.9	13.0
Distric heating supplied	TWh	0.8	1.0	1.0	0.8	1.0
Market variables*						
System price, Nord Pool	EUR/MWh	29.6	38.1	31.3	47.2	53.1
Spotprice, European Energy Exchange	EUR/MWh	32.8	37.8	42.6	51.1	44.6
Electricity consumption in the Nordic market	TWh	375	382	385	376	393
Electricity generated in the Nordic market, actual	TWh	385	380	399	371	374
Statkraft`s share of Nordic electricity production	%	13.5	13.3	15.0	13.9	15.3

The 2012 financial statements are restated due to change in accounting principles. For 2011, only the balance sheet is restated.

* Key figures include consolidated companies (not associates) in the Nordics

** Ajusted for unrealised changes in values of energy contracts and material non-recurring items

*** Exclusive trading and origination

**** Exclusive of gas power and district heating

***** Gross revenues is from 2011 and onwards restated so that realised and unrealised changes in value of energy contracts appear on the same line item

****** Includes the share of consolidated companies and the associated gas power companies Herdecke and Naturkraft

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

2) Book value of maintenance investments to sustain current generating capasity

3) Book value of investments to expand generating capacity

4) Purchase of shares as well as equity increase in other companies

5) Interest-bearing debt * 100
Interest-bearing debt + equity

6) Total equity * 100
Total assets

7) Operating profit before depreciation * 100
Gross operating revenues

8) Operating profit * 100
Average capital employed, basic

9) Share of profit from associates * 100
Investments in associates

10) Taxes expense * 100
Profit before tax

11) Production cost, incl.property tax and depreciation, excl. Sales costs, overhead, net financial items and tax
Normal output from power plants under own management

12) Key figures used to calculate the revenue ceiling. Published at www.nve.no

Non-financial key figures

The following tables present Statkraft's most significant results within the areas environmental impact, health and safety, society and employees for the period 2010-2014. More detailed results can be found in the corporate responsibility statement.

Power generation and district heating production

	Unit	2014	2013	2012	2011	2010
Installed capacity power generation [1]	MW	16 401	16 041	16 257	15 764	15 466
Of which hydropower	MW	13 273	12 886	13 522	13 249	12 969
Of which wind power [2]	MW	488	514	528	321	304
Of which gas power [2]	MW	2 600	2 600	2 178	2 178	2 178
Of which biofuel	MW	40	40	29	16	16
Installed capacity, district heating	MW	760	674	710	666	544
Capacity under development, power generation [1, 3]	MW	1 262	1 673	1 701	1 811	-
Of which hydropower	MW	1 016	1 172	910	1 037	-
Of which wind power [2]	MW	247	500	361	344	-
Of which gas power [2]	MW	0	0	430	430	-
Capacity under development, district heating	MW	23	8	91	112	-
Power generation, actual [1]	TWh	56.0	55.9	60.0	51.5	57.4
Of which hydropower	TWh	53.4	52.6	57.6	46.0	50.1
Of which wind power [2]	TWh	1.7	1.4	0.8	0.8	0.6
Of which gas power [2]	TWh	0.5	1.5	1.5	4.6	6.6
Of which biofuel	TWh	0.3	0.3	0.1	0.1	0.1
District heating	TWh	1.0	1.1	1.1	0.9	1.1
Proportion of renewable power generation [4]	%	99.1	97.3	97.5	92.1	88.3

[1] Includes Statkraft's shareholdings in subsidiaries where Statkraft has a majority interest.

[2] Includes the jointly controlled Herdecke (Germany), Kårstø (Norway) and Scira (United Kingdom) power plants.

[3] Includes projects where an investment decision has been made.

[4] Non-renewable power generation includes gas power.

Emissions and environmental incidents

	Unit	2014	2013	2012	2011	2010
Emission of CO_2 equivalents [1]	Tonnes	- [2]	460 900	483 900	1 161 900	1 693 400
Environmental incidents						
Serious environmental incidents	Number	0	0	0	0	0
Less serious environmental incidents	Number	159	127	128	185	92

[1] Statkraft's ownership is >50%.

[2] CO_2-emissions in 2014 will be reported in the Corporate Responsibility Statement for 2015.

Health and safety

	Unit	2014	2013	2012	2011	2010
Fatalities, consolidated operations [1]						
Employees	Number	0	0	0	0	0
Contractors	Number	3	1	2	1	0
Third parties	Number	0	1	2	0	0
Fatal accidents, associated activities [2]						
Employees	Number	0	0	0	1	0
Contractors	Number	1	0	0	3	1
Third parties	Number	0	0	0	0	4
Lost-time injury rate						
Employees	Frequency [3]	3.0	2.4	3.7	4.5 [5]	3.4
Contractors	Frequency [3]	3.7	4.2	3.8	3.4 [5]	13.6
Injury frequency						
Employees	Frequency [4]	5.6	6.8	6.6	10.0 [5]	6.8
Contractors	Frequency [4]	5.4	6.3	6.4	6.2 [5]	16.4
Absence due to illness	%	2.8	2.9	3.1	3.4	3.4

[1] Activities where Statkraft has > 50% ownership.

[2] Activities where Statkraft has 20 - 50% ownership.

[3] Lost-time injuries per million hours worked.

[4] Injuries per million hours worked.

[5] From 2011, all businesses with a shareholding >20% are included in the results. Earlier, only businesses with a shareholding >50% were included.

Ethics

	Unit	2014	2013	2012	2011	2010
Whistleblower issues registered by the corporate audit	Number	5	2	0	0	2

Contributions to society

	Unit	2014	2013	2012 [1]	2011	2010
Distribution of value created						
Owner [2]	NOK mill.	6 007	0	4 000	4 288	7 985
The Norwegian state and municipalities [3]	NOK mill.	6 059	4 291	5 891	4 987	6 679
Lenders	NOK mill.	7 143	11 830	3 123	1 630	1 607
Employees	NOK mill.	2 667	2 788	2 720	2 453	2 092
The company	NOK mill.	-2 799	-274	321	-4 517	-891

[1] As from 1 January 2013 Statkraft has implemented IFRS 11 Joint Arrangements. The effect of this is that some companies that prior were using the equity method now are using proportionate consolidation. Figures for 2012 have been restated to reflect Statkraft's financial position and results based on IFRS 11.

[2] Includes dividend and Group contribution from Statkraft AS to Statkraft SF, and minority interests.

[3] Includes taxes, property tax, licence fees and employer's contribution.

Employees and recruitment

	Unit	2014	2013	2012	2011	2010
Employees 31 Dec.	Number	3 731	3 734	3 615	3 414	3 344
Percentage of women						
Total	%	24	23	24	23	23
In management positions	%	22	22	21	20	22
Among new employees	%	25	23	29	23	27
Preferred employer [1]						
Economics students	Ranking	48	43	33	30	17
Engineering students	Ranking	7	7	7	7	5

[1] Ranking among final-year students and professionals, as defined and measured in the annual Universum Graduate Survey for Norway and the Universum Professional Survey for Norway respectively.

We provide pure energy

In a world with considerable challenge related to climate change, Statkraft's core product is more sought after than ever. The need for clean energy has created significant opportunities for growth. Statkraft is in unique position to take part in this growth, and will develop renewable energy in a profitable way that supports a positive societal development.

Top:
Svartisen hydropower plant in Norway

Under:
Penstock at Eiriksdal hydropower plant in Norway

Statkraft is a leading company within international hydropower and Europe's largest supplier of renewable energy

In 2014, Statkraft has maintained high basic earnings in a demanding European energy market. This was a major achievement brought about by good operations and energy optimisation, strong contributions from market operations and new power plants.

2014 was characterised by a high level of activity. Statkraft integrated SN Power's activities in South America and South-Asia, and sold power plants in Finland and wind power shareholdings in the UK. A hydropower plant exchange took place in Norway, as well as completion of new hydropower plants and district heating plants. New wind farms started operations in Sweden and the UK. Activity is high within rehabilitation and upgrades of ageing hydropower plants in Norway and Sweden, and Statkraft has several global hydropower projects under construction.

Statkraft has consistently demonstrated high value creation and industrial efficacy over many years. In Prop. 40 S (2014–2015), the Ministry of Trade, Industry and Fisheries wrote that Statkraft had "grown into a Norwegian renewables company on the international scale" and that Statkraft, in the opinion of the Ministry, has "considerable commercial potential". Following a proposal from the Norwegian Government, a unanimous Storting approved an equity injection for Statkraft totalling NOK 5 billion and future dividends will be reduced by an additional NOK 5 billion. This enables Statkraft to realise a profitable and climate-friendly strategy.

Climate change is the great challenge of our time
Vast amounts of renewable energy will be needed to reach the goal of limiting the global temperature increase to 2°C. It requires international agreements, predictable framework conditions, technological development, industrial expertise and capital. For a company like Statkraft, this will yield significant opportunities for profitable growth both in Norway and internationally.

Statkraft is well-positioned to contribute in the international commitment to limit global warming. We have a strong portfolio of hydropower, wind and district heating projects. Statkraft is also working actively on research and innovation that will contribute toward strengthening the Group's competitiveness and promote new business development within clean energy.

Statkraft provides pure energy – now more important than ever.

Christian Rynning-Tønnesen
President and CEO

Statkraft in facts and figures

Statkraft in facts and figures shows that the group continues to deliver according to strategy. Good results from market activities more than outweigh low Nordic electricity prices and increased operating costs, leading to improved financial results compared to 2013. Investment activities have also increased according to strategy, and there is a large project activity, especially within hydro power and wind power. Statkraft invested in excess of NOK 11 billion in 2014, more than two thirds of this was invested in new generating capacity. With a total production of 56.0 TWh, Statkraft is the second largest supplier of electric power in the Nordics and Europe's largest supplier of renewable energy.

Power generation

56.0 TWh

Statkrafts production is determined by production capacity, demand, access to resources (hydrological balance and wind), spark spread (margin between power and gas price) and power optimisation. In 2014, the Group's power production totalled 56.0 TWh and 1.0 TWh of district heating.

Serious environmental incidents

0

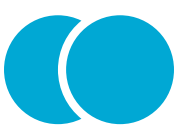
There were no serious environmental incidents in 2014. 159 minor incidents were registered, of these one was considered to be a high risk incident. Most of the registered incidents were in connection with short term breaches of the river management regulations and minor oil spills. These incidents had little or no impact on the environment.

Injuries

5.5 per million hours worked

Two fatal, work related, accidents were recorded in 2014 resulting in a total of four fatalities. Several of the injury and absence indicators have improved in recent years. The indicator for total recordable injuries (TRI) per million hours worked, was 5.5 in 2014. In total 170 injuries were registered.

Net operating revenues



25.8 NOK billion

Statkraft's revenues are generated by spot sales, contractual sales to the industry, financial trading, grid activities, district heating and power sales to end-users. In addition the group sells a share of its production as concessionary power to Norwegian municipalities. Net operating income in 2014 was NOK 25.8 billion, 1.6 billion up from 2013.

EBITDA

17.6 NOK billion

EBITDA (operating profit before depreciation and amortisation) was NOK 17.6 billion in 2014. The group's EBTIDA stems mainly from Nordic hydropower operations.

Profit before tax

7.9 NOK billion

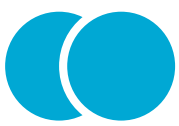
Good results from market activities more than outweighed lower Nordic electricity prices and somewhat higher operating costs in 2014, leading to an improved financial result compared to 2013. Profit before tax was NOK 7.9 billion in 2014, an increase of 5.4 billion compared to 2013.

ROACE

11 %

The group had a return on average capital employed (ROACE) of 11% in 2014, this was 1.5% points lower than in 2013. The fall is mainly due to higher average capital employed which is a result of planned increase in investments.

Investments



11.2 NOK billion

In accordance with strategy, project activity is high, especially within hydropower and wind power. In total the group invested NOK 11.2 billion in 2014, two thirds of this was invested in new generating capacity. The largest investments in new capacity are in connection with wind power in Sweden and the UK, as well as international hydropower.

Cash flow from operations

6.9 NOK billion

Group operations generated a cash flow of NOK 6.9 billion in 2014. Statkraft measures its ability meet future obligations through the target figure "Short-term liquidity", by the end of 2014 this indicator was between the goal values 1.5 and 4.0.

Power plants and district heating plants in the Group as of 31.12.2014

	Pro-rata[1]		Consolidated power plants	
	No. of plants	Capacity (MW)	No. of plants	Capacity (MW)
POWER GENERATION				
Hydropower	**335**	**14 686**	**230**	**13 127**
Norway	230	12 427	147	11 222
Sweden	60	1 268	60	1 268
Germany	10	262	10	262
UK	3	49	3	49
Turkey	1	20	1	20
Peru	8	182	8	271
Nepal	1	23	1	34
Philippines	3	146		
Chile	2	105		
India	2	91		
Brazil	10	56		
Laos	2	50		
Zambia	2	6		
Sri Lanka	1	1		
Small scale hydropower	**43**	**106**	**43**	**147**
Norway (Småkraft AS)	43	106	43	147
Wind power	**17**	**717**	**9**	**488**
Norway	3	245	3	245
Sweden	6	243	6	243
UK	4	194		
Brazil	4	35		
Gas power	**5**	**2 600**	**5**	**2 600**
Norway	1	210	1	210
Germany	4	2 390	4	2 390
Bio power	**3**	**50**	**2**	**40**
Germany	2	40	2	40
Brazil	1	10		
Total power generation	**403**	**18 159**	**289**	**16 401**

DISTRICT HEATING				
Norway	25	551	25	596
Sweden	4	164	4	164
Total district heating	**29**	**714**	**29**	**760**

1) Stakraft equity share

TOTAL NUMBER OF POWER PLANTS/ FACILITIES

Power generation	403
District heating	29

STATKRAFT'S CAPACITY

Power generation	18 159 MW
District heating	714 MW

Symbols:

= Hydropower
= Wind power
= Gas power
= Bio power
= District heating

Statkraft around the world

Since the founding of the company in 1895 Statkraft has developed from a national company focused on developing Norwegian hydro power resources, into a multinational company diversifying also into other sources of renewable energy. When the company was established as a state owned enterprise in 1992 the company had a annual production of 32 TWh in Norway. 23 years later Statkraft is the second largest supplier of electric power in the Nordics, Europe's largest supplier of renewable energy and had a total production of 56 TWh from 403 power plants in 14 countries.

The Group's 403 power plants have a total installed capacity of 18 159 MW (Statkraft's share). Hydropower is still the dominant technology with 81.5% of installed capacity, followed by gas power with 14.3%, wind power with 3.9% and bio power with 0.3%. Most of the installed capacity is in Norway with 71.5%, then Europe outsidew the Nordics with 16.3%, the Nordics excluding Norway with 8.3% and the rest of the world with 3.9%. Statkraft also owns shares in 29 district heating facilities in Norway and Sweden with a total installed capacity of 714 MW.

The overview of consolidated plants shows the capacity of the plants that Statkraft fully consolidates in its financial reporting according to IFRS. The difference between consolidated capacity and direct ownership is mainly due to the Statkraft's investments in the companies BKK and Agder Energi whom are classified as associates according to IFRS.

The Board of Directors Statkraft

Halvor Stenstadvold
Chair of Statkraft's Audit Committee, Board member since 2003

Asbjørn Sevlejordet
Employee-elected Board member, member of Statkraft's Compensation Committee, Board member since 2014

Elisabeth Morthen
Board member since 2014

Hilde Drønen
Member of Statkraft's Audit Committee, Board member since 2014

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

Vilde Eriksen Bjerknes
Employee-elected Board member, Board member since 2014

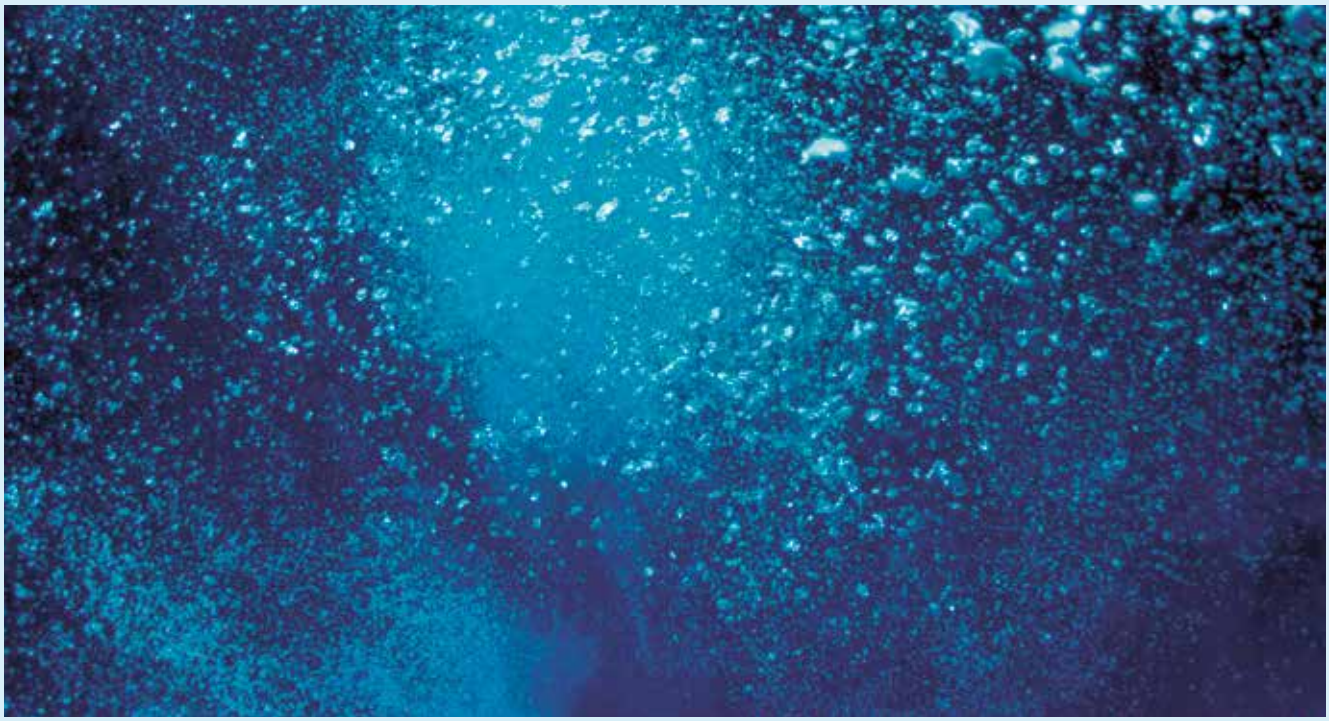
Harald von Heyden
Member of Statkraft's Compensation Committee, Board member since 2014

Berit Rødseth
Deputy Chair, Member of Statkraft's Audit Committee, Board member since 2007

Olav Fjell
Chair of the Board, Chair of Statkraft's Compensation Committee, Board member since 2012

Report from the Board of Directors

Statkraft achieved a good operating result in spite of substantially lower Nordic power prices than in 2013. Sound operations and increased contributions from market activities largely offset lower power prices, and all segments contributed positively to the Group's underlying EBITDA of NOK 12.1 billion. Substantial as well as negative currency effects under the financial items impacted the Group's net profit, which amounted to NOK 3.9 billion.



Several major hydropower projects are ongoing in Norway, Southeast Europe and South America. Statkraft is also continuing its focus on wind power, and several wind farms were completed in 2014. Statkraft implemented a selldown in the UK wind farms in order to contribute toward financing new projects.

A unanimous Storting approved an equity injection and reduction in future dividends. Good results from operations and the new capital received from the owner, contributed to a strengthening in Statkraft's equity of NOK 17 billion in 2014. Strengthened financing helps facilitate the realisation of Statkraft's strategy for continued growth within renewable energy in Norway and internationally.

Key points

- Strengthened international position through restructuring of international hydropower activities and operational integration of the enterprises in South America and South Asia, agreement for increased ownership in Desenvix in Brazil and the acquisition of controlling interest in the Chilean hydropower company Empresa Eléctrica Pilmaiquén
- Freed up capital for investments within renewable energy through sale of Finnish power production and reduced shares in wind farms in the UK
- Completed wind power development projects in Sweden and the UK, as well as hydropower and district heating projects in Norway
- Strengthened equity through capital inflow and reduced future dividends

Health, safety and the environment

In April of 2014, three contractor employees lost their lives in a rockslide in connection with setting up rockfall protection along a road at the Devoll project in Albania.

A fatality occurred in November at Statkraft's associated company Agua Imara's hydropower project in Panama. The accident occurred in connection with a crane lift. One subcontractor employee died and another was seriously injured.

The Group works systematically to avoid injuries and damage in all activities. All serious incidents are subject to investigation and results from these investigations are used to facilitate and transfer learning and experience across the organisation.

Absence due to illness was 2.8% in 2014, and this is considered satisfactory.

The Group experienced no serious environmental incidents in 2014.

Values

The Group's core values govern the activities and the employees' behaviour:

- Competent. Use knowledge and experience to reach ambitious goals and gain recognition as a leading player.
- Responsible. Create value while showing respect for employees, customers, the environment and society in general.
- Innovative. A new mindset, seek opportunities and develop good solutions.

The core values apply to all employees and anyone else who represents Statkraft.

Strategy

Statkraft has developed and managed Norwegian hydropower since the business was established in 1895. When the company was established as a state-owned enterprise in 1992, its power production in Norway was 32 TWh. More than 20 years later, the Group is Europe's largest renewable energy producer, with an annual production of 56 TWh in 2014. The Group has more than 3300 employees in 19 countries. Statkraft's position is a result of growth based on Norwegian and international resources and expertise over many years. Statkraft's ambition is to strengthen its position as a leading international supplier of pure energy.

Statkraft's number-one priority is sound management of hydropower resources. Norwegian and other Nordic hydropower represent the majority of Statkraft's revenues and assets. Statkraft's most important competitive advantage is in connection with the business model for Nordic hydropower where comprehensive market analyses form the basis for maintenance planning, power optimisation and market behaviour, both in the short and long term.

Statkraft's competitive advantage

Over several years, Statkraft has emphasised developing the Group's strategic resources. These are resources which can give Statkraft a competitive advantage and therefore a basis for additional return in relation to other companies. Statkraft's competitive advantage is primarily in related to:

- Unique assets and hydropower expertise
- Integrated business model and market expertise
- Market-oriented and adaptable organisation

Furthermore, Statkraft has established attractive market positions in emerging markets and wind power, areas which will play key roles in future value creation.

Unique assets and hydropower expertise

Statkraft has production plants with low variable costs, long lifespans and low carbon emissions. The hydropower plants are highly flexible and have a total reservoir capacity of about 40 TWh in the Nordic region, which represents a substantial share of the total European reservoir capacity. Sound operations, maintenance and market knowledge, as well as integrated business processes make it possible to optimise power production in relation to short and long-term price fluctuations in the power market.

Statkraft is a major hydropower player and has sound technical expertise within operation and maintenance. Statkraft is one of the largest buyers of electro-mechanical hydropower equipment in the world, giving potential economies of scale. Statkraft's high level of activity, extensive experience and expertise within upgrades of hydropower plants affords the Group a position where it can cooperate with suppliers to optimise production plants.

Integrated business model and market expertise

Statkraft has extensive experience from a deregulated European power market and has acquired cutting-edge expertise within

market analysis, production optimising of flexible power plants and energy trading. Statkraft has a comprehensive system for collection and processing of hydrological and other market data in the European power market. Efficient data collection, models, systems and processes to prepare forecasts and exploit market variations are important competitive advantages. Statkraft makes the most of its expertise and assets through an integrated business model where the market analyses form the basis for maintenance planning, power optimisation and market behaviour, both in the short and the long term. The purpose of the business model is to exploit Statkraft's market expertise in combination with the flexibility of the power plants to produce when power prices are high. Statkraft's market presence outside of the Nordic countries provides valuable market information. This is important to manage the value of the Norwegian hydropower plants in the best possible manner.

Market-oriented and adaptable organisation

The Group has developed a market-oriented organisation with extensive experience from deregulated markets. Within energy trading and services, Statkraft has shown that the company is able to adapt to changes in market conditions. The combination of an adaptable and business-oriented organisation, extensive knowledge about the power market, as well as utilisation of interactions across the Group, allows Statkraft to develop new business opportunities. Examples of this include the activities within energy trading and services, which have developed in scope, products and geography.

Attractive positions have been established in emerging markets

Statkraft has succeeded in establishing positions in several emerging markets with high growth in power consumption and good opportunities for hydropower development. Statkraft was an early investor in hydropower in emerging markets. More than 20 years have passed since Statkraft started planning hydropower investments abroad. The goal was to apply Norwegian hydropower expertise internationally for profitable business development. Hydropower development has a long-term perspective and Statkraft's involvement is still in an early phase. Statkraft believes that the Group can strengthen its competitive position in emerging markets by using the competitive advantages it has amassed in Europe to an even greater extent.

Over time, Statkraft has developed a strong position in onshore wind power. In 2003, the Group opened Norway's first wind farm on Smøla, and has since developed solid expertise in all phases from project development to operations and maintenance. Statkraft has particularly developed expertise associated with project execution and cost effective operations and maintenance. A large project portfolio has also been established in Norway, Sweden and the UK. Statkraft has also established a position within offshore wind power in the UK, where the objective is to develop into assuming operatorship for all project phases.

Increased competitiveness

Statkraft will strengthen and utilise the Group's core expertise, utilise synergies across areas and develop a more international Group which adapts to local conditions and cultures. This will strengthen competitiveness in emerging markets through transfer of expertise and simultaneously strengthen the Norwegian business through increased internationalisation.

Good project execution is a precondition for sustainable growth in emerging markets. A dedicated unit for projects and development has been established within hydropower in emerging markets. The unit will be a preferred supplier of project and development services to all international hydropower projects in Statkraft and in the reorganised SN Power. This will facilitate more efficient use of expertise across a common project portfolio.

Strategic focus areas

The Group is well-positioned to participate in Europe's conversion to cleaner power production and to contribute renewable energy in emerging markets. The following five strategic areas will be prioritised:

- European flexible power production
- Energy trading and services
- Hydropower in emerging markets
- Wind power in Norway, Sweden and the UK
- District heating in Norway and Sweden

European flexible power production consists of hydropower in the Nordic region, in Continental Europe and the UK, as well as gas power plants. Statkraft will maximise the long-term value of the plants through sound operation, upgrades and investments in new capacity within hydropower.

The European power market is undergoing major changes. New players in the power market and more decentralised power production increase the need for expertise-based services as a link between power production and markets. Statkraft will gradually increase the company's activities within **energy trading and services** to create new business opportunities in a changing market. In addition, Statkraft aims to develop market operations in selected international markets, such as Brazil and India, where Statkraft owns shares in power production assets.

Over the last few years, Statkraft, SN Power and Agua Imara have established activities within **hydropower in emerging markets** in selected countries with substantial hydropower potential, and the goal is to strengthen the position in these markets. The Group has ongoing hydropower development projects in Turkey, Albania and Peru.

Statkraft has an extensive portfolio of onshore **wind power** projects. Statkraft will prioritise completing the projects under construction in Sweden, as well as developing projects at Fosen and in the Snillfjord area in Norway. The development of onshore wind power will continue in the UK. Statkraft is participating in the development of the Dudgeon offshore wind farm along with Statoil and will continue to further develop expertise to assume operator responsibility in the development phase as well.

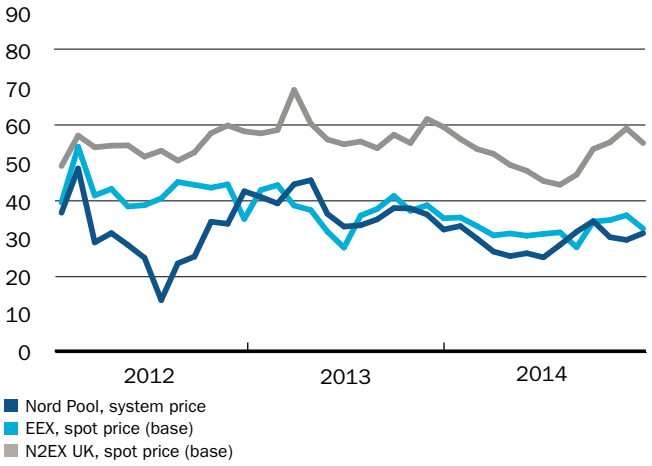
Within **district heating**, Statkraft will continue to develop the profitability of the existing portfolio and generate organic growth in connection with existing plants in Norway and Sweden

In addition to the five focus areas, Statkraft will continue to support sound development in the partly owned regional companies in Norway within environment-friendly energy. Statkraft will continue its focus on innovation.

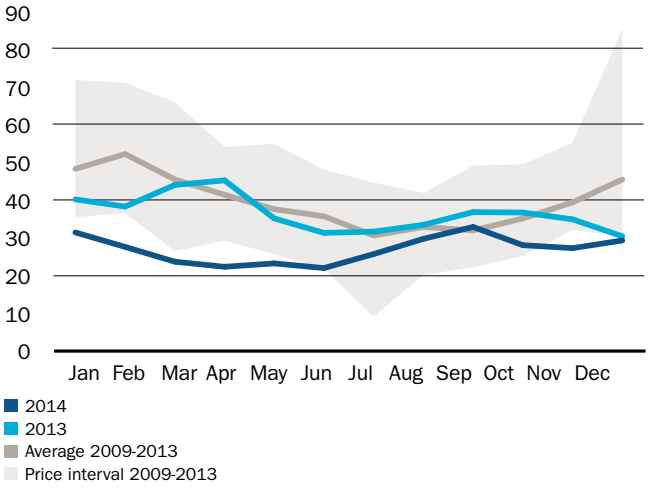
Market and production

Most of Statkraft's production is in the Nordic region, and 93% of the production took place in this market in 2014. The Group also has consolidated production (the production of investments which Statkraft fully consolidates in its accounts) in Germany, the UK, Turkey, Peru and Nepal. In other countries, the Group

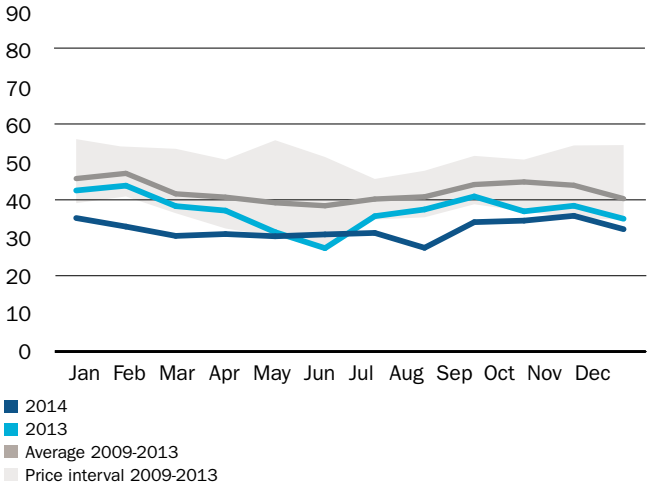
Market prices for power, monthly averages
EUR/MWh



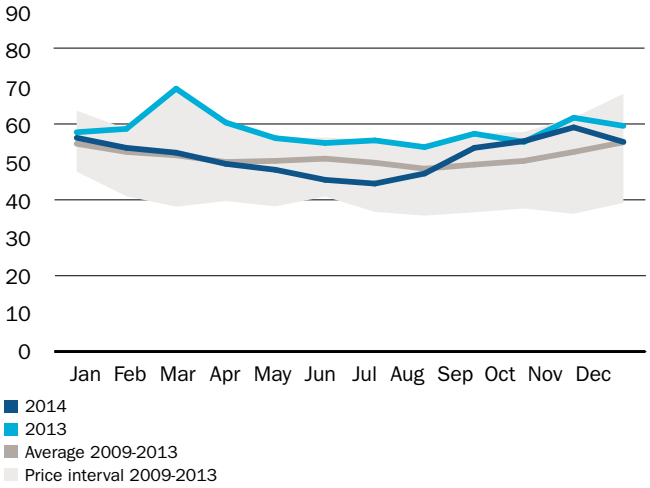
Nord Pool, system price
EUR/MWh



EEX, spot price (base)
EUR/MWh



N2EX UK, spot price (base)
EUR/MWh



is involved through associated companies and joint ventures. These power markets reflect the global economic trend towards a mature European market with low growth, and emerging markets with high growth. In spite of differences in the markets, all are influenced by global trends such as the prices of oil, gas and coal, climate change and associated policies, as well as production costs.

The European power market

Power markets in Europe are influenced by stagnating demand and the fact that the growth in renewable production capacity has resulted in less need for other power production. As a result of these two factors, power prices in Continental Europe are moderate and the price for carbon emissions has fallen to a low level.

Power prices in the Nordic region in 2014 were affected by higher-than-normal temperatures. The water level hovered around the normal level throughout most of the year, and at the end of 2014 it was at 96% of the normal level. The average system price on Nord Pool was 29.6 EUR/MWh, 22% lower than in 2013 and 28% below the average for the 2009-2013 period.

Power prices in Germany were characterised by good access to non-flexible power production (solar and wind power) as well as relatively low coal prices. The average spot price (base) was 32.8 EUR/MWh, 13% lower than in 2013 and 24% below the average for the 2009-2013 period.

Power prices in the UK are considerably influenced by gas prices, and the drop in gas prices resulted in somewhat lower power prices in 2014. The average spot price (base) was 52.2 EUR/MWh, 12% lower than in 2013 and 1% above the average for the 2009-2013 period.

Power consumption in the Nordic region is relatively high per capita compared with other European countries, as a result of the combination of cold winters, high percentage of electrical heating and a relatively large percentage of power intensive industry. The demand for power in 2014 was about 2% lower than in 2013, both in Norway and the Nordic region. Total production was 141.5 TWh in Norway and 385.1 TWh in the Nordic region, an increase of 6% and 1%, respectively, compared with 2013. Norway had a net export of power corresponding to about 11% of production, while the Nordic region overall had a net export of about 3%.

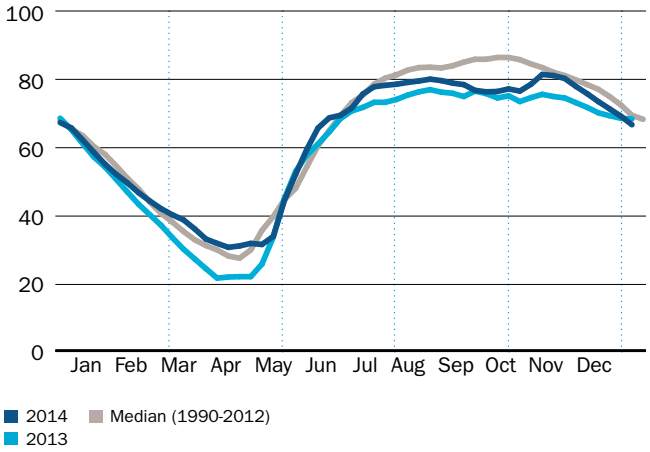
Other power markets

Power prices in Turkey are mainly determined by the gas price as gas contributes almost half the country's power production. The

average spot price (base) was about 56 EUR/MWh, a decline of about 5% from the preceding year. In local currency, however, the average price rose by 9%.

Power prices in India are still relatively low, about 45 EUR/MWh, mainly due to substantial growth in new thermal capacity and generally lower consumption growth in recent years. In Peru, prices are low in the spot market, but Statkraft has entered into several contracts with different maturities at prices above the spot prices. Power prices in Chile are still at a high level, as a result of dry years and low production from the country's hydropower plants. Normalisation of hydrology and investments in solar power have led to lower prices in the last 6 months of 2014 (about 100 USD/MWh). In Brazil, extremely low inflow over the last 18 months has resulted in very high market prices, around 150-200 USD/MWh. In Nepal, power is sold through a power sales agreement with a fixed CPI-regulated price.

Reservoir water levels in the Nordic region
% of total capacity



Statkraft's production

The Group is the largest power producer in Norway, and contributed approximately one-third of the country's power production in 2014. The Group is the Nordic region's second largest supplier of electric power, Europe's largest supplier of renewable energy and one of the ten largest global producers of hydropower.

Statkraft's consolidated production capacity consists of 77% hydropower, 15% gas power, 5% district heating/bio power and 3% wind power. 72% of the capacity is in Norway, 10% in the Nordic region excluding Norway, 16% in Europe excluding the Nordic region and 2% outside Europe.

Statkraft's production is determined by production capacity, demand, access to resources (hydrological balance and wind), spark spread (margin between power and gas price) and power optimisation. At the end of 2014, the consolidated installed capacity (the capacity that Statkraft fully consolidates in the accounts) was 16 401 MW, with hydropower contributing 13 273 MW, gas power 2600 MW, wind power 488 MW and bio power 40 MW. Consolidated installed capacity for district heating was 760 MW. Statkraft also has ownership interests in associated companies and joint operations with production capacity, and, overall, the Group has ownership interests in power plants with a total installed capacity of 18 159 MW power production and 714 MW district heating (Statkraft's share of direct and indirect ownership).

The demand for power varies throughout the day and year, and the power markets are dependent on capacity that can be adjusted according to demand. Statkraft has a large percentage of flexible production capacity, and combined with extensive analysis and production expertise, this contributes to consistent, sound management of the Group's water resources. The Group has an advanced power optimisation process and plans to have available power plants in periods with high demand. Statkraft's large reservoir capacity with a combination of seasonal and multiple-year reservoirs enables the Group to manage the water resources in a perspective spanning more than one year. Accordingly, production can be kept high in peak price periods, but can be kept lower in low-price periods.

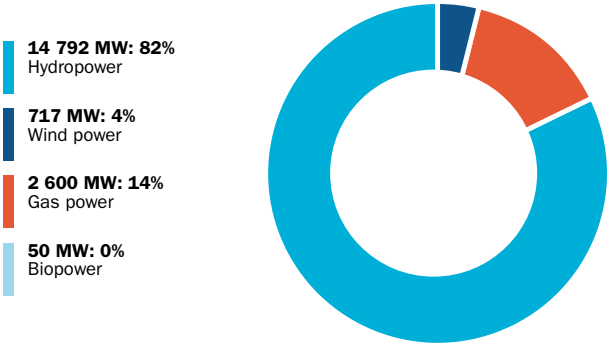
There was less fluctuation in reservoir water levels throughout the year than in 2013, and at year-end the overall reservoir water levels in the Nordic region were 96% of the normal level. This corresponds to 80 TWh, which is 66% of the maximum reservoir capacity of 121 TWh.

In 2014, the Group's power production totalled 56.0 TWh (55.9 TWh), plus 1.0 TWh of district heating (1.1 TWh). Hydropower production totalled 53.4 TWh, which was on a par with both 2013 and the Group's normal production. Wind power production increased by 22% from the preceding year as a result of new production capacity. The market situation in Europe resulted in only marginal power production at Statkraft's gas power plants.

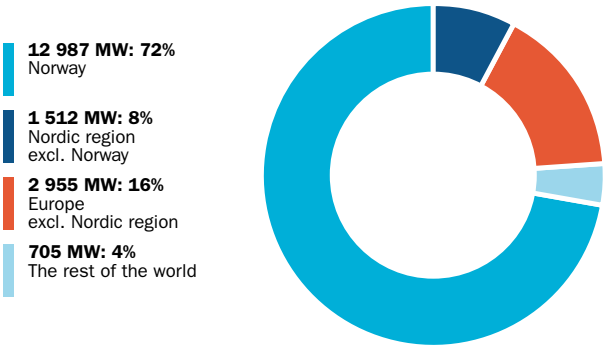
Spot sales are trading of electric energy with production and physical delivery taking place simultaneously at market price. The price is typically stipulated for a short time interval, for

Statkraft-owned production capacity – direct and indirect ownership shares

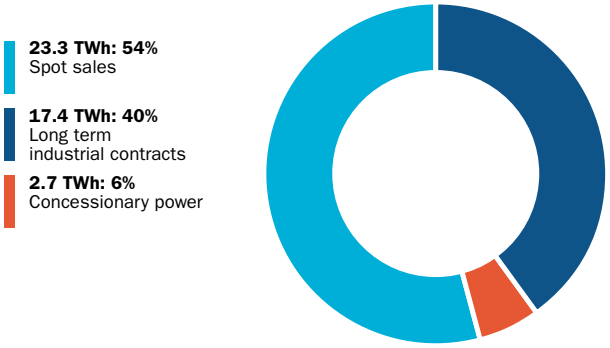
Technology 2014
(18 159 MW)



Geography 2014
(18 159 MW)



Nordic hydropower segment 2014
(43,3 TWh annual mean production)



example for every hour of the day in the Nordic region. In 2014, the Group sold 33.3 TWh (32.5 TWh) in the spot market, which corresponds to 60% (58%) of the total production.

Statkraft is a major supplier to the power-intensive industry. In 2014, the volume delivered under long-term contracts amounted to 19.5 TWh, of which 17.4 TWh went to the industry in the Nordic region. The high contract coverage has a stabilising effect on Statkraft's revenues. Most of the contract volume for Nordic industry runs until 2020.

In Norway, Statkraft is required to cede a share of the power production to counties and municipalities where the power is produced, so-called concessionary power. Explained briefly, the price for this power corresponds to the average production cost, and is thus significantly lower than the market price for power. The concessionary power volume amounted slightly less than 6% of the Group's Nordic hydropower production in 2014.

Statkraft's activities

Statkraft's segment structure is presented according to the same structure for the internal governance information that the corporate management systematically reviews and uses to allocate resources and measure goal attainment. The segments are Nordic hydropower, Continental energy and trading, International hydropower, Wind power, District heating and Industrial ownership. Areas not shown as separate segments are presented under the heading Other activities.

Key figures - consolidated operations

	Statkraft Group	Nordic hydropower	Continental energy and trading	International hydropower	Wind power	District heating	Industrial ownership	Other activities	Group items
Power production									
Installed capacity (MW) [5]	16 401 [1), 2), 3)]	11 159 [2)]	2 951 [1), 2), 3)]	326	488	-	1 331 [2), 4)]	147	-
Production (TWh) [5]	56.0	44.9	1.1	2.2	1.7	-	5.7	0.3	-
District heating									
Installed capacity (MW)	760	-	-	-	-	624	136 [4)]	-	-
Production (GWh)	997	-	-	-	-	919	78	-	-
End-user sales									
Energy delivered, grid (TWh)	5.7	-	-	-	-	-	5.7	-	-
Volume delivered, electricity customers (TWh)	12.6	-	-	-	-	-	12.6	-	-
Income statement (NOK mill.)									
Net operating revenues, underlying	20 602	12 347	2 973	888	1 064	398	3 007	651	-727
EBITDA, underlying	12 132	8 802	1 554	290	476	151	1 418	-557	-2
Operating profit/loss, underlying	9 111	7 478	1 234	148	-14	9	920	-663	-2
Operating profit/loss	13 560	10 500	2 174	-789	1 344	22	948	-644	4
Share of profit from associated companies and joint ventures	661	-	-	-240	363	3	535	-	-
Balance sheet (NOK mill.)									
Total assets	167 817	55 054	5 560	22 599	10 533	3 380	23 838	25 183	21 670
Investments	11 180	2 112	103	4 264	3 356	316	825	204	-

1) Excluding Baltic Cable (600 MW).
2) Excluding pumped-storage hydropower.
3) Including Emden 4, Robert Frank and Kårstå which are in cold reserve.
4) Skagerak Energi's share.
5) Includes the share of consolidated companies

Nordic hydropower

Nordic hydropower is by far the largest segment measured by installed capacity and assets, as well as net operating revenues and results. The segment includes hydropower plants in Norway and Sweden. The production assets are largely flexible. The segment's revenues are mainly generated by selling power in the spot market and under long-term contracts, the latter mainly to power-intensive industry in Norway. In Norway, Statkraft also delivers concessionary power. Multiple-year reservoirs and the flexibility of the power plants enable optimisation of power production in relation to the hydrological situation and price situation. Nordic hydropower is therefore optimised over longer time periods than one year.

The volume traded in the spot market can vary significantly between years, based on access to resources and production optimisation. The management of Statkraft's multiple-year reservoirs in Norway enables the Group to normally achieve a higher average price than other power companies in Norway. The optimisation ability is assessed through the target figure "Realised price margin", which measures the average price achieved by Statkraft compared to the rest of Norway. Statkraft has a long-term target, and a short-term target. In 2014, the realised price margin was higher than the targets, both in the short and long term.

Production costs in connection with hydropower are relatively low and are followed up through target figure "Cost per kWh"[1]. The low production costs are partly offset by higher tax rates for Norwegian hydropower production through resource rent taxation.

Availability is an important factor as regards optimising hydropower revenues, and Statkraft uses the target figure "Market-adjusted availability"[2] to monitor to what extent the installed capacity is available when it is most profitable to produce and thereby how well maintenance is planned.

Important events in 2014 Many of Statkraft's hydropower plants in Norway and Sweden are 50-60 years old. Statkraft is therefore entering a period with many major rehabilitation projects, and is planning to invest about NOK 2 billion annually to upgrade Norwegian and Swedish hydropower plants.

Hydropower plants Kjensvatn (12 MW) in Nordland County and Eiriksdal (80 MW) in Sogn og Fjordane County were completed.

The power production in Finland (66 MW) was sold. Following this sale, the Group no longer produces power in Finland, but will still be active in the Finnish power market.

Statkraft was granted a licence to build the Ringedalen hydropower plant in Odda (23 MW).

Statkraft increased its shares in the Leirdøla hydropower plant in Sogn og Fjordane County from 65% to 100% through a swap agreement. This will contribute toward more efficient operations. At the same time, power plants Svelgen I and II were taken over from Statkraft by Svelgen Kraft.

Financial performance The target figures showed generally good results in 2014. In spite of the sound operations, the segment's underlying EBITDA fell by 12% to NOK 8802 million, compared with 2013. The decline was mainly due to lower Nordic power prices.

The segment's underlying net operating revenues fell by NOK 890 million, or 7%, compared with 2013. The decline was primarily related to lower spot sales revenues as a result of lower Nordic power prices. The average Nordic system price was 22% lower than in 2013. Transmission costs were also higher as a result of an increase in the fixed tariff component for transmission tariffs in Norway. About 40% of the segment's production in 2014 was sold on long-term contracts, and this large share contributed toward reducing the decline in revenues.

Operating costs increased somewhat compared with 2013. The increase was mainly linked to the year-on-year effect of the power plants transferred from Statkraft SF in April 2013, more employees, higher maintenance costs, as well as increased project activity.

Continental energy and trading

Continental energy and trading includes gas power plants in Germany and Norway, hydropower plants in Germany and the UK and bio-based power plants in Germany, as well as Baltic Cable, the subsea cable between Sweden and Germany. The power production is optimised in relation to the prices for input factors (fuel and carbon), hydrology and sales prices (power and green certificates). The segment also includes trading and origination in Europe, Brazil and India, as well as revenue optimisation and risk mitigation related to both the Continental and Nordic production activities.

In order to mitigate risk in relation to uncertainty in future price and production volumes, Statkraft hedges the production revenues through financial power trading. The hedged percentage of the production varies with market development expectations. Power prices are influenced by other commodity prices such as coal, oil, gas and carbon, and as these prices can both be input factors in gas power production (gas and carbon), and price adjustment factors in contracts, Statkraft also engages in financial trading with these commodities.

Statkraft's analysis activities have a key position in the overall trading activities. The analysis activities are based on collection and processing of hydrological data and other market data. The data are used to estimate anticipated market prices and optimise the flexible production.

A dynamic management portfolio is important to optimise future revenues, and Statkraft measures the performance through the target figure «Added value from the management portfolios» for both the Nordic and the Continental portfolio. Both portfolios outperformed the Group's added value targets in 2014.

Statkraft is also engaged in short-term positioning with financial standard contracts (trading) and trading with structured products and customised agreements for industry and commerce (origination). Revenues can vary substantially between periods and years. Statkraft monitors the performance in trading and origination through the target figure "Creation of value from trading and origination", which measures the net profit in relation to the risk capital. The creation of value outperformed the Group's targets in 2014.

Important events in 2014 Based on continued low operational utilisation, the Kårstø gas-fired power plant's operational mode

1) Cost per kWh: All variable production cost/normalised production volume

2) Market-adjusted availability: Share of available installed capacity when market prices are higher than water value.

was changed to preservation with a one-year start-up time. The Herdecke gas-fired power plant in Germany is managed as a backup power plant by the local grid owner, and the costs of operating the plant are covered by the grid operator.

Most contracts within the area concerning market access for renewable power from external producers have been renegotiated for 2015. Overall, Statkraft will operate 10,000 MW of renewable energy production for external producers in Germany and the UK.

Financial performance The good results from target figures were reflected in the segment's underlying EBITDA, which was NOK 1554 million (NOK 410 million). The most important driver of this improvement was the Nordic dynamic asset management portfolio, but the other market activities also made positive contributions.

Statkraft enters into financial forward contracts in the power market, and in 2014 Statkraft realised substantial positions within its dynamic asset management portfolios. The total underlying income from this activity amounted to NOK 971 million, an increase of NOK 724 million compared with 2013. The majority of this income was related to the Nordic dynamic asset management portfolio and positions realised in the first quarter. The other market activities also saw positive development compared with 2013, and this particularly applies for market activities in Brazil, which include both long-term sales and purchase contracts as well as trading and origination.

The segment's operating costs were on a par with 2013.

International hydropower

International hydropower operates in emerging economies with anticipated high growth and increasing need for energy. Statkraft is focusing on selected markets where the Group's hydropower expertise can create value. The operations include the Group's hydropower activities in Southeast Europe, South America and South Asia, as well as the 50% shareholding in SN Power. The segment has assets with a total production capacity of 726 MW, 326 MW of which are in consolidated operations. The segment also has four hydropower plants totalling 1030 MW under construction. Investments are often made together with local partners or international investors.

Important events in 2014 Statkraft and Norfund completed a restructuring of SN Power that will contribute toward creating a leading hydropower environment for further international growth. Statkraft will establish integrated operations for the activities in Southeast Europe, South America and South Asia, in order to better exploit the Group's competitive advantages associated with operations, maintenance, power optimisation and energy trading. Furthermore, through the company SN Power, Statkraft will develop a portfolio of profitable hydropower plants in Southeast Asia, Central America and Africa. SN Power also purchased Statkraft SF's 20% ownership interest in Theun Hinboun Hydropower Company in Laos.

In february 2015 Statkraft signed an agreement for the purchase of Jackson Empreendimentos S.A.'s shares in the Brazilian power company Desenvix. Statkraft's share in the company will increase to 81.3% when the transaction is finalised. The purchase is, among other things, contingent on approval from Brazilian competition authorities and the third remaining shareholder.

In February 2015, Statkraft also signed an agreement to buy a majority stake in the listed Chilean hydropower company Empresa Eléctrica Pilmaiquén S.A. The agreement initially includes the purchase of 70.47% of the shares and triggers a mandatory offer to all shareholders. The completion of the transaction is, among other things, contingent on Statkraft obtaining acceptance for acquiring a minimum of 75% of the shares.

The Cetin hydropower project in Turkey was written down due to delays and replacement of the contractor.

Financial performance The segment's underlying EBITDA ended at NOK 290 million in 2014, an improvement of NOK 20 million compared with 2013. Currency translation effects and the sale of a substation in Peru contributed positively, but this was in part offset by a provision for a legal dispute. 2013 also saw gains in connection with the sale of a wind farm in Chile. The deconsolidation of parts of SN Power in 2014 contributed to lower operating expenses compared with 2013.

The share of profit from associates and joint ventures amounted to a loss of NOK 240 million (NOK 458 million). The decline in profit shares is primarily due to an impairment of an investment in Brazil in 2014, as well as lower contributions from SN Power's activities in the Philippines as a result of hydrology and a price regulation adopted by the authorities for the fourth quarter of 2013. The decline was somewhat offset by the recognition of an insurance settlement in Chile as income.

Wind power

Wind power includes Statkraft's investments in onshore and offshore wind power. The segment has onshore wind farms in operation in Norway, Sweden and the UK, as well as an offshore wind farm in the UK. The revenues derive from sale of power at spot prices as well as green certificates. The segment has assets with a total production capacity of 682 MW, 488 MW of which are in consolidated operations. The segment has a wind farm under construction in Sweden.

The costs associated with wind power are followed up through the target figure "Cost per kWh"[3] for both onshore and offshore wind power, whereas availability is followed up through the target figure "market-adjusted availability"[4].

Important events in 2014 Statkraft established the Fosen Vind company along with Agder Energi, NTE and TrønderEnergi. Fosen Vind will own three planned wind farms (600 MW) on the coast of Trøndelag. Development work is ongoing, and the aim is to make an investment decision in mid-2015. An additional 400 MW will be developed in the area through the SAE Vind company.

Three new onshore wind power plants came online in 2014, Mörttjärnberget (85 MW) and Ögonfägnaden (99 MW) in Sweden as well as Berry Burn (67 MW) in the UK. In addition, 144 MW of the total of 270 MW has been completed for the onshore wind farm Björkhöjden in Sweden.

Statkraft reduced its shareholding to 51% in a company with three onshore wind power plants in the UK, and from 50% to 40% in the offshore Sheringham Shoal wind farm. Statkraft will still

3) Cost per kWh: All variable production costs/normalised production volume.

4) Market-adjusted availability: Actual production / (Actual production + Estimated lost production from production shutdown)

be the operator of the wind farms. The sales make it possible to re-invest in new renewable energy projects. The sell-downs entail that the wind farms will cease to be subsidiaries and investments in joint operations and will become investments in joint venture.

The investment decision was made for the Dudgeon offshore wind farm (about 400 MW) off the Norfolk coast in the UK. Statkraft owns 30% of the project and Statkraft's share of the investment is expected to be about NOK 5 billion.

In February 2015 Statkraft purchased half of the British offshore wind project Triton Knoll (up to 900 MW) off shore UK from RWE Innogy. The two companies are going to develop the project together and reach an investment decision in 2017.

Statkraft also participates in the offshore wind power project Doggerbank, as one of four partners. It will be several years until a possible investment decision is made for this project.

Financial performance Sound operations and new production capacity contributed to a good operating result, and the underlying EBITDA ended at NOK 476 million (NOK 507 million). The decline is primarily due to the deconsolidation of the UK wind farms and lower realised prices. This was, however, largely offset by new production capacity in Sweden, and a 4% increase in net operating revenues compared with 2013.

Operating costs increased by 13%, mainly as a result of increased project activity in Norway and the UK.

The share of profits from the UK wind farms amounted to NOK 360 million and is presented in the accounting item share of profit from associates and joint ventures following the deconsolidation. The shares of profit include rollback of previous years' write-downs for Sheringham Shoal totalling NOK 341 million.

District heating

District heating operates in Norway and Sweden. The revenues in Norway are influenced by power prices, grid tariffs and taxes, and the price to customers is adjusted monthly or quarterly. In Sweden they are determined by the alternative price that customers are faced with, and prices are either fixed or index regulated. Waste, biomass, oil and gas are important input factors in the production of district heating.

Important events in 2014 The new district heating plant in Sandefjord (23 MW) started operations.

Statkraft made an investment decision and started constructing a district heating plant and grid in Moss/Rygge, and also decided to continue developing the district heating system in Namsos.

Financial performance The segment's underlying EBITDA ended at NOK 151 million (NOK 133 million). The improvement was related to sound operations with good utilisation of base load, higher achieved prices, as well as lower operating expenses. Lower production as a result of higher-than-normal temperatures yielded a negative contribution.

Industrial ownership

Industrial ownership includes management and development of Norwegian shareholdings, and includes the companies Skagerak Energi, Fjordkraft, BKK, Istad and Agder Energi. The first two companies are included in the consolidated financial statements, while the other three companies are reported as associated companies. Skagerak Energi's activities are concentrated around the production of power, district heating operations, distribution grid operations, electrical entrepreneur activities and natural gas distribution. Fjordkraft's activities are concentrated around the sale of electricity to private individuals and companies.

Important events in 2014 Agder Energi signed two power sales agreements with Hydro. The contracts, with an annual delivery of 1.5 TWh, run from 2021 to 2030.

BKK purchased TrønderEnergi's share in Agua Imara, thus increasing its shareholding from 25.7% to 35.1%.

Financial performance The segment's underlying EBITDA was NOK 1418 million in 2014 (NOK 1583 million). The decline is primarily due to lower power prices and grid income. In spite of somewhat higher power production, spot sales revenues fell compared with 2013 as a result of lower power prices. Income from grid activities fell as a result of lower volume and tariffs. The latter is governed by the Norwegian Water Resources and Energy Directorate through the Energy Act. Income from the end-user business fell as a result of lower power prices, but this was also the case for costs associated with energy purchases. Overall earnings from this activity thus increased compared with 2013, and Fjordkraft had its best year ever in 2014.

The segment's operating expenses were on a par with 2013.

The share of profit from associates and joint ventures amounted to NOK 535 million (NOK 640 million). The decline was primarily related to a NOK 154 million lower share of profit from Agder Energi, which was mainly a result of unrealised changes in value for energy contracts. The decline was, in part, offset by financial gains of NOK 116 million in connection with the sale of two subsidiaries in Istad.

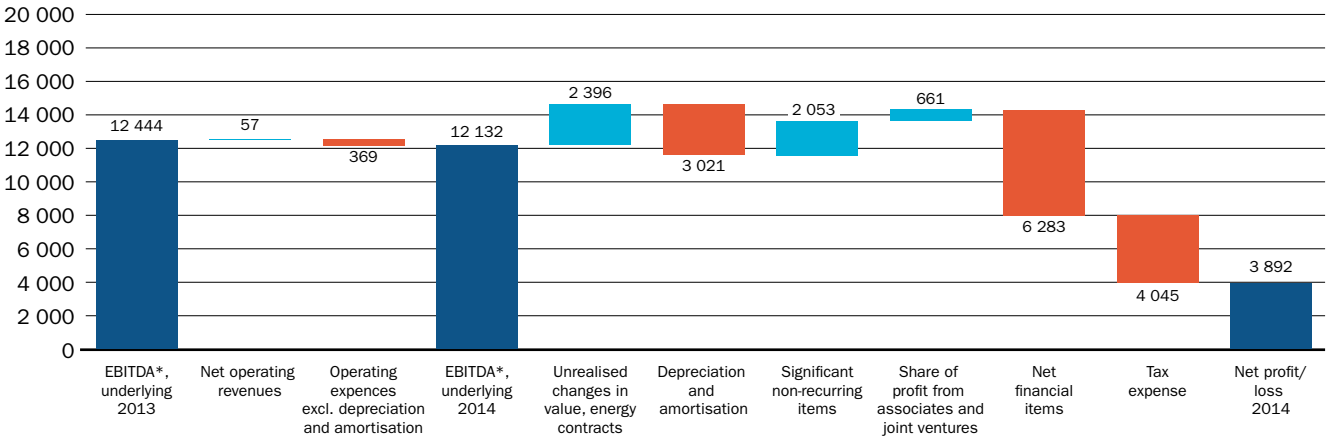
Other activities

Other activities include small-scale hydropower, innovation and Group functions.

Important events in 2014 Statkraft strengthened its equity through inflow of NOK 5 billion in new equity from the owner. The owner will also reduce overall dividends for the 2015-2017 period by a total of NOK 5 billion.

Statkraft entered into an agreement with Södra to purchase the shares in Södra Cell Tofte. In February 2015, Statkraft and Södra established a company with the objective of establishing future production of biofuel based on forest raw material.

Net profit 2014
NOK mill.



* Adjusted for unrealised changes in value of energy contracts (excluding trading and origination) and material non-recurring items.

Financial performance[5]

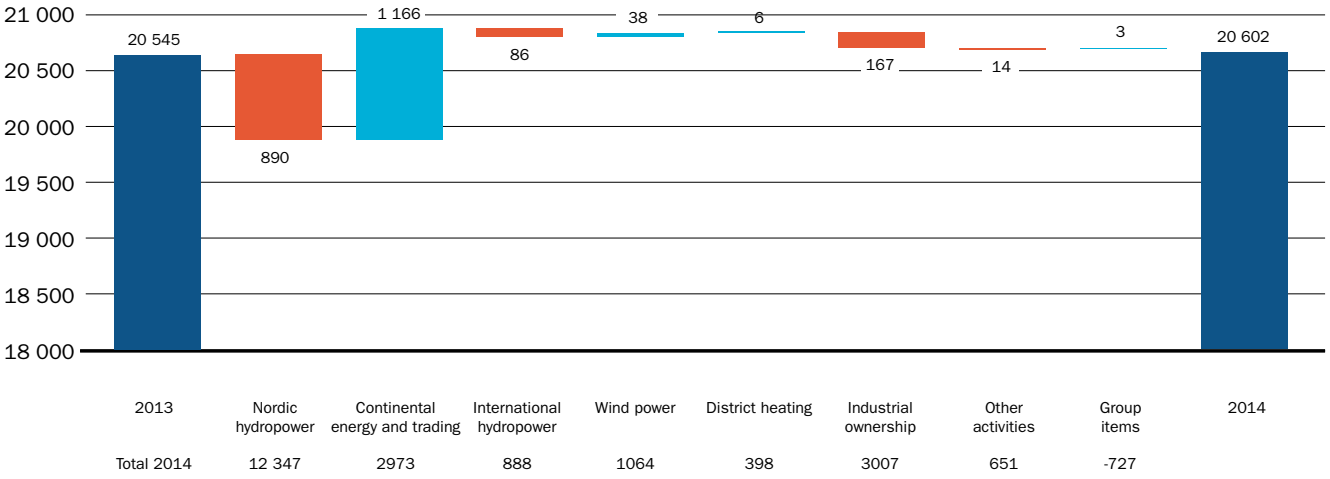
Good results from market activities, particularly associated with realisation of considerable positions in the Nordic dynamic asset management portfolio and increased contributions from market activities in Brazil, offset lower Nordic power prices. Operating expenses were somewhat higher than in 2013. The increase was in part related to new wind power plants, the transfer of hydropower plants from Statkraft SF to Statkraft AS in 2013, increased project activity and a weaker Norwegian krone.

The share of profit from associated companies and joint ventures was NOK 661 million in 2014 (NOK 1101 million). The decline was mainly caused by a write-down in Brazil and good results from SN Power's activities in the Philippines. The decline was somewhat offset by the deconsolidation of the wind farms in the UK, reversal of previous years' impairment for the Sheringham Shoal offshore wind farm as well as gains from the sale of two subsidiaries in Istad.

Substantial positive unrealised changes in value in energy contracts and non-recurring items, as well as negative currency effects under the financial items impacted the Group's net profit. However, the overall effect of this was less negative than in 2013, and contributed to an improvement in the Group's net profit of NOK 3685 million compared with 2013. The currency effects are fully offset by currency translation effects in the equity, and overall increase in equity throughout the year was NOK 17 billion, including NOK 5 billion in new equity from the owner.

In the following, the emphasis will be on presentation of the result from the underlying operations for items up to and including the operating profit. Unrealised changes in value of energy contracts and significant non-recurring items in consolidated activities are explained in the section "Items excluded from the underlying

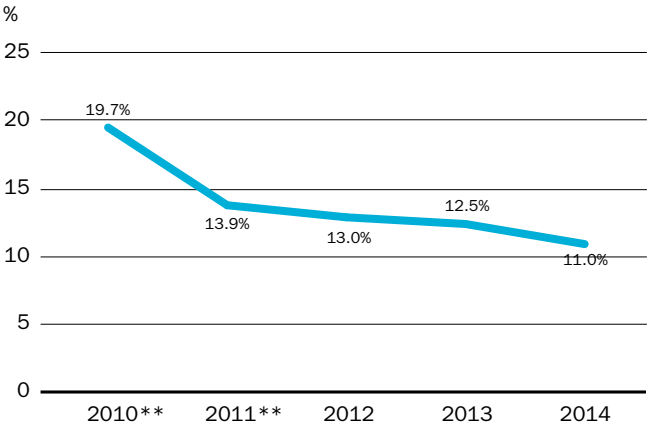
Net operating revenues* - change from 2013 to 2014
NOK mill.



* Adjusted for unrealised changes in value of energy contracts (excluding trading and origination) and material non-recurring items.

5) Figures in parentheses show comparable figures for 2013.

ROACE, underlying*



* Adjusted for unrealised changes in value of energy contracts (excluding trading wand origination) and material non-recurring items.
** The figures have not been converted in accordance with IFRS 11.

operating profit". Income statement elements after the operating profit are analysed in accordance with the recorded result.

Return on investments

Measured as ROACE[6], the Group achieved a return of 11% in 2014, which was 1.5 percentage points lower than in 2013. The decline was mainly due to higher average capital employed as a result of an increase in average fixed assets for the period due to investments in line with the adopted strategy. The high level of return in 2010 was due to a particularly high operating profit that year, primarily as a result of high power prices.

Underlying operating revenues

Statkraft's revenues are generated by spot sales, contractual sales to the industry, financial trading, grid activities, district heating and power sales to end-users. In addition, the Group delivers concessionary power. The fundamental basis for Statkraft's revenues comprises power prices, energy optimisation and production. The production revenues are optimised through financial power trading, and the Group engages in trading activities and energy trading.

Net operating revenues totalled NOK 20 602 million in 2014, which was on a par with 2013. The Continental energy and trading segment saw a substantial increase in revenues, whereas the Nordic hydropower segment experienced a relatively significant decline compared with 2013. Other segments had minor changes in net operating revenues. The decline for Nordic hydropower and Industrial ownership was primarily linked to lower power prices, whereas the increase for Continental energy and trading was mainly related to good results from the Nordic dynamic asset management portfolio and better financial results from market activities in Brazil.

Underlying operating expenses

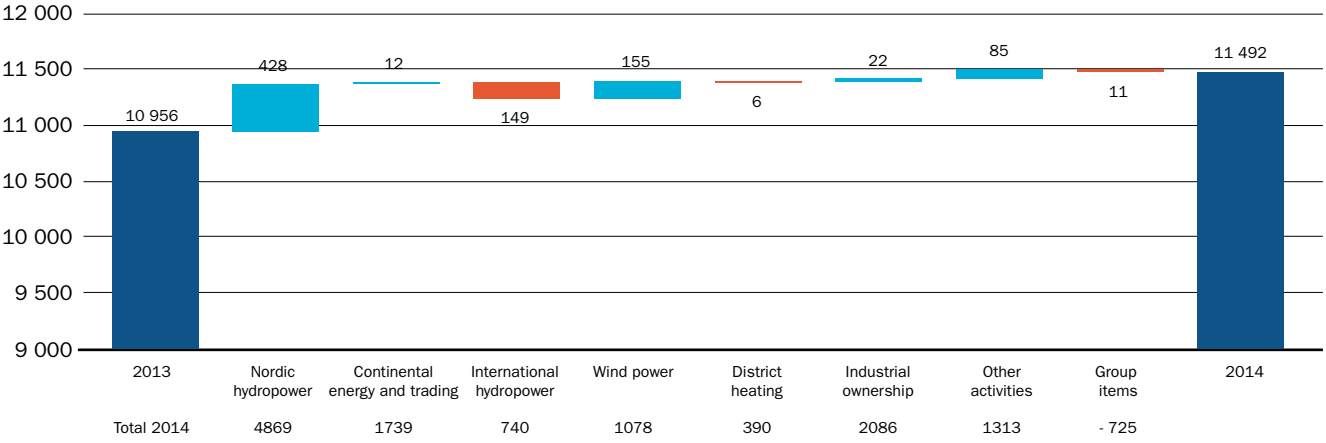
In total, the Group's operating expenses increased by 5% compared with 2013. The increase relates primarily to the transfer of hydropower plants that were previously rented from Statkraft SF to Statkraft AS in 2014, new wind power capacity, higher maintenance costs, increased project activity and a weakened Norwegian currency.

Underlying EBITDA and underlying operating profit

Historically, Statkraft has had high EBITDA margins[7] as a result of low operating expenses for hydropower production. In 2012, Statkraft launched a new business activity offering market access for small-scale producers of renewable energy in Germany and the UK. The contracts are recognised gross in the income statement and therefore increase both the sales revenues and the energy purchase costs substantially. This business makes a positive contribution to the Group's EBITDA, but the margins from this business are low and therefore reduce the overall EBITDA margin.

EBITDA (operating profit before depreciation and amortisation) fell by 3% from 2013 and the operating profit fell by 5%,

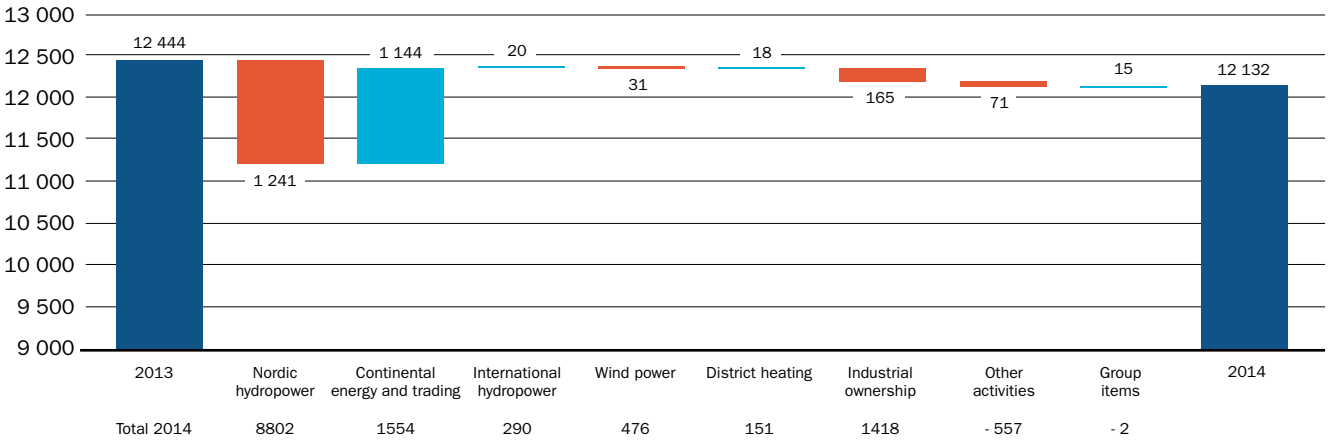
Operating expenses* - change from 2013 to 2014
NOK mill.



* Adjusted for significant non-recurring items.

6) ROACE (%): (Operating profit adjusted for unrealised changes in the value of energy contracts and significant non-recurring item x 100/average capital employed.
7) EBITDA margin (%): (Operating profit adjusted for unrealised changes in the value of energy contracts and significant non-recurring items x 100) / gross operating revenues adjusted for unrealised changes in the value of energy contracts and significant non-recurring items.

EBITDA* - change from 2013 to 2014
NOK mill.



* Adjusted for unrealised changes in value of energy contracts (excluding trading and origination) and material non-recurring items.

to NOK 12 132 million and NOK 9111 million, respectively. The Group's EBITDA and operating profit are to a large degree generated by the Nordic hydropower segment, which contributed 73% (81%) and 82% (92%) of the total, respectively.

Good results from market activities, particularly associated with realisation of significant positions in the Nordic dynamic asset management portfolio and increased contributions from market activities in Brazil, largely offset lower Nordic power prices.

Items excluded from the underlying operating profit

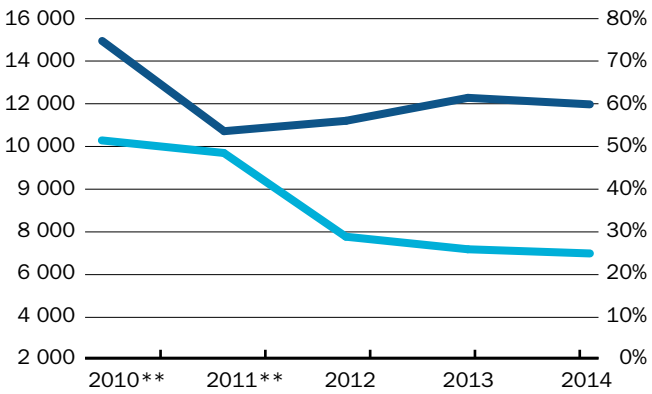
Total unrealised changes in value and significant non-recurring items in 2014 amounted to NOK 4449 million (NOK 3413 million).

Unrealised changes in value adjusted for in the underlying operating profit amounted to NOK 2396 million (NOK 3288 million). The primary contributor to the positive profit effect was built-in derivatives which showed positive development as a result of a weaker NOK against EUR. Gas contracts also developed positively in 2014, primarily as a result of realisation throughout the year and falling commodity prices, and this reduced the negative market value in relation to these contracts.

Non-recurring items excluded from the calculation of the underlying profit amounted to NOK 2053 million in 2014 (NOK 125 million).

The gain from selling assets included sale of the power production in Finland, sale of shares in onshore and offshore wind farms, swap trade of hydropower plants, as well as restructuring of SN Power. The Finnish hydropower production sale yielded an accounting gain of NOK 1213 million. The sale of 49% of the shares in a company that owns three onshore wind farms in the UK gave the Group an accounting gain of NOK 1063 million. The transaction entailed that the company went from being a subsidiary to being an investment in joint ventures, and the gain shows realised gain from both the selldown from 100% to 51%, as well as an increase in carrying value to fair value of the 51% share that Statkraft still owns. The selldown from 50 to 40% shareholding in the Sheringham Shoal offshore wind farm yielded financial gains totalling NOK 283 million. The selldown entailed that the wind farm changed from being an investment in joint operations to being an investment in joint ventures. The swap trade where Statkraft took over the remaining 35% of Leirdøla and sold Svelgen 1 and 2 resulted in accounting gains of NOK 99 million. Statkraft posted a gain of NOK 109 million for the sale of Agua Imara in connection with the restructuring of SN Power.

EBITDA og EBITDA margin, underlying*
NOK mill./%



EBITDA (left axis)
EBITDA-% (right axis)

* Adjusted for unrealised changes in value of energy contracts (excluding trading and origination) and material non-recurring items.
** The figures have not been converted in accordance with IFRS 11.

Urealised changes in value of energy contracts

NOK mill.	2014	2013
Long term contracts	1 429	1 285
Nordic and Continental Dynamic Asset Management Portfolio	-317	480
End-users	14	-28
Energy purchases	1 298	1 595
Other/eliminations	-27	-43
Unrealised changes in value not included in underlying profit	2 396	3 288
Unrealised changes in value included in underlying profit	206	-223
Unrealised changes in value presented in the profit and loss statement	2 602	3 065

Significant non-recurring items

NOK mill.	2014	2013
Gain from sale of assets	2 767	86
Impairments of fixed assets and intangible assets	1 050	-190
Pension scheme changes	280	-
Trial related to Saurdal power plant - consession power	56	-
Income from termination of energy contract	-	164
Purchase at favourable terms when increasing shareholdings in Devoll	-	162
Expenses incurred when increasing shareholdings in biomass plants	-	-97
Significant non-recurring items	2 053	125

The Cetin hydropower project in Turkey was impaired by NOK 1050 million due to delays and replacement of the contractor. Pension costs have been reduced by NOK 280 million in connection with scheme changes in Norway. These changes include life expectancy adjustments and disability pension. The court ruled in favour of Statkraft in the case concerning concessionary power brought by eight municipalities. This allowed Statkraft to recognise NOK 56 million in income.

Share of profit from associated companies and joint ventures

The Group has major shareholdings in the regional Norwegian power companies BKK, Agder Energi and Istad, as well as shareholdings in companies outside Norway, where much of the activity takes place through participation in partly-owned companies.

The decline for International hydropower was primarily related to two factors, a write-down in Brazil in 2014, and lower financial results from SN Power's activities in the Philippines. The decline was somewhat offset by the recognition of an insurance settlement in Chile as income. The share of profits for Wind power were related to the UK wind farms that are now presented as joint ventures, and the reversal of previous years' impairment was the primary contributor to the result. The decline for Industrial ownership was mainly related to unrealised changes in value of energy contracts in Agder Energi, somewhat offset by sales gains in Istad.

Associates

NOK mill.	2014	2013
International hydropower	-240	458
Wind power	363	-1
Industrial ownership	535	640
Other	3	3
Associates	661	1 101

Financial items

The increase in other financial income was primarily related to gains linked to the SN Power transaction.

Net currency effects amounted to a loss of NOK 4791 million (loss of NOK 9403 million), mainly as a result of weaker NOK against EUR. The effects mainly stem from internal loans and currency hedging contracts, and were mainly unrealised. These effects are fully offset by translation effects in the equity.

Financial items

NOK mill.	2014	2013
Interest income	267	218
Other financial income	592	20
Financial income	859	237
Interests expense	-1 226	-1 272
Other financial expenses	-83	-78
Financial expenses	-1 309	-1 351
Net currency effects	-4 791	-9 403
Other financial items	-1 043	-1 076
Net financial items	-6 283	-11 592

Net currency effects

NOK mill.	2014	2013
Currency hedging contracts and short term currency positions	-733	-3 185
Realised	-80	-85
Unrealised	-654	-3 100
Loans in foreign currency	-724	-500
Realised	284	392
Unrealised	-1 008	-892
Internal loans, joint ventures and associates	-3 332	-5 717
Realised	980	225
Unrealised	-4 312	-5 942
Net currency effecs	-4 791	-9 403
Realised	1 183	531
Unrealised	-5 974	-9 934

Taxes

The recorded tax expense was NOK 4045 million (NOK 2303 million). The increase in tax expense was due mainly to higher profit before tax and the refunding of withholding tax from previous years in connection with dividends from the shareholding in E.ON in 2013.

Cash flow

The Group generated a cashflow from operating activities of NOK 8896 million in 2014 (NOK 9499), a decrease of 6% compared with the previous year.

The changes in short and long-term items had a negative effect of NOK 2726 million (NOK -2444). The change was mainly related to cash collateral.

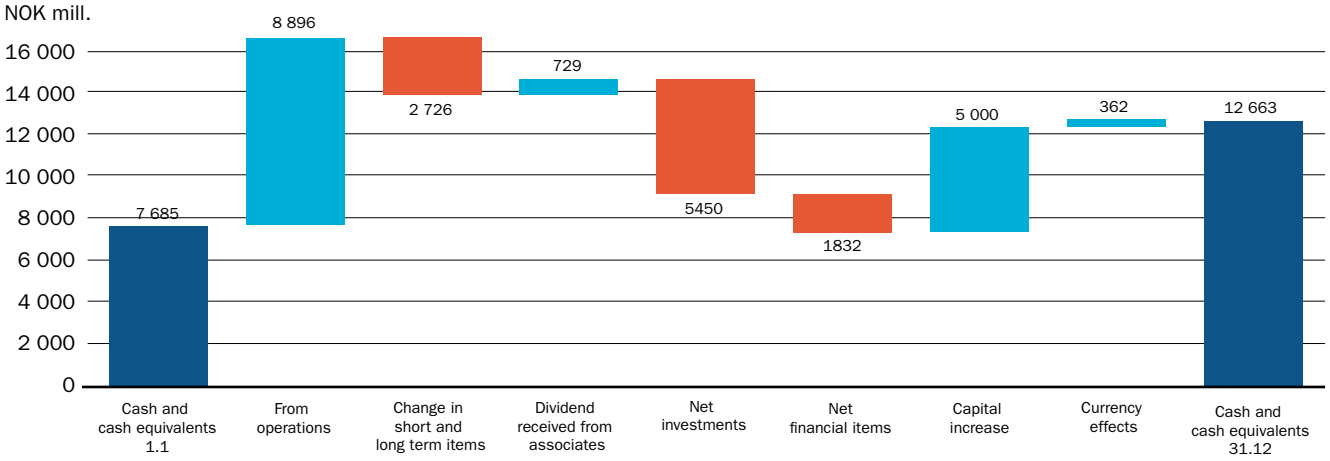
NOK 729 million (NOK 1051 million) were received in dividends – primarily from BKK and Agder Energi.

Net investments[8] amounted to NOK -5450 million (NOK +547 million). These were mainly investments in tangible fixed assets totalling NOK -8801 million, as well as net liquidity outflow from the Group totalling NOK 770 million linked to the restructuring of SN Power. Investments in shareholders totalling NOK -765 million were mainly related to capital increase in SN Power for purchase of Statkraft SF's 20% shareholding in Theun Hinboun Hydropower company in Laos. Sale of business gave a cash effect of NOK 4688 million.

Net cash flow from financing activities was NOK +3168 (NOK -6807), of which new equity added by the owner amounted to NOK 5 billion. New debt amounted to NOK 1917 million (NOK

8) Net invesments include investments paid at the end of the quarter, payments received from sale of non-current assets, net liquidity out from the Group upon acquisition of activities and repayment and disbursement of loans.

Cash flow 2014



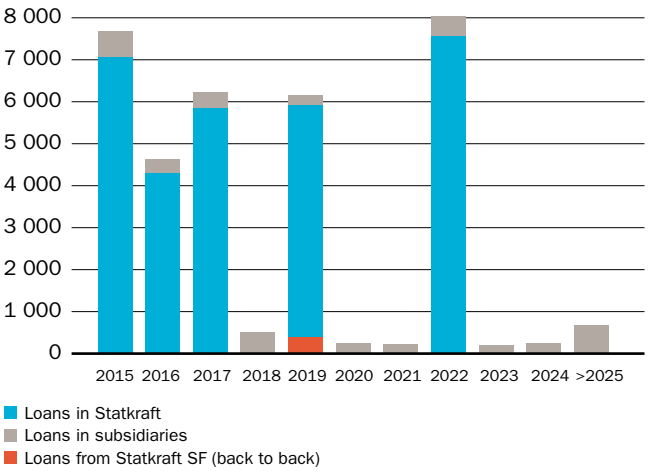
865 million), primarily associated with short-term loans from Statkraft SF as well as project financing in Peru. Repayment of debt amounted to NOK 3900 million (NOK 4714 million).

Currency exchange rate effects on cash and cash equivalents amounted to NOK 362 million.

Statkraft monitors its ability to meet future liabilities through the target figure "Short-term liquidity"[9], and at the end of 2014, this target figure was within the target range of 1.5 to 4.0.

Financial structure

Long-term liabilities, debt redemption profile



Debt and interest rates

NOK mill.	Share 31.12.2014	Interest rate 2014
NOK	37%	4.9%
EUR	38%	3.3%
SEK	1%	2.1%
GBP	16%	2.7%
USD	8%	4.8%
Floating rate	50%	
Fixed rate	50%	

The main objectives of the Group's capital structure management are to maintain a reasonable balance between solidity and the ability to expand, and to maintain a strong credit rating. The most important target figure for the Group's management of capital structure is long-term credit rating.

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

The Group endeavours to obtain external financing from different capital markets. When raising loans, Statkraft seeks to ensure an even repayment profile, and the current maturity profile is in line with this objective. Raising of any new loans is planned in accordance with the liquidity forecast, investment decisions and sale of assets.

At the end of 2014, net interest-bearing debt[10] amounted to NOK 23 638 million, compared with NOK 32 240 million at the beginning of the year. The decline was related both to repayment of debt and increased bank deposits. The net interest-bearing debt-equity ratio was 21.2%, compared with 31.2% at year-end 2013.

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

Current assets, except cash and cash equivalents, amounted to NOK 21 780 million (NOK 17 387 million) and short-term interest-free debt was NOK 20 662 million (NOK 17 073 million) at the end of 2014.

At the end of the year, Statkraft's equity totalled NOK 88 059 million, compared with NOK 71 107 million at the start of the year. This corresponds to 52.5% of total assets (46.3%). The increase in equity was associated with a positive total comprehensive income of NOK 10 284 million and capital contribution from Statkraft SF of NOK 7350 million.

9) Short-term liquidity: (OB liquidity capacity + forecast incoming payments next 6 months) / (debt due and dividend next 6 months + (limit x forecast disbursements from operations/ Investments next 6 months).

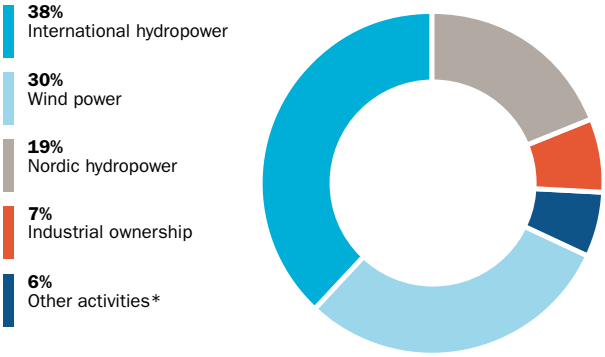
10) Net interest-bearing debt: Gross interest-bearing liabilities - bank deposits, cash in hand and similar excluding restricted funds - short-term financial investments.

Financial strenght and rating
It is important to Statkraft to maintain its credit rating with the two major rating agencies Standard & Poor's and Moody's. An important key figure monitored by Statkraft in relation to credit rating is the cash flow from operations in relation to net interest-bearing debt. Statkraft AS has a current credit rating of A- from Standard & Poor's and Baa1 from Moody's.

Investments
In accordance with the Group's strategy, the project activity level is high, especially as regards wind and hydropower. The Group's investment programme is flexible, and the plans are subject to continuous assessment in relation to market outlook and financial strength.

In total, Statkraft invested NOK 11 180 million in 2014, of this NOK 3844 million was invested in Norway. Approximately two thirds of total investments were made in new generating capacity. Maintenance investments are primarily in connection with Nordic hydropower. The largest investments in new capacity are in connection with wind power in Sweden and the UK, as well as international hydropower.

Investments (11 180 NOK mill.)
NOK mill./%



* Includes Continental energy and trading, District heating and Small-scale hydropower.

Risk management

Statkraft is exposed to risk throughout the value chain. The most important risks are related to market operations, financial management, project execution, operating activities and framework conditions. Growth and increased internationalisation set stricter requirements for risk management in the investment portfolio. Statkraft has a central investment committee to improve risk handling in relation to individual investments and across the project portfolio. The risk management is an integrated part of other governance through a risk-based system for the corporate management's follow-up of the business areas. The Group's overall risk profile is concluded by the Group management and is reported to the Board.

Market risk in energy markets
Statkraft is exposed to significant market risk in relation to production and energy trading. Revenues from power production are exposed to volume and power price risk:

- Both power prices and production volumes are impacted by weather and precipitation volumes, while power prices depend on production, consumption and transmission conditions in the electricity market
- Power prices are also indirectly impacted by gas, coal and oil prices, the price of carbon quotas, support regimes and introduction of new power production technology
- Gas power production is directly exposed to fluctuations in the gas, oil and carbon quota prices.

Statkraft manages market risk in the energy markets in part by trading physical and financial instruments in multiple markets. Increased integration of the energy markets is having a significant impact on business models and risk management. Consequently, Statkraft places significant emphasis on the interrelationship between the various markets. The Group's hedging strategies are regulated by limits on the positions' volume and value, and by criteria for evaluating new contracts against expected revenues and downside risk.

Statkraft's activities in energy trading and services consist of both trading with standard products on energy exchanges and sale of services or products adapted to the individual customer. New products and services typically have a short lifetime compared with other activities before profitability is reduced as a result of competition or regulatory amendments. Risk is handled through mandates covering raw materials, geographical areas and duration. An independent risk handling function ensures objectivity in the assessment and handling of risk.

Sales activities are exposed to uncertainty in the sales price to retail customers and companies, as well as the purchase price in the wholesale market. Net exposure is limited by securing symmetry in the exposure between the customers and purchases in the wholesale market, and by using financial instruments.

Financial risk
The central treasury department coordinates and manages the financial risk associated with foreign currencies, interest rates and liquidity, including refinancing and new borrowing. Statkraft is exposed to interest risk through external financing and distribution grid revenues. The Group is exposed to currency risk through the integration between the Nordic and the continental power markets, the Group's energy trading in EUR and other cash flows related to foreign subsidiaries and associated companies.

Currency and interest risk are regulated by means of mandates. Forward currency contracts, interest rate swaps and forward interest rate agreements are the most important instruments in this management. The liquidity risk can mainly be handled through good borrowing sources, credit facilities and minimum requirements for the Group's cash and cash equivalents.

Statkraft is exposed to credit and counterparty risk through energy trading and investment of surplus liquidity. The credit rating of all counterparties is evaluated before contracts are signed, and exposure is limited by mandates based on their credit rating.

Market risk in the energy markets and other financial risk, as well as exposure in connection with the issued mandates, are followed up by independent middle office functions and regularly reported to the Group management and the Board.

Operational risk
All processes in the value chain are exposed to operational risk. This particularly applies to implementation of investment projects and operational activities in the form of injury to the Group's employees, contractors or third parties, harm to the environment, damage to production facilities and other assets as well as damage to reputation. Statkraft has insurance schemes that cover all significant damage types, for example through the Group's own insurance company, and all projects in Statkraft implement systematic risk assessments.

The most critical aspects are in connection with development of Statkraft's international activities. Major attention is devoted to development of sound systems and learning, establishing barriers and ensuring compliance to avoid delays, cost overruns and undesirable incidents. A joint project unit was established in International hydropower for Statkraft and SN Power in order to further reduce the risk associated with project implementation, and this was strengthened in 2014.

Estimates of the possible financial consequences of the total operational risk, as well as significant individual risks that are central drivers to the Group's overall risk profile, are included in the reporting of overall risk at Group level.

Other risk
Statkraft's activities are impacted by framework conditions such as taxes, fees, regulations, grid regulations, changes regarding the required minimum water level, as well as general terms and requirements stipulated for the power industry in both Norway and other countries. The uncertainty in relation to the future development of these is highly emphasised in investment decisions.

Statkraft's international investments involve both heightened country and partner risk. Statkraft assesses risk for each country individually and compares countries in each region. Partner risk is assessed at an early stage in order to confirm the necessary integrity and management structure.

Climate change can present both threats and opportunities, and is of importance for all the risks described above. Significant changes to temperature and precipitation will have consequences for power prices and production, and flooding and bad weather could result in increased damage to and degradation of plants, and could have consequences for employees and third parties. Climate risk is also an important driver of changes in framework conditions and political decisions.

Internal control

Internal control is a key element in sound risk management, and Statkraft is focusing on further development of internal control. The overall management system, "The Statkraft Way", defines the Group's guidelines and contributes to a sound control environment for fulfilling the management's goals. Internal control requirements have been incorporated into HSE, ethics, ICT, corporate responsibility and financial reporting.

The Group's internal control network annually prepares a financial risk map which is presented to the Group Management and the audit committee. Business and support processes for handling the inherent risk are identified on the basis of the Group's risk map.

Internal control over financial reporting
The system for internal control over financial reporting contributes to trustworthy and timely financial information in Statkraft's reports, and is based on the COSO frameworks for internal control (COSO 1992), published by the Committee of Sponsoring Organizations of the Treadway Commission.

All subsidiaries are required to comply with the internal control system as described in "The Statkraft Way" and in the Group's finance manual. The same applies to other companies where Statkraft is responsible for the accounting and financial reporting. If a third party is responsible for the accounting and financial reporting, the responsible segment in Statkraft must carry out compensating controls as described in the finance manual.

The main elements of the internal control system are risk assessment, control measures, self-evaluation, reporting and continuous exercise of control and compliance follow-up.

Innovation

The purpose of innovation in Statkraft is to develop and strengthen competitive advantages in the core activities, identify and promote new business development opportunities, engage in long-term expertise building and contribute to secure good future framework conditions for renewable energy production. In 2014, about NOK 124 million was expensed on various innovation and research activities.

Statkraft's innovation logic
All innovation activities are continuously followed up to ensure relevance and benefits. The following logic forms the basis for balancing investments between short-term and long-term innovation activities in the Group:

Improvement work addresses daily challenges and usually yields quick results. These projects focus on existing plants/ equipment and optimal resource utilisation.

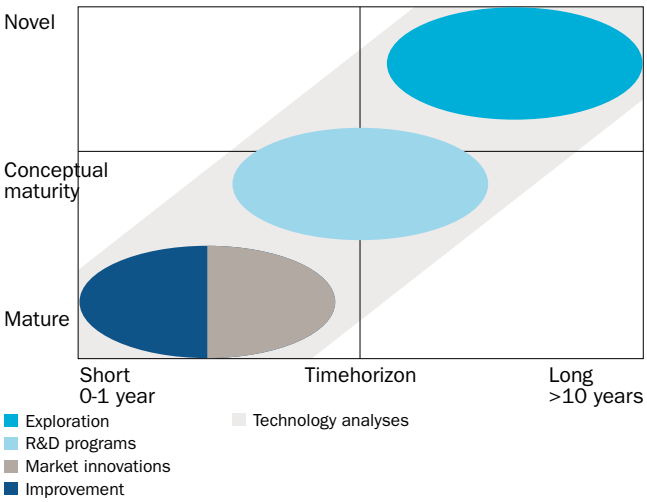
Market innovations are associated with commercial services around energy production and deliveries which, along with technological innovation, represent a significant long-term competitive advantage. By focusing on development of new business models associated with existing activities, the ambition is to develop concepts with a short commercialisation lead time.

The Group's research and development (R&D) programmes are associated with Statkraft's core business areas and have a longer time perspective. Multiple-year R&D programmes have been established within hydropower, wind power, bio-energy and climate.

Research activities have been established with the purpose of evaluating and qualifying technologies and solutions which in the long term can form the basis for new insight or activity in Statkraft.

In order to support innovation projects and various processes/projects associated with strategy, technology and markets, Statkraft also has extensive activities within technology analysis, covering all of the above categories. Global technology development in the energy sector is carefully monitored and analysed.

Innovation logic



Value creation

Statkraft follows up each innovation project with a view to value creation. Estimates show an average value potential of several times the project costs. "Effect evaluation" is a tool introduced in Statkraft to promote the investment capability and thus value creation of R&D projects in particular. Every project is evaluated twice; at start-up and completion. Particularly interesting projects are also followed up after completion to ensure sound implementation over time.

Relevant research activities

Liquid biofuel is a research activity addressing the business opportunities in the bio-energy market. Specifically, the opportunities in connection with production of liquid fuel for road transport based on forest resources. Statkraft wants to use this opportunity to add to its basic bio-energy expertise.

Modelling within distributed energy is carried out with the purpose of establishing insight within technological and commercial potential, as well as increasing understanding of how distributed energy impacts Statkraft. Modelling of solar and batteries, combination of heat and power, as well as the consumption pattern of customers in the Nordic region were prioritised research activities in 2014. An assessment of various business opportunities related to a combination of solar cell panels and energy storage in the form of batteries has led to increased understanding for both the technological status and cost level.

There will be an increasing surplus of power in the Nordic countries up to 2020. However, electricity consumption may increase through electrification of the heating and transportation sector. Through using renewable energy, these sectors can also be de-carbonised, and an interaction between the sectors will lead to greater flexibility in the energy system overall.

Corporate Responsibility

Statkraft is commited to acting in a sustainable, ethical and socially responsible manner in all activities. The Group shall provide a safe and healthy working environment where people, the environment and assets are safeguarded and protected.

In order to follow up the Group's corporate responsibility, Statkraft's actions are guided by globally recognised initiatives and standards, including the OECD's Guidelines for Multinational Enterprises and IFC's Performance Standards on Social & Environmental Sustainability. Statkraft is a member of UN Global Compact and is committed to following up the initiative and its ten principles relating to human rights, labour rights, environment and anti-corruption.

Below is a brief summary of Statkraft's work and results in the corporate responsibility area in 2014.

Management of corporate responsibility

Statkraft's activities are characterised by sustainability and responsible behaviour. The Group's fundamental principles for sustainable, ethical and socially responsible behaviour are described in Statkraft's code of conduct. The code of conduct applies to all employees and companies in the Statkraft Group, and Statkraft's business partners are expected to have standards in accordance with Statkraft's code of conduct. Statkraft has also prepared corresponding guidelines for the Group's suppliers. Suppliers are followed up with regards to sustainable and ethical conduct throughout the procurement process.

Ethical and sustainable behaviour is a line responsibility in Statkraft. Principles and requirements associated with corporate responsibility are an integrated part of Statkraft's management system. The management system facilitates a structured and uniform handling of the Group's corporate responsibility, and the system is regularly evaluated to tailor it to new requirements, contexts and challenges. Corporate responsibility performance is followed up through score cards and in regular performance reviews for each business area. Follow-up of Statkraft's corporate responsibility is also part of Corporate Audit's responsibilities.

Having the correct expertise in all areas associated with corporate responsibility is a critical success factor in terms of achieving the Group's goals. Statkraft therefore works actively to build expertise, develop training plans and transfer experience across the organisation. Corporate responsibility is also an integrated topic in the introduction programme for new employees and in the Group's manager training.

Statkraft wants to ensure transparency with regards to dilemmas and ethical issues, and systems are in place to provide all employees with guidance and advice with regard to interpretation of Statkraft's code of conduct and desired behaviour. Statkraft's code of conduct emphasises that employees have both the right and duty to report breaches of legal or ethical obligations through the line organisation or the Group's whistleblower channel, which is handled by Corporate Audit. The whistleblower channel was improved in 2014 and is now also open for external stakeholders. Corporate Audit received five internal whistleblower cases in 2014.

Climate and environmental impact

Statkraft's environmental ambition is to offer renewable, sustainable and robust climate energy solutions. Continued growth, in combination with international good practice for environmental management, are key elements to achieve this ambition. New investments in the Group are now only made within renewable energy. Statkraft wants to be in line with good international practice with regard to environmental practice. In 2014, the Group's environmental results were judged to be at a leading level by Oekom Research Corporate Rating.

There were no serious environmental incidents in the Group in 2014, however 159 (127) minor environmental incidents were registered. Most of these were in connection with short-term breaches of river management regulations and minor oil spills. These incidents had little or no impact on the environment.

In 2014, Statkraft's electricity consumption was 899 GWh (882 GWh). All electricity consumed in the Group has been certified as renewable in accordance with RECS (Renewable Energy Certificate System). Furthermore, Statkraft generated 60 400 tonnes (86 000 tonnes) of hazardous waste from power and district heating production. The waste was treated in accordance with applicable regulations. Most of this (80%) was residual products from Statkraft's waste incineration plant.

Health and safety

Statkraft is committed to providing a safe and healthy working environment. The objective is that the Group's activities shall result in zero serious personal injuries. Good planning, including setting clear requirements and close follow-up in all project phases and operating activities, is decisive for achieving this objective. The Group's management and follow-up of health and safety is based on the requirements in the OHSAS 18001 standard and international good practice.

2014 nevertheless saw two work-related, fatal accidents in which four people lost their lives. One of the accidents took place in the Devoll project in Albania, which is wholly owned by Statkraft, whereas the other accident took place in the Bajo Frio project in Panama, where Statkraft has an indirect shareholding of 25%.

In the Devoll project, there were three fatalities following a rockslide in the vicinity of Moglice in the Devoll valley. The fatalities were employees in a rockfall protection company that was securing the rock face for one of Statkraft's road contractors. The main conclusion from the investigation was that challenging weather and precipitation conditions had substantially increased the risk of a slide, and that this was not sufficiently considered when executing the work. The practice for executing this type of work has been changed after the accident.

In the Bajo Frio accident, a barrel came loose from a mobile crane and struck three people. There was one fatality and one serious injury. The accident investigation uncovered multiple breaches of the project's requirements and guidelines and several improvement measures have been implemented following the accident.

The Group has experienced a positive development in recent years as regards the injury and lost time injury rate. The indicator for lost-time injuries, H1, was 3.4 (3.5) among the Group's employees and contractors in 2014, while the indicator for all types of injuries, H2, was 5.5 (6.5). In total, 170 (228) injuries were registered, of which 106 (120) lost-time injuries, among the Group's employees and contractor employees. In addition, 9459 unsafe conditions (9415) and 989 near-misses (1531) were registered. 30 (49) of the accidents and near-misses were categorised as serious incidents with, or with the potential for, serious consequences.

The Group works systematically to avoid injuries in all activities. All accidents and near-misses with serious damage potential are investigated in a structured manner, with the intention of sharing experience across the organisation. Most of the serious accidents and near-misses in 2014 were associated with traffic, fall from heights and falling objects.

Absence due to illness in Statkraft is at a stable low level and was 2.8% in 2014 (2.9%). All Norwegian companies in the Group have entered into Inclusive workplace (IA) agreements, with active follow-up of absence and adaptation of the work as needed.

Security

Statkraft has a targeted approach to security, preparedness and crisis management. In Statkraft, the area of security encompasses personnel security, physical security, IT system security and information security.

Statkraft takes a comprehensive approach to security topics and has implemented a new corporate governance structure in 2014. Improvement areas and measures have also been identified to ensure that Statkraft is on a par with good international practice. A number of emergency drills were conducted in 2014 within various topic areas which incorporate experiences from security situations both in Norway and abroad.

Human rights

Compliance with human rights can be challenging in some of the countries where Statkraft is present, and the Group takes human rights issues very seriously. The UN's Guiding Principles on Business and Human Rights have been taken into consideration in Statkraft's management system and project management tools.

In 2012, a complaint against Statkraft was lodged before the OECD's Norwegian and Swedish contact point for multinational companies in connection with the development of wind power in Sweden. Mediation took place between Jijnjevaerie Sámi Village and Statkraft in 2014 and was concluded without agreement.

Business ethics and anti-corruption work

Statkraft has zero-tolerance for corruption and is committed to upholding a high ethical standard. With rising exposure in markets exposed to corruption, Statkraft places significant emphasis on safeguarding its internal business culture and developing robust anti-corruption measures.

A new phase of Statkraft's anti-corruption programme was approved and initiated in 2014. The program includes risk assessment and mapping of needs in each of Statkraft's business areas in order to develop customised solutions for competency development and other corruption-preventing measures.

A new training program on business ethics and anti-corruption has been adopted as part of this work, where all employees will receive training attuned to their challenges. A number of measures have also been implemented to ensure good management on this topic, for example dilemma training for all senior management.

In 2014, Statkraft prepared new, practical guidelines that will advise employees on how to handle ethical challenges. The guidelines are a supplement to governing documents, the existing anti-corruption work manual and anti-corruption e-learning programme.

Social impact

Statkraft creates significant values for society. At the same time, all power production, even renewable power production, is associated with different forms of interventions in society and nature. Statkraft works systematically to reduce the negative effects from its activities as much as possible and to properly safeguard all stakeholders. This is done through structured processes where dialogue with everyone affected by the Group's activities is a key element. A new unit was established in 2014 within the International hydropower segment. This unit will strengthen Statkraft's ability to handle social and environmental interventions while also ensuring transfer of expertise between different projects.

The Group's financial value creation is distributed amongst many different stakeholders. In 2014, this amounted to NOK

19 077 million (NOK 18 635 million). Total investments amounted to NOK 11 180 million (NOK 13 344 million), of which NOK 3844 million was invested in Norway (NOK 7338 million). 67% of the investments were in connection with expansion of production capacity (85%).

Employees and organisation

A good and stimulating working environment, clear requirements for managers and goal-oriented competency development are strategically important areas in Statkraft. A mapping of Statkraft's expertise needs was prioritised in 2014, and a new expertise development concept will be implemented in 2015.

An employee survey is carried out every year in Statkraft and the results indicate that Statkraft is a good place to work and that the company has satisfied employees. As regards the indicator "Job satisfaction", Statkraft's score was 74 of 100, which is above the Norwegian industry average (70).

Statkraft has a focused and systematic approach to recruitment and remains an attractive employer both among graduates and experienced employees. The Group has a trainee programme which enrolled eight new trainees with different backgrounds and nationalities in 2014.

Statkraft has a structured collaboration with represented trade unions. In addition to national cooperation with trade unions, Statkraft has a European works council (Statkraft European Works Council, SEWC), with employee representatives from Norway, Sweden, Germany and the UK. SEWC is an important forum where topics related to working life and labour rights are addressed and discussed with Statkraft's management.

The Group recognises the ILO Convention on labour rights and relevant EU directives have been included in the SEWC agreement with EPSU (European Federation of Public Service Unions), the federation for European unions within the energy industry.

Statkraft wants a diverse working environment and considers equal treatment a tenet in its recruitment and HR policy. Statkraft strives to attain an even gender distribution in the Group, and more women in managerial positions. At the end of 2014, 24% of the Group's employees were female (23%), and the percentage of women in management positions was 22% (22%). The percentage of women among new employees in 2014 was 25%. The percentage of women on Statkraft's Board of Directors is 44%. The average salary for women compared with men in Statkraft was 0.9 in 2014. The corresponding figure for management was 0.9.

At the end of 2014, the Group had 3348 (3493) full-time equivalents. The Group has employees in 19 countries, and 34% are located outside Norway (34%). The average service time in Statkraft is 11.8 years and the employee turnover is 4.0% (6.0%).

Corporate Governance

Efficient and transparent management and control of the business will form the basis for creating long-term values for the owner, employees, other stakeholders and society in general, and, as a result, contribute to sustainable and durable creation of value. The role distribution between the Norwegian state as the owner, the Board of Directors and the general management in the company builds confidence in stakeholders through predictability and credibility. Open and accessible communication will ensure that the Group maintains a good relationship with society in general and the stakeholders who are affected by the company's activities in particular.

Statkraft follows the Norwegian State's principles for sound corporate governance, described in the White Paper Meld. St. 27 (2013-2014) Et mangfoldig og verdiskapende eierskap (diverse and profitable State ownership), and is subject to reporting requirements relating to corporate governance according to Section 3-3b of the Accounting Act. Furthermore, Statkraft applies the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company's organisation and ownership. Deviations from the recommendation are due to the fact that Statkraft is wholly owned by the Norwegian state.

Reference is also made to the separate description of corporate management in the annual report on Statkraft's website.

The work of the Board of Directors

Hilde Drønen, Elisabeth Morthen, Harald von Heyden, Vilde Eriksen Bjerknes and Asbjørn Sevlejordet joined the board as new members in June, replacing Ellen Stensrud, Erik Haugane, Silvija Seres, Lena Halvari og Odd Vanvik. Berit Rødseth was elected the new deputy chair.

The Board of Statkraft AS held eight board meetings in 2014. The Board has a strong focus on daily operations and ongoing development projects. A significant part of the work of the Board of Directors in 2014 was in connection with development of investments and sale of assets in accordance with the Group's strategy.

The Board has a Compensation Committee consisting of the chair of the Board and two of the Board members, and an Audit Committee consisting of four Board members. The Compensation Committee held two meetings during the course of the year, while the Audit Committee held five.

Going concern

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

Profit allocation

The parent company Statkraft AS suffered a net loss of NOK 2442 million in 2014 (loss of NOK 876 million).

The Board of Statkraft SF proposes a dividend of NOK 6007 million, corresponding to 85% of the dividend basis. The dividend basis is calculated as the consolidated result for Statkraft SF after tax and minority interests, adjusted for unrealised gains and losses. The dividend will be disbursed from Statkraft SF, and in order to provide Statkraft SF with sufficient ability to disburse dividend, the Board proposes the following allocation of the annual profit in Statkraft AS:

The proposed dividend is deemed to be prudent based on Statkraft AS' equity and liquidity.

Coverage of loss

Amounts in NOK mill.	
Net annual loss in Statkraft AS' company accounts	–2 442
Coverage of loss for the year:	
Allocated dividend from Statkraft AS to Statkraft SF	5 600
Allocated to (+)/from (-) other equity	–8 042

Top:
Rehabilitation of Kvilldal hydropower plant in Norway

Under:
Gallito Ciego hydropower plant in Peru

Outlook

Statkraft's large reservoir capacity with seasonal and multiple-year reservoirs provides the Group with substantial flexibility to manage water resources efficiently. A significant share of the Group's power production is sold through long-term power contracts, which helps stabilise the Group's revenues. Additional production capacity is under construction, and will increase revenues when completed.

In an international perspective, there is a growing demand for renewable energy. The Group is making major investments to renovate the older hydropower plants in Norway and Sweden and has investments in several new projects within hydropower, wind power and district heating. Major changes in the European power system are expected to create challenges, but also new opportunities within renewable energy.

Hydropower is a profitable and climate-friendly energy source in many emerging markets. Statkraft is implementing an integration of the enterprises in South America and South Asia, and is planning further international growth based on its core expertise within project development, operations, maintenance and market operations. New projects are being planned within wind power in Norway and in other countries where conditions are favourable. Strengthening Statkraft's equity enables the Group to develop its position as an internationally leading supplier of pure energy.

The Board of Directors of Statkraft AS

Oslo, 4 March 2015

Olav Fjell
Chair of the Board

Berit Rødseth
Deputy chair

Halvor Stenstadvold
Director

Harald von Heyden
Director

Elisabeth Morthen
Director

Hilde Drønen
Director

Asbjørn Sevlejordet
Director

Vilde Eriksen Bjerknes
Director

Thorbjørn Holøs
Director

Christian Rynning-Tønnesen
President and CEO

Declaration from the Board and CEO

We confirm to the best of our knowledge that the consolidated financial statements for 2014 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the financial statements for the parent company for 2014 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the board of directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the key risks and uncertainties the companies are faced with.

The Board of Directors of Statkraft AS

Oslo, 4 March 2015

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Chair of the Board

Berit Rødseth
Deputy chair

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Director

Harald von Heyden
Director

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Director

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Director

Asbjørn Sevlejordet
Director

Vilde Eriksen Bjerknes
Director

Thorbjørn Holøs
Director

Christian Rynning-Tønnesen
President and CEO

Statkraft Group Management

Jon G. Brandsar
EVP Wind Power and Technologies.
Responsibilities: Wind power, innovation, district heating and small scale hydropower.

Hilde Bakken
EVP Power Generation
Responsibilities: Power generation and central power generation staff functions.

Øistein Andersen
EVP International Hydropower.
Responsibilities: International hydropower, project management office, projects and development.

Christian Rynning-Tønnessen
President and CEO

Asbjørn Grundt
EVP Market Operations and IT.
Responsibilities: Trading and origination, Nordic energy, Continental and South American energy, IT.

Hallvard Granheim
CFO.
Resposibilities: Finance, treasury, corporate audit, procurement, investor relations and strategic finance.

Steinar Bysveen
EVP Corporate Development.
Responsibilities: Corporate strategy, corporate transactions, corporate communication, corporate office, industrial ownership, CR & HSE, legal, public affairs and HR and employee relations.

Top:
Construction of Kjensvatn hydropower plant in Norway

Bottom:
Smøla wind farm in Norway

Group Financial Statements

Statement of Comprehensive Income
Statkraft AS Group

NOK million	Note	2014	2013
Sales revenues	4, 12, 20	48 246	48 148
Other operating revenues	13	4 008	1 415
Gross operating revenues	4	52 254	49 564
Energy purchase	14, 20	-25 264	-24 327
Transmission costs		-1 185	-991
Net operating revenues	4	25 805	24 246
Salaries and payroll costs	15, 16	-3 051	-3 136
Depreciation, amortisation and impairment	4, 22, 23	-4 071	-3 045
Property tax and licence fees	17	-1 630	-1 640
Other operating expenses	18	-3 493	-3 422
Operating expenses		-12 246	-11 243
Operating profit	4	13 560	13 002
Share of profit from associates and joint ventures	4, 24	661	1 101
Financial income	19	859	237
Financial expenses	19	-1 309	-1 351
Net currency effects	19, 20	-4 791	-9 403
Other financial items	19, 20	-1 043	-1 076
Net financial items		-6 283	-11 592
Profit before tax		7 937	2 511
Tax expense	21	-4 045	-2 303
Net profit		3 892	208
Of which non-controlling interest		684	482
Of which majority interest		3 209	-274
OTHER COMPREHENSIVE INCOME			
Items in other comprehensive income that recycle over profit/loss:			
Changes in the fair value of financial instruments		-907	-1 167
Income tax related to changes in fair value of financial instruments		276	339
Items recognised in associates and joint ventures		-123	163
Exchange differences arising on translating foreign entities		7 734	9 940
Reclassification currency translation effects related to foreign operations disposed of in the year		-69	-
Items in other comprehensive income that will not recycle over profit/loss:			
Remeasurement of defined benefit obligation		-704	-174
Income tax related to remeasurement of defined benefit obligation		184	49
Other comprehensive income		6 392	9 154
Total comprehensive income		10 284	9 361
Of which non-controlling interest		1 322	881
Of which majority interest		8 962	8 480

Statement of Financial Position
Statkraft AS Group

NOK million	Note	31.12.2014	31.12.2013
ASSETS			
Intangible assets	22	3 439	3 510
Property, plant and equipment	23	99 199	101 269
Investments in associates and joint ventures	4, 24	19 027	16 002
Other non-current financial assets	25	6 093	2 540
Derivatives	28	5 616	5 295
Non-current assets		133 374	128 615
Inventories	26	2 088	1 796
Receivables	27	12 433	9 568
Short-term financial investments		443	464
Derivatives	28	6 816	5 559
Cash and cash equivalents (including restricted cash)	29	12 663	7 685
Current assets		34 444	25 072
Assets		167 817	153 687
EQUITY AND LIABILITIES			
Paid-in capital		56 361	49 011
Retained earnings		23 876	14 328
Non-controlling interests		7 823	7 769
Equity		88 059	71 107
Provisions	16, 30	18 796	19 416
Long-term interest-bearing debt	31	27 438	33 364
Derivatives	28	3 556	5 713
Long-term liabilities		49 790	58 494
Short-term interest-bearing debt	31	9 306	7 013
Taxes payable	21	3 546	3 503
Other interest-free liability	32	9 808	9 181
Derivatives	28	7 308	4 389
Short-term liabilities		29 968	24 086
Equity and liabilities		167 817	153 687

The Board of Directors of Statkraft AS

Oslo, 4 March 2015

Olav Fjell
Chair of the Board

Berit Rødseth
Deputy chair

Halvor Stenstadvold
Director

Harald von Heyden
Director

Elisabeth Morthen
Director

Hilde Drønen
Director

Asbjørn Sevlejordet
Director

Vilde Eriksen Bjerknes
Director

Thorbjørn Holøs
Director

Christian Rynning-Tønnesen
President and CEO

Statement of Cash Flow

Statkraft AS Group

NOK million	Note		2014	2013
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax			7 937	2 511
Profit+/loss- on sale of non-current assets			-80	-89
Depreciation, amortisation and impairment	22, 23		4 071	3 045
Profit from the sale of shares and associates	5		-69	-153
Profit from restructuring of SN Power	5		-564	-
Profit from the sale of business	5		-2 559	121
Share of profit from associates and joint ventures	24		-661	-1 101
Unrealised changes in value	20		4 412	7 795
Taxes paid	21		-3 593	-2 629
Cash flow from operating activities			8 896	9 499
Changes in long-term items			-52	-533
Changes in short-term items			-2 674	-1 911
Dividend from associates			729	1 051
Net cash flow from operating activities		A	6 897	8 106
CASH FLOW FROM INVESTING ACTIVITIES				
Investments in property, plant and equipment [1]	4		-8 801	-9 248
Proceeds from sale of non-current assets			-17	9 670
Business divestments, net liquidity accruing to the Group [2]	5		4 688	327
Business combinations, net liquidity outflow from the Group	5		-74	59
Restructuring of SN Power, net liquidity outflow from the Group [3]	5		-770	-
Loans to third parties			-100	-298
Repayment of loans			390	94
Investments in other companies			-765	-59
Net cash flow from investing activities [3]		B	-5 450	547
CASH FLOW FROM FINANCING ACTIVITIES				
New debt	31		1 917	865
Repayment of debt	31		-3 900	-4 714
Capital increase [4]			5 000	-
Dividend and Group contribution paid			-74	-3 094
Share issue in subsidiary to non-controlling interests			225	135
Net cash flow from financing activities		C	3 168	-6 807
Net change in cash and cash equivalents		A+B+C	4 616	1 846
Currency exchange rate effects on cash and cash equivalents			362	400
Cash and cash equivalents 01.01	29		7 685	5 440
Cash and cash equivalents 31.12 [4]	29		12 663	7 685
Unused committed credit lines			12 000	12 000
Unused overdraft facilities			2 200	2 200
Restricted cash	29, 34		-	-12

[1] Investments in the cash flow are NOK 1093 million lower than investments in fixed assets in the segment reporting. Of this, NOK 246 million is related to the asset swap with Sogn og Fjordane Energi AS, NOK 332 million due to aquisition of assets from investments not yet paid as of year-end 2014 and NOK 515 million related to translation difference from investment date to year end.

[2] Consideration received from business divestments amounted to NOK 5238 million, of which NOK 1437 million was settlement of debt. Consolidated cash was NOK 550 million.

[3] Cash outflow are NOK 520 million lower than investments in other companies disclosed in the segment reporting. This is due to the restructuring of SN Power of NOK 444 million where the investment in new SN Power is shown as an investment in joint venture, and NOK 76 million related to business combination as show on a separate line

[4] In June a conversion of loan to share capital of NOK 2350 million from owner took place, and in December a capital increase of NOK 5000 million from owner was received

Statement of Changes in Equity
Statkraft AS Group

NOK million	Paid-in capital	Other equity	Accumulated translation differences	Retained equity	Attributable to owners of parent	Non-controling interests	Total equity
Equity as of 01.01.2013	**45 569**	21 822	-11 975	**9 847**	55 416	**6 934**	62 350
Net profit	**-**	-274	-	**-274**	-274	**482**	208
Items in other comprehensive income that recycle over profit/loss:							
Changes in fair value of financial instruments	**-**	-1 270	-	**-1 270**	-1 270	**103**	-1 167
Income tax related to changes in fair value of financial instruments	**-**	355	-	**355**	355	**-16**	339
Equity holdings in associates and joint ventures	**-**	112	-	**112**	112	**51**	163
Exchange differences arising on translating foreign entities	**-**	-	9 648	**9 648**	9 648	**292**	9 940
Items in other comprehensive income that not recycle over profit/loss:							
Remeasurement of pension obligations	**-**	-129	-	**-129**	-129	**-45**	-174
Income tax related to remeasurement of pension obligations	**-**	37	-	**37**	37	**12**	49
Total comprehensive income for the period	**-**	-1 168	9 648	**8 480**	8 480	**881**	9 361
Dividend and group contribution	**-**	-4 000	-	**-4 000**	-4 000	**-198**	-4 198
Business combinations/divestments [1]	**2 817**	-	-	**-**	2 817	**-**	2 817
Capital increase [1]	**624**	-	-	**-**	624	**135**	760
Transactions with non-controlling interests	**-**	-	-	**-**	-	**111**	111
Liability from the option to increase shareholding in subsidiary	**-**	-	-	**-**	-	**-94**	-94
Equity as of 31.12.2013	**49 011**	16 654	-2 327	**14 328**	63 338	**7 769**	71 107
Net profit	**-**	3 209	-	**3 209**	3 209	**684**	3 892
Items in other comprehensive income that recycle over profit/loss:							
Changes in fair value of financial instruments	**-**	-907	-	**-907**	-907	**-**	-907
Income tax related to changes in fair value of financial instruments	**-**	276	-	**276**	276	**-**	276
Equity holdings in associates and joint ventures	**-**	-128	-	**-128**	-128	**5**	-123
Reclassification currency translation effect related to foreign operations disposed off in the year	**-**	-	-86	**-86**	-86	**18**	-69
Exchange differences arising on translating foreign entities	**-**	-	7 066	**7 066**	7 066	**668**	7 734
Items in other comprehensive income that not recycle over profit/loss:							
Remeasurement of pension obligations	**-**	-629	-	**-629**	-629	**-75**	-704
Income tax related to remeasurement of pension obligations	**-**	160	-	**160**	160	**23**	184
Total comprehensive income for the period	**-**	1 981	6 980	**8 962**	8 962	**1 322**	10 284
Dividend and group contribution	**-**	-	-	**-**	-	**-72**	-72
Business combinations/divestments [2]	**-**	585	-	**585**	585	**-1 424**	-839
Capital increase [3]	**7 350**	-	-	**-**	7 350	**227**	7 577
Transactions with non-controlling interests	**-**	-	-	**-**	-	**-**	-
Liability from the option to increase shareholding in subsidiary	**-**	-	-	**-**	-	**-**	-
Equity as of 31.12.2014	**56 361**	19 220	4 654	**23 876**	80 235	**7 823**	88 059

[1] On 1 April 2013, Statkraft SF transferred net assets worth NOK 3442 million to the group, of which NOK 624 million was reported as capital contribution and NOK 2817 million as other paid-in equity.

[2] Sale of Agua Imara in relation to the restructuring of SN Power Invest in June 2014 with an effect on equity of NOK 839 million.

[3] In June 2014, a conversion of loan to share capital of NOK 2350 million from owner took place. In December 2014, Statkraft SF made a capital increase of NOK 5000 million.

The parent company has a share capital of NOK 33 billion, divided into 200 million shares, each with a par value of NOK 165. All shares have the same voting rights and are owned by Statkraft SF, which is a Norwegian state-owned company, established and domiciled in Norway. Statkraft SF is wholly owned by the Norwegian state, through the Ministry of Trade, Industry and Fisheries.

On 27 June 2014 Statkraft's general assembly approved a disbursement of no dividend. For the current year the board has proposed to pay a dividend of NOK 5600 million.

Notes
Statkraft AS Group

Index of notes to the consolidated financial statements

Note 1 General information and summary of significant accounting policies

GENERAL INFORMATION

Statkraft AS (Statkraft) consists of Statkraft AS with subsidiaries.

Statkraft AS is a Norwegian limited company, established and domiciled in Norway. Statkraft AS is wholly owned by Statkraft SF, which in turn is wholly owned by the Norwegian state, through the Ministry of Trade and Industry. The company's head office is located in Oslo and the company has debt instruments listed on the Oslo Stock Exchange and London Stock Exchange.

Basis of preparation of the financial statements Statkraft's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations from International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU.

Comparative figures The income statement, statement of financial position, statement of equity, cash flow statement and notes provide comparative information in respect of the previous period.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Below is a description of the most important accounting policies used in the preparation of the consolidated accounts. These policies have been used in the same manner in all presented periods, unless otherwise stated. The consolidated accounts have been prepared on the basis of the historical cost principle, with the exception of certain financial instruments and derivatives measured at fair value on the balance sheet date.

Historical cost Historical cost is generally based on fair value of the consideration given when acquiring assets and services.

Fair value Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of fair value is not contingent upon market prices being available or whether other valuation techniques have been applied. When determining fair value, the management must apply assumptions that market participants would have used in a similar valuation. Measurement and presentation of assets and liabilities measured at fair value when presenting the consolidated accounts are based on these policies, with the exception of measuring net realisable value in accordance with IAS 2 Inventories and when measuring its value in use in accordance with IAS 36 Impairment of Assets.

Consolidation principles The consolidated financial statements comprise the financial statements of the parent company Statkraft AS and subsidiaries. A subsidiary is an investee where Statkraft, as an investor, exercises control. Control is achieved by an investor being exposed to, or having rights to, variable returns as a result of ownership or agreements entered into with the investee. When considering whether control exists, Statkraft evaluate equity interests, voting rights, ownership structure and relative strength, options controlled by Statkraft and other shareholders and shareholder and operating agreements. Each individual investment is assessed. Statkraft as an investor must have the ability to use its power over the investee to affect its returns. To the extent that Statkraft is considered to have control over an investee where Statkraft owns less than 50 per cent, agreements must be in place which nonetheless gives Statkraft control over the relevant activities which significantly affect returns from the company invested in. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

If necessary, the subsidiaries' financial statements are adjusted to correlate with the Group's accounting policies. Inter-company transactions and inter-company balances, including internal profits and gains and losses, are eliminated Subsidiaries are consolidated from the date when the Group achieves control and are excluded from the consolidation when control ceases.

Joint operations Joint operations are joint arrangements where the participants who have joint control over an entity have contractual rights to the assets and obligations for the liabilities, relating to the entity. In joint operations, decisions about the relevant activities require the unanimous consent of the parties sharing control. Agreements between participants describing the rights and obligations in the joint operations will be decisive for whether equity interests in joint arrangements can be considered joint operations. Entities established to produce power and where the participants are the only buyers of the power produced, as well as being responsible for the short term and long term financing of the company, will as a rule be incorporated in Statkraft's consolidated accounts in accordance with a method corresponding to the proportionate consolidation method.

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

Sale of shares in a joint operation Gain/loss from a transaction where the investment changes from being classified as a joint operation to be classified as a joint venture or associated company the gain and losses resulting from the transaction are recognized in the Group's consolidated financial statement only to the extent of other parties interest in the joint operation. Hence, the carrying value of Statkraft's remaining ownership is booked at continuity. In addition changed contractual rights and obligations relating to the underlying asset or debt and changes in the shareholders agreement might lead to a shift in the accounting method. For Statkraft, this is expected to apply if the participants are not the sole off-takers of the production and not responsible for the obligation held by the entity.

Joint ventures Joint ventures are companies or entities where Statkraft has joint control with one or several other investors. Joint ventures is a type of joint arrangements which have a legal form separating the participants from the assets and liabilities of the company so that the obligations is limited to the capital contribution and the returns correspond to the participant's share of the profit. In a joint venture company, decisions related to relevant activities must be unanimous between participants which have joint control. Statkraft classifies its investments based on an analysis of the degree of control and the underlying facts. This includes an assessment of voting rights, ownership structure and the relative strength, purchase and sale rights controlled by Statkraft and other shareholders. Each individual investment is assessed. Upon changes in underlying facts and circumstances, a new assessment must be made as to whether this is still a joint venture. The Group's share of the companies' profit/loss after tax, adjusted for amortisation of excess value and any deviations from accounting policies, are presented on a separate line in the consolidated income statement. Such investments are classified as non-current assets in the balance sheet and are recognised at cost price adjusted for the accumulated share of the companies' profit or loss, dividends received, currency adjustments, and equity transactions. Joint ventures are recognized in the consolidated accounts using the equity method.

Associates Associates are companies or entities where Statkraft has significant influence. Significant influence is present when one or several investors do not have joint control and where significant decisions are made through various combinations of shareholder majority. The Group's share in associates are recognized in the consolidated accounts using the equity method and are presented on the same financial statement line item both in the balance sheet and the profit/loss as shares in joint ventures.

Leased power plants Power plants that are leased to third parties are recognised in accordance with the proportionate consolidation method. Leasing revenues are presented in other operating revenues, while expenses relating with the operations in the power plants are recorded under operating expenses.

Acquisitions The acquisition method is applied in business combinations. The consideration is measured at fair value on the transaction date, which is also the date when fair value of identifiable assets, liabilities and contingent liabilities acquired in the transaction is measured. If the accounting of a business combination is incomplete at the end of the reporting period, in which the transaction occurred, the Group will report preliminary values for the assets and liabilities. Temporary values are adjusted throughout the measuring period of maximum one year in order to reflect new information obtained about circumstances that existed as of the acquisition date, if known, would have affected the valuation on that date. Correspondingly, new assets and liabilities can

Note 1 continued

be recognised. The transaction date is when risk and control has been transferred and normally coincides with the completion date. Non-controlling interests are recognised either at fair value or the proportionate share of the identifiable net assets and liabilities. The assessment is done for each transaction. Any differences between cost and fair value for acquired assets, liabilities and contingent liabilities are recognised as goodwill or recognised in income when the cost is lower. No provisions are recognised for deferred tax on goodwill. Transaction costs are recognised in the income statement when incurred.

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

Revenues Revenues from the sale of energy products and services are recognised when the risk and control over the goods have substantially been transferred to the buyer and the consideration can be measured reliably.

Energy revenues Energy revenues are recognised upon delivery, and generally presented gross in the income statement. Realised gains and losses from trading portfolios are, however, presented net as sales revenues. Unrealised changes in value relating to physical and financial contracts that are recognised in accordance with IAS 39, are classified as sale revenues.

Realised revenues from physical and financial trading in energy contracts are presented as sales revenues. Unrealised changes in value relating to physical and financial contracts recognized in accordance with IAS 39, are classified as sales revenue.

Distribution grid revenues Distribution grid activities are subject to a regulatory regime established by the Norwegian Water Resources and Energy Directorate (NVE). Each year, the NVE sets a revenue ceiling for the individual distribution grid owner. Revenue ceilings are set partly on the basis of historical costs, and partly on the basis of a norm. The norm is established to ensure efficient operation by the companies. An excess/shortfall of revenue will be the difference between actual income and allowed income. The revenue ceiling can be adjusted in the event of changes in delivery quality. Revenues included in the income statement correspond to the actual tariff revenues generated during the year. The difference between the revenue ceiling and the actual tariff revenues comprises a revenue surplus/shortfall. Excess or shortfall of revenue is not recognised in the balance sheet. The size of this is stated in note 33.

Dividend Dividends received from companies other than subsidiaries, associates and joint ventures are recognised as income when the distribution of the dividend has been approved in the general assembly of the distributing company.

Sale of property, plant and equipment When selling property, plant and equipment, the gain/loss from the sale is calculated by comparing the sales proceeds with the residual book value of the sold operating asset. Profits/losses are recognised under other operating revenues and other operating expenses respectively.

Public subsidies Public subsidies are included on a net basis in the income statement and balance sheet. Where subsidies are connected to activities that are directly recognised in the income statement, the subsidy is treated as a reduction of the expenses related to the activity that the subsidy is intended to cover. Where the subsidy is related to projects that are recognised in the balance sheet, the subsidy is treated as a reduction of the amount recognised in the balance sheet.

Foreign currency Subsidiaries prepare their accounts in the company's functional currency, normally the local currency in the country where the company operates. Statkraft AS uses Norwegian kroner (NOK) as its functional currency, and it is also the presentation currency for the consolidated accounts. When preparing the consolidated accounts, foreign subsidiaries, associated companies and joint ventures are translated into NOK in accordance with the current exchange rate method. This means that balance sheet items are translated to NOK at the exchange rate as of 31 December; while the income statement is translated using monthly weighted average exchange rates throughout the year. Currency translation effects are recognised in comprehensive income and reclassified to the income statement upon sale of shareholdings in foreign companies.

Transactions from operations in foreign currency are translated to the spot exchange rate on the transaction date, while the balance sheet items are evaluated at the balance sheet date rates. Currency effects are recognised under financial items. Gains and losses resulting from changes in exchange rates on debt to hedge net investments in a foreign entity are recognised directly in comprehensive income, and reclassified to the income statement upon sale of the foreign entity.

Financial instruments
General Financial instruments are recognised when the Statkraft becomes a party to the contractual provisions of the instrument. Initial recognition of financial assets and liabilities are at fair value. Transaction costs are added to or deduced from the financial asset or liability unless the instrument is carried at fair value through profit and loss as the transaction cost is recorded in the income statement immediately. Financial assets and liabilities are classified on the basis of the nature and purpose of the instruments into the categories "financial assets at fair value through profit or loss", "held-to-maturity investments", "available-for-sale financial assets" and "loans and receivables". The categories that are relevant for Statkraft and the accounting treatment to be adopted for the financial instruments included in each of these categories are described below.

Measurement of different categories of financial instruments

1) Financial instruments valued at fair value through profit or loss

- Financial contracts for the purchase and sale of energy-related products are classified as derivatives. Energy derivatives consist of both stand-alone derivatives, and embedded derivatives that are separated from the host contract and recognized at fair value as if the derivative were a stand-alone contract. Derivatives in this category that are not embedded derivatives have mainly been acquired for the purpose of selling in the short term.
- Currency and interest rate derivatives have been acquired to manage and reduce the Group's exposure to currency and interest rate fluctuations.
- Physical contracts relating to the trading of energy-related products included in trading portfolios and that are managed and followed up on the basis of fair value, are settled financially, or contain written options in the form of volume flexibility.
- Other financial assets held for trading.
- Physical contracts for the purchase and sale of energy-related products that are entered into as a result of mandates connected to Statkraft's own requirements for use or procurement in own production normally fall outside the scope of IAS 39.

2) Loans and receivables are financial receivables or debt that is not quoted in an active market. Loans and receivables are measured at fair value upon initial recognition with the addition of directly attributable transaction costs. In subsequent periods, loans and receivables are measured at amortised cost using the effective interest rate method, where the effective interest remains the same over the entire term of the instrument. An impairment loss is recognised in the income statement.

3) Assets held as available for sale are assets which are not included in any of the above categories. Statkraft classifies strategic long-term shareholdings in this category. The assets are initially measured at fair value together with directly attributable transaction costs. Subsequently, the assets are measured at fair value with changes in value recognised in other comprehensive income. Assets classified as held for sale where the fair value is less than its carrying amount is impaired through the income statement if the impairment is significant or permanent. Additional decline in value will result in an immediate impairment. Impairment cannot be reversed through the income statement before the asset is disposed of.

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

The determination of the fair value of such assets is described in more detail in note 10.

Note 1 continued

Financial instruments designated as hedging instruments Financial instruments that are designated as hedging instruments or hedged items in hedge accounting are identified on the basis of the intention behind the acquisition of the financial instrument. In a fair value hedge the value change will meet the corresponding change in value of the hedged item, while the value changes for cash flow hedges and hedges of net investments in foreign operations will be recognised in other comprehensive income. See also the more detailed description of hedge accounting in note 11..

Presentation of derivatives in the income statement and balance sheet Derivatives not relating to hedging arrangements are recognised on separate lines in the balance sheet under assets or liabilities. Derivatives with respective positive and negative values are presented gross in the balance sheet. Derivatives are presented net provided there is legal right to the set off of different contracts, and such set-off rights will actually be used for the current cash settlement during the terms of the contracts. All energy contracts traded via energy exchanges are presented net in the balance sheet. Changes in the fair value of energy derivatives are recognised in the income statement as sales revenues and energy purchases, respectively.

Change in fair value of currency and interest rate derivatives are presented together with realised finance income and costs.

Taxes

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

Income tax Income tax is calculated in accordance with ordinary tax rules, so that the tax rate applied is at any time the adopted. The tax expense 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 recognised in the balance sheet to the extent that it is probable that the assets will be realised. Tax related to items recognised in other comprehensive income is also recognised in other comprehensive income, while tax related to equity transactions is recognised in equity.

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

Resource rent tax Resource rent tax is a profit-dependent tax that is calculated at a rate of 31% 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. Income from green certificates is included in gross resource rent revenue. Actual operating expenses, depreciation and a tax-free allowance are deducted from the calculated revenue in order to arrive at the tax base. The tax-free allowance is set each year on the basis of the taxable value of the power plant's operating assets, multiplied by a normative interest rate set by the Ministry of Finance. From 2007 onwards negative resource rent revenues per power plant can be pooled with positive resource rent revenues for other power plants. Negative resource rent revenues per power plant from the 2006 fiscal year or earlier years can only be carried forward with interest offset against future positive resource rent revenues from the same power plant. Deferred tax assets linked to negative resource rent carry-forwards and deferred tax linked to other temporary differences are calculated on the basis of power plants where it is probable that the deferred tax asset will be realised within a time horizon of ten years. The applied rate is a nominal tax rate of 31%. The tax-free allowance is treated as a permanent difference in the year it is calculated for, and therefore does not affect the calculation of deferred tax connected with resource rent.

Deferred tax liabilities and deferred tax assets 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 with resource rent tax. Deferred tax positions connected with income tax payable cannot be offset against tax positions connected with resource rent tax.

Classification as short-term/long-term Balance sheet items is classified as short-term when they are expected to be realised within 12 months after the balance sheet date. With the exception of the items mentioned below, all other items are classified as long-term. Some derivatives that are hedging instruments in hedge accounting are presented together with the hedging item. The first year's repayments relating to long-term liabilities are presented as current liability.

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

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

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

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

Depreciation is calculated on a straight-line basis over assets' expected useful economic lives. Residual values are taken into account in the calculation of annual depreciation. Periodic maintenance is recognised in the balance sheet over the period until the time when the next maintenance round is scheduled. The depreciation period is adapted to the licence period. Estimated useful lives, depreciation methods and residual values are assessed annually.

Land including waterfall rights is not depreciated, as the assets are deemed to have perpetual life if there is no right of reversion to state ownership.

Impairment Property, plant, equipment and intangible assets that are depreciated, are reviewed for impairment at the end of every quarter. When there are indications that future earnings cannot justify the carrying value, the recoverable amount is calculated to consider whether an allowance for impairment must be made. Intangible assets with indefinite useful life are not amortised, but tested for impairment once a year and when events or circumstances indicate that the asset might be impaired. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Value in use is calculated as future expected cash flows discounted by using a required rate of return equal to the market's required rate of return for corresponding assets in the same industry. Provision for decommissioning is not included in the value in use calculation. The difference between the carrying amount and recoverable amount is recognised as an impairment loss. For the purposes of assessing impairment losses, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Note 1 continued

Cash-generating units A cash-generating unit (CGU) is the lowest level at which independent cash flows can be measured. The highest level of a CGU is a reported operating segment. CGU in Statkraft is defined as follows:

Hydropower: Power plants located in the same water resource and managed together to optimise power production.

Wind power plants: Wind turbines in a wind farm connected to a common transformer

Gas power plants: A gas power plant normally constitutes a CGU unless two or more plants are controlled and optimised together so that revenues are not independent of each other.

District heating: Each plant together with associated infrastructure including transmission lines.

Biomass power plants: The individual plants.

Segment is used as the lowest CGU for testing goodwill for impairment.

Leases Leases are recognised as finance lease agreements when the risks and returns incidental to ownership have been substantially transferred to Statkraft. Finance leases are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. When calculating the lease's present value, the implicit interest cost in the lease is used if it is possible to calculate this. If this cannot be calculated, the company's marginal borrowing rate is used. Direct costs linked to establishing the lease are included in the asset's cost price.

The same depreciation period as for the company's other depreciable assets is used. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are mainly recognised as an expense on a straight-line basis over the lease term. For leased production plants where use is closely connected with the production, lease payments are measured by consumption and presented as energy purchases.

Inventories

1) Green certificates and CO_2 certificates Green certificates, including el-certificates, are considered as a government grant and are accounted for according to IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance. The mentioned certificates are recognised as grants conditional to own production of power. It is considered to be likely that Statkraft meets the conditions set out by the government. Furthermore, it is also considered likely that the grants will be received by the government and thus, the certificates are accounted for as fair value at the time of production. The asset is disclosed as a receivable until the certificate is awarded. Certificates are accounted for as inventory when awarded. If the period from the el-certificates are awarded to they are received exceeds one accounting period, the receivable are considered at the lowest of fair value at the time of production and net realisable value. The change in value is accounted for as adjustment of other income. Accounting for CO_2 certificates are correspondingly.

Generation- and end-user business are organised as two separate line of businesses. El-certificates received from own productions are as such not used to settle the emission liability in the end-user business. To meet the Group's obligation for delivering certificates, the end-user business purchases the certificates in the market. El certificates purchased in the market are recognized as Inventory in accordance with IAS 2 as they are held for sale in the ordinary course of business and are recognized at the lowest of cost and net realizable value. If the certificates are held to settle the emission liability, the liability is measured according to the book value of the certificates. Any obligation not settled is measured at fair value of the El-certificate at the balance sheet date.

Green certificates and CO_2 certificates held for sale are recognised as inventory and are measured at net realisable value. Net realisable value is sale price less expected transaction cost.

2) Other inventories Other inventory are accounted for at the lowest of cost price and net realizable amount.

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

Cash and cash equivalents Cash and cash equivalents includes certificates and bonds with short residual terms at the time of acquisition. The item also includes restricted cash. The amount of restricted cash is specified below the cash flow statement and in note 29. Market settlements for derivatives connected with financial activities (cash collateral) are recognised in the balance sheet. Bank deposits, cash and similar from joint operations are also presented under this line item.

Equity Dividends proposed at the time of approval of the financial statements are classified as equity. Dividends are reclassified as current liabilities once they have been approved by the General Assembly.

Provisions, contingent assets and contingent liabilities Provisions are only recognised where there is an existing obligation as a result of a past event, and where it is more than 50% probable that an obligation has arisen. It must also be possible to reliably measure the provision. With lower probability the conditions will be stated in the notes of the financial statements unless the probability of payment is very low. Provisions are recognised in an amount that is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Onerous contracts Obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Concessionary power, licence fees and compensation Each year, concessionary sales are made to local authorities at statutory prices stipulated by the Norwegian Parliament (Stortinget). The supply of concessionary power is recognised as income on an ongoing basis in accordance with the established concessionary price. In the case of certain concessionary power contracts, agreements have been made regarding financial settlement in which Statkraft is invoiced for the difference between the spot price and the concessionary price. Such concessionary contracts are not included in the financial statements. The capitalised value of future concessionary power obligations is estimated and disclosed in note 30.

Licence fees are expensed as they accrue and are paid annually to central and local government authorities. The capitalised value of future licence fees is estimated and disclosed in note 17.

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

Pensions

Defined benefit schemes A defined benefit scheme is a retirement benefit scheme that defines the retirement benefits that an employee will receive on retirement. The retirement benefit is normally set as a percentage of the employee's salary. To be able to receive full retirement benefits, contributions will normally be required to be paid over a period of between 30 and 40 years. Employees who have not made full contributions will have their retirement benefits proportionately reduced. The liability recognised in the balance sheet which relates to the defined benefit scheme is the present value of the future retirement benefits that are reduced by the fair value of the plan assets. The present value of future benefits in the pension schemes accrued at the balance sheet date is calculated by accrued benefits method.

Remeasurement gains and losses attributable to changes in actuarial assumptions or base data are recognised in other comprehensive income.

Note 1 continued

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

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

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

SEGMENTS

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

STATEMENT OF CASH FLOW

The cash flow statement has been prepared using the indirect method. The statement starts with the Group's profit before taxes in order to show cash flow generated by operating activities. The cash flow statement is divided into net cash flow from operations, investments and financing activities. Dividends disbursed to the owner and to non-controlling interests are presented under financing activities. Receipts and payments of interest and dividends from associated companies are presented as provided cash flow from operations.

CHANGES IN ACCOUNTING POLICIES

In 2013, Statkraft made an early implementation of IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, changes in IAS 27 - Separate Financial Statements and changes in IAS 28 - Investment in Associates and Joint Ventures. The effects of implementation of the mentioned standards were described in the annual report for 2013 Changes in accounting policies in 2014 have minimal impact on the annual accounts of Statkraft. Changes in standards in 2014 which affect Statkraft:

IAS 36 Impairment of Assets The change means that information of the recoverable amount of the impaired asset must be presented when the recoverable amount is based on fair value less transaction cost. This change should be seen in context with IFRS 13 - Fair Value Measurement. The change is adopted from 1 January 2014 going forward.

IAS 32 Financial Instruments: Presentation IAS 32 has been changed in order to clarify the meaning of "currently has a legally enforceable right to set-off". Furthermore, the change has been made to clarify the use of the criteria for counterclaim for "simultaneous realization and settlement". The change is adopted from 1 January 2014 going forward

The following standards and interpretations adopted effectively from 2015 and thus will give effect on the financial statements in further periods.

IFRIC 21 Levies Levies Interpretation of when an obligation to pay levies related to the company's ordinary activities arises. This does not include levies related to income taxes, fines etc. The interpretation clarifies that recognition of the liability should be made when the activity which leads to the liability occurs. The change will have an effect on the accrual of expensed levies between different quarters. However, the interpretation is not believed to have any effect on the financial year as a whole.

IAS 19 Employee Benefits The amendments to IAS 19 clarify how an entity should account for contributions made by employees of third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

IASBs improvement program 2010, 2012 and 2013

IFRS 3 Business Combinations The change clarifies that contingent considerations which are classified as either assets or liabilities should be measured at fair value at each reporting day in accordance with IAS 32 Financial Instruments: Presentation. The existing reference to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets is removed (2012). Furthermore, the standard now clarifies that IFRS 3 is not applicable to the financial statement of any joint venture as defined in IFRS 11 Joint Arrangements.

IFRS 13 Fair Value Measurement Clarification that the scope of the portfolio-exception includes all financial instruments as defined in IAS 39 and IFRS 9. This is regardless of whether they are defined as a financial asset of financial liability according to IAS 32.

Interpretations not approved, but relevant for Statkraft which can give effect on the financial statement in future period:

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates IASB has proposed changes in IFRS 10 and IAS 28. The change clarifies how to recognize gain and loss when selling or transferring assets to associates and joint ventures. The change is effective for annual periods beginning 1 January 2016 or later. Early implementation is allowed.

IFRS 15 Revenue from Contracts with Customers The standard applies for all contracts with customers. The main principle is that an entity shall recognize income in a way that reflects the transfer of goods or services to the customers with an amount which reflects what the entity is expecting to receive from the transfer. IFRS 15 is effective for reporting periods beginning 1 January 2017 or later. Early implementation is allowed. The new standard, which replaces IAS 18 Revenue, is not expected to have material impact on the Group's financial statement.

IFRS 9 Financial Instruments IASB has completed IFRS 9 in 2014. The standard comprises new regulation on classification and measurement of financial assets and financial liabilities, hedge accounting and impairment of financial assets. The standard is effective for reporting periods starting 1 January 2018 or later. Early implementation is allowed. Evaluation of the potential effects that IFRS 9 has on the Group has begun.

IASBs improvement program 2012-2014

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations The changes give guidance when an entity reclassifies non-current assets (or disposal groups) from held for sale to held for distribution to owners (or vice versa). Such reclassifications are not considered to be change of the plan to sell or distribute the non-current assets. Thus, the requirements of classification, presentation and measurement according to the new disposal method are valid. Furthermore, the change clarifies that when the criteria for held for distribution is no longer met, the assets are to be presented as assets that are no longer classified as held for sale. The changes require retrospective application.

IAS 19 Employee Benefits The change clarifies that corporate bonds used to determine the discount rate should be issued in the same currency as the pension cost. The change should be implemented at the beginning of the first comparable period presented in the annual accounts.

IAS 34 Interim Financial Accounts The changes clarifies information from IAS 34 that is presented in the interim financial report, but not presented in the interim financial statement, and the need for cross-reference in those situations. The change should be amended in retrospect in accordance with IAS 8. The change is effective for annual reports beginning 1 January 2016 or later. Early implementation of some changes are allowed, thus without implementing all changes earlier. Implementation of the changes in Norway is conditional of approval in EU. Expected time of approval is in 3 Quarter 2015.

Note 2 Accounting judgements, estimates and assumptions

When preparing the consolidated accounts in accordance with IFRS and applying the Group's accounting policies, management of the company must exercise judgement, prepare estimates and make assumptions that influence the items in the income statement, balance sheet and notes. Estimates and assumptions applied are based on experience with similar judgements in previous periods, expertise from experts in the Group, changes in framework conditions and other relevant information. Accounting judgements, estimates and assumptions are to a large extent influenced by management's assessment of future revenues. Expected future revenues are based on a combination of expectations regarding future prices, production volumes, regulatory issues, infrastructure maturity and project risk. Observable market prices in liquid periods are applied in the valuation of future revenues. For later periods, a combination of Statkraft's expectations for long-term market prices, including carbon price and subsidy scheme developments, is applied, plus expected capacity payments.

Estimates and assumptions may change over time and are subject to continuous review. Actual figures may deviate from recognised estimates. The effect on the income statement of estimate deviations and changed estimates and assumptions is recognised in the period in which the change occurs or accrued over the periods affected by the change.

Accounting judgements that are of material importance to the Group's Financial Statements are as follows:

Impairment The Group has significant carrying amounts in property, plant and equipment, intangible assets and investments in associates and joint ventures. These assets are tested for impairment when indicators of possible impairment of value exist, i.e. there is a risk of the recognised value exceeding the recoverable amount. Goodwill is tested annually for impairment. An impairment test can result in a need to recognise significant loss in relation to assets recognised in the balance sheet.

Calculation of recoverable amount, which is the higher of fair value less cost of disposal and value in use, is based on future cash flows where long-term price paths, expected production volumes and required rate of return are the most important factors. Considerable judgement is exercised by the management to estimate the development of these factors.

When determining the value in use of property, plant and equipment under construction, accrued expenses on the balance sheet date and remaining investment framework approved by Statkraft's management are included. Expected maintenance investments are included for commissioned power plants.

Business combinations Statkraft must allocate the consideration for acquired businesses to acquired assets and liabilities, based on the estimated fair value. If the combinations are achieved in stages, fair value must also be calculated of the current ownership interest when de-facto control is transferred to Statkraft. Changes in fair value are recognised in profit or loss. For major acquisitions, Statkraft uses independent external advisors to assist in the determination of the fair value of acquired assets and liabilities. This type of valuation requires management to make judgements as regards valuation method, estimates and assumptions. Management's estimates of fair value and useful life are based on assumptions supported by the Group's experts, but with inherent uncertainty. Actual results may therefore deviate from the estimates.

Deferred tax asset Recognition of deferred tax assets involves judgment, and is carried out to the extent that it is probable that it will be utilised. The Group also recognises deferred tax assets associated with resource rent taxation from production revenues from Norwegian power plants in the balance sheet. Deferred tax assets relating to resource rent revenue carry-forwards are recognised in the balance sheet with the amount expected to be utilised within a period of ten years. The period over which negative resource rent revenues can be used is estimated on the basis of expectation relating to future revenues.

Non-financial energy contracts According to IAS 39, non-financial energy contracts that are covered by the definition of "net financial settlements" shall be treated as if these were financial instruments. This will typically apply to contracts for physical purchases and sales of power and gas. Management has reviewed the contracts that are defined as financial instruments, and those contracts that are not covered by the definition as a result of "own use" exception.

Property, plant and equipment Property, plant and equipment is depreciated over its expected useful life. Expected useful life is estimated based on experience, historical data and accounting judgements, and is adjusted in the event of any changes to the expectations. Residual values are taken into account in calculating depreciation. Estimates of decommissioning obligations, which are included as part of the plant's carrying amount, are subject to ongoing reviews.

Pensions The calculation of pension liabilities involves the use of judgement and estimates across a range of parameters. The discount rate is based on high- quality corporate bonds (OMF). Statkraft is of the opinion that the OMF market represents a deep and liquid marked with relevant durations that qualify as a reference interest rate in accordance with IAS 19.

Note 3 Subsequent events

Desenvix Statkraft has on 13 February 2015 agreed with Jackson Empreendimentos S.A. to acquire its shares in the Brazilian power company Desenvix Energias Renováveis S.A. Desenvix owns, operates and maintains hydro and wind power plants in Brazil. Statkraft will after the acquisition own 81,3%, and thus become the majority owner of Desenvix.

The agreement is conditional upon necessary approvals by the third owner of Desenvix, Brazilian pension fund FUNCEF (18.7%), as well as by certain creditors, the Brazilian Electricity Regulatory Agency (ANEEL), and the Brazilian Antitrust Agency (CADE). The parties expect to complete the transaction in the course of the third quarter of 2015. The purchase price for the shares are approximately BRL 500 million.

Triton Knoll Statkraft and RWE Innogy GmbH signed in February 2015 an agreement to jointly develop the Triton Knoll Offshore Wind Farm which has an expected capacity of up to 900MW. The wind farm is located off the east coast of England. The deal will see Statkraft take a 50% stake in Triton Knoll Offshore Wind Ltd which is organized as a joint venture. The development and construction phases will be delivered by a joint RWE/Statkraft project team, managed by Statkraft and drawing upon the competencies of both companies. Investment decision for the wind farm is scheduled to be in 2017. Total investment for the entire project is estimated to be between GBP 3 billion and GBP 4 billion.

Tofte/Södra Statkraft and Södra established in February 2015 a joint venture called Silva Green Fuel AS, with a goal to establish future production of bio fuel based on biomass at the industrial site of the former cellulose factory at Tofte in Hurum, Norway. Statkraft and Södra's ownership shares in the new joint venure are 51% av 49%, respectively. In addition, as a part of the agreement Statkraft acquired all the shares in Statkraft Tofte AS, previously called Södra Cell Tofte AS. Total investment from acquisition of the shares in Södra Cell Tofte AS and establishment of Silva Green Fuel AS is aproximately NOK 250 million.

Empresa Eléctrica Pilmaiquén Statkraft has on 25 February signed an agreement to acquire a majority of the shares in the listed Chilean hydropower company Empresa Eléctrica Pilmaiquén. Completion of the transaction requires fulfillment of certain conditions, including a minimum of 75% of the shareholders accepting the offer. The purchase price is approximately USD 182 million for 75% of the shares.

Issue of bonds In January 2015, Statkraft issued bonds for NOK 3300 million.

Note 4 Segment information

Statkraft's segment reporting is in accordance with IFRS 8. The Group reports operating segments in accordance with how the Group management makes, follows up and evaluates its decisions. The operating segments have been identified on the basis of internal management information that is periodically reviewed by the management and used as a basis for resource allocation and key performance review.

We are presenting the underlying results for each of the segments. The underlying results consist of ordinary results, adjusted for unrealised effects from energy contracts (excluding Trading and Origination) and material non-recurring items.

The segments are:

Nordic hydropower includes hydropower plants in Norway and Sweden. The production assets are mainly flexible.

Continental energy and trading includes gas power plants in Germany and Norway, hydropower plants in Germany and the UK and bio-based power plants in Germany, as well as Baltic Cable AB, the subsea cable between Sweden and Germany. The segment includes Trading and Origination, market access for smaller producers of renewable energy, as well as revenue optimisation and risk mitigation related to both the Continental and Nordic production.

International hydropower operates in emerging markets with expected high growth and substantial need for energy. Statkraft's investments in hydropower internationally are part of the Group's long-term strategy where the Group's expertise is exploited to ensure increased supply of renewable energy and profitable growth.

Wind power includes Statkraft's operation and development in land-based and offshore wind power. The segment operates in Norway, Sweden and the United Kingdom.

District heating operates in Norway and Sweden.

Industrial ownership includes management and development of Norwegian shareholdings within the Group's core business, as well as the end-user business in Fjordkraft.

Other activities include small-scale hydropower and group functions.

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

Note 4 continued

Accounting specification per segment

Segments NOK million	Statkraft AS Group	Nordic Hydropower	Continental Energy & Trading	International Hydropower	Wind power	District heating	Industrial ownership	Other activities	Group Items
2014									
Operating revenues external, underlying	52 254	10 617	26 448	1 004	258	595	6 504	154	6 674
Operating revenues internal, underlying	-	2 945	-275	1	850	2	22	505	-4 051
Gross operating revenues, underlying	52 254	13 563	26 173	1 006	1 108	597	6 526	659	2 622
Net operating revenues, underlying	25 805	12 347	2 973	888	1 064	398	3 007	651	4 476
Operating profit, underlying	13 560	7 478	1 234	148	-14	9	920	-663	4 449
Unrealised value changes energy contracts	-	1 545	925	-	-	-	-52	-27	- 2 391
Significant non-recurring items	-	1 478	16	-937	1 358	13	80	46	- 2 053
Operating profit	13 560	10 500	2 174	-789	1 344	22	948	-644	5
Share of profits/losses from associated and joint ventures	661	-	-	-240	363	3	535	-	-
Profit before financial items and tax	14 220	10 500	2 174	-1 029	1 707	25	1 482	-644	5
Balance sheet 31.12.14									
Investments in associates and joint ventures	19 027	-	-	6 957	3 072	7	8 986	-	4
Other assets	148 790	55 054	5 560	15 642	7 461	3 373	14 852	25 183	21 666
Total assets	167 817	55 054	5 560	22 599	10 533	3 380	23 838	25 183	21 670
Depreciation, amortisation and impairment	-4 071	-1 324	-320	-1 191	-490	-142	-498	-106	-
Maintenance investments and other investments	2 368	1 673	85	65	1	7	470	67	-
Investments in new production capacity	7 525	439	17	3 073	3 197	309	354	137	-
Investments in shares	1 287	-	-	1 126	159	-	2	-	-
2013									
Operating revenues external, underlying	49 564	10 506	23 800	1 215	39	640	7 420	192	5 754
Operating revenues internal, underlying	-	3 813	17	-	1 029	2	53	477	-5 391
Gross operating revenues, underlying	49 564	14 318	23 817	1 215	1 067	642	7 472	669	362
Net operating revenues, underlying	24 246	13 238	1 807	974	1 026	392	3 174	665	2 970
Operating profit, underlying	13 002	8 796	80	85	103	-4	1 109	-564	3 397
Unrealised value changes energy contracts	-	2 279	1 022	-	-	-	21	-43	-3 278
Significant non-recurring items	-	164	-97	162	-190	86	-	-	-125
Operating profit	13 002	11 239	1 004	247	-87	82	1 130	-607	-7
Share of profits/losses from associated and joint ventures	1 101	-	3	458	-1	-	640	-	-
Profit before financial items and tax	14 103	11 239	1 007	705	-88	82	1 770	-607	-7
Balance sheet 31.12.13									
Investments in associates and joint ventures	16 002	-	-	6 559	1	-	9 438	-	4
Other assets	137 685	55 134	5 407	13 509	12 321	3 188	14 714	53 899	-20 487
Total assets	153 687	55 134	5 407	20 068	12 322	3 188	24 152	53 899	-20 483
Depreciation, amortisation and impairment	-3 045	-1 247	-330	-185	-595	-137	-474	-78	-
Maintenance investments and other investments	1 980	1 399	86	42	11	2	440	-	-
Investments in new production capacity	11 303	4 476	316	2 672	2 531	417	497	393	-
Investments in shares	62	-	-	50	1	-	-	11	-

Note 4 continued

Specification of non-recurring items:

NOK million	2014	2013
Unrealised value changes energy contracts, excl. Trading and Origination	2 396	3 288
Significant non-recurring items	2 053	125
Lawsuit related to Saurdal power plant - concessionary power	*56*	
Revenue recognition related to termination of energy contract	*-*	*164*
Bargain purchase in step acquisition of Devoll	*-*	*162*
Pension scheme change	*280*	*-*
Gain on sale of assets	*2 767*	*86*
Cost related to purchase in step acquisition of biomass companies	*-*	*-97*
Impairment of property, plant and equipment and intangible assets	-1 050	-190
Total	4 449	3 413

Specification per product
Reference is made to note 12.

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

Non-current assets consist of property, plant and equipment and intangible assets except deferred tax and are allocated on the basis of the country of origin for the production facility or activity.

Geographical areas

NOK million	Statkraft AS Group	Norway	Germany	Sweden	UK	Other
2014						
Sales revenues external	48 246	22 579	14 720	265	5 240	5 443
Non-current assets as of 31.12.	101 166	57 276	4 688	23 734	1 641	13 828
2013						
Sales revenues external	48 148	25 690	15 703	79	4 690	1 985
Non-current assets as of 31.12.	103 487	56 168	4 800	21 308	8 755	12 456

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

Note 5 Business combinations and other transactions

SALE AND RESTRUCTURING OF BUSINESS IN 2014

SN Power AS On June 6th, the agreement between Statkraft and Norfund to restructure SN Power AS was completed. The agreement lead to incorporation of a new company, SN Power AS, owned by Statkraft and Norfund 50% each. The gains related to the restructuring are NOK 455 million, recognised as other financial income, and NOK 108 million recognised as other operating revenue. The gains recognised are related to transfer of business in the Philippines and transfer of Agua Imara to SN Power AS, respectively. The net cash effect as a result of the transaction is that Statkraft has paid NOK 410 million to Norfund, as well as disbursing NOK 60 million to the new SN Power. As Agua Imara is no longer part of the Group as a subsidiary, the Group's cash reserve has been reduced by NOK 300 million. The effect of the transaction on total equity is a decline of NOK 839 million, related to non-controlling interests in Agua Imara. See note 24 for further information.

Statkraft Suomi Oy. Sale of the power plants in Finland with a production of 0.3 TWh per year was implemented at a sale price of about NOK 2 billion on 15 August. The net gain of NOK 1213 million is recognised as other operating revenue.

Wind UK Invest Ltd. On 30 July, the sale of 49% of the shares in Wind UK Invest Ltd (WUKI), which owns the onshore wind farms Alltwalis, Baillie and Berry Burn in the UK, was concluded. Following the transaction, WUKI will go from being a subsidiary to being an investment in a joint venture. The gain of NOK 1063 million is recorded as other operating revenues. The gain shows realised gains from the downsale from 100% to 51% and an adjustment from carrying value to fair value of the 51% share which Statkraft still owns. The fair value of remaining shares is recognised at NOK 874 million. See note 24 for further information.

Scira Offshore Energy Ltd. On 25 November, Statkraft sold 20% of its shares in the company Scira Offshore Energy Ltd (Scira), which owns the Sheringham Shoal offshore wind farm in the UK. Statkraft owns 40% of Scira after the sale. The accounting gain from sale of the shares is NOK 283 million and is recorded as other operating revenue. The gain shows the total realised gain from the sale from 50% to 40% of the shareholding in the company, as well as currency gains on the investment in Statkraft's ownership period. The sale entails that Statkraft will change the accounting method for Scira, from joint operations to joint ventures. This means there is no new measurement of remaining shares in Scira. On the basis of the transaction in Scira, previous impairments in the company were reversed. This reversal comes in addition to the accounting gain and is NOK 341 million. The reversal is recorded as share of profit from associated companies and joint ventures. See note 24 for further information.

BUSINESS COMBINATIONS 2014

Andershaw Wind Power Ltd. On 14 September 2014, Statkraft UK Ltd. acquired the remaining 50% of shares in the company Andershaw Wind Power Ltd. for a purchase price of NOK 59 million. The fair value of the shares which Statkraft owned prior to the acquisition have been assessed at fair value and gains of NOK 69 million have been recorded as other financial items. Procured assets and assumed liabilities in the acquisition are assessed at fair value. A preliminary allocation shows that excess value is mainly identified in connection with tangible fixed assets with NOK 137 million.

Note 5 continued

Allocation of cost price for business combinations in 2014	Andershaw Wind Power [1]
Acquisition date	14.09.2014
Voting rights/shareholding acquired through the acquisition	50%
Total voting rights/shareholding following acquisition	100%
Measurement of non-controlling interests	N/A

Consideration

NOK million	
Cash	59
Fair value of previously recognised shareholdings	59
Total acquisition cost	118
Book value of net acquired assets (see table below)	-19
Identification of excess value, attributable to:	
Intangible assets	-
Property, plant and equipment	137
Gross excess value	
Deferred tax on excess value	-27
Net excess value	110
Fair value of net acquired assets, excluding goodwill	91
Of which	
Majority interests	91
Non-controlling interests	-
Total	91
Total acquisition cost	118
Fair value of net acquired assets, acquired by the majority through the transaction	91
Goodwill [2]	27

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

[2] As a result of calculated deferred tax liabilities, a technical goodwill of NOK 27 million has been estimated.

NOK million	Andershaw Wind Power
Book value of net acquired assets	
Intangible assets	-
Property, plant and equipment	13
Non-current assets	13
Cash and cash equivalents	2
Receivables	-
Current assets	2
Acquired assets	15
Long-term interest-bearing liabilities	-
Other interest-free liabilities	34
Liabilities and non-controlling interests	34
Net value of acquired assets	-19
Net value of acquired assets, including increase in the value of private placing	-19
Total acquisition cost	118
Non-cash elements of acquisition cost	59
Consideration and cost in cash and cash equivalents	59
Sale of receivable	17
Cash and cash equivalents in acquired companies	2
Net cash payments in connection with the acquisitions	74
Fair value of acquired receivables	-
Gross nominal value of acquired receivables	-
Gain/loss from derecognition of previously recognised shareholding	69
Contribution to gross operating revenue since acquisition date	-
Contribution to net profit since acquisition date	9
Proforma figure 2014 gross operating revenue	-
Proforma figure 2014 net profit after tax	9

Note 5 continued

BUSINESS COMBINATIONS 2013

Devoll Hydropower Sh.A. On 7 May, Statkraft acquired the remaining 50% of the shares in Devoll Hydropower Sh.A., and now owns 100% of the shares. The cost price of 100% of the shares in the step acquisition totalled NOK 162 million. The net assets in Devoll were NOK 324 million. The preliminary acquisition analysis shows a purchase at beneficial terms, with NOK 162 million immediately recognised as income.

Biomasseheizkraftwerk Landesbergen GmbH and Biomasseheizkraftwerk Emden GmbH On 31 August, Statkraft acquired the remaining 50% shareholding in the biomass power plant Biomasseheizkraftwerk Landesbergen GmbH and the 70% shareholding in Biomasseheizkraftwerk Emden GmbH, and now wholly owns both companies. The seller of both shareholdings was E.ON. In 2009, Statkraft entered into an agreement with E.ON on delivering operation and maintenance (O&M) services to these biomass power plants. The O&M agreement was terminated in connection with the stepwise acquisition. The agreement existed prior to the stepwise acquisition and has not met the recognition criteria for the balance sheet in previous periods, hence an amount of NOK 97 million has been expensed in the third quarter. The net assets in the power plants have been valued at zero.

Ortnevik Kraftlag AS and Knutfoss Kraft AS On 6 December, Småkraft AS acquired the companies Ortnevik Kraftlag AS and Knutfoss Kraft AS. The cost price for 100% of the shares in the two companies totalled NOK 9 million. The net assets in the companies amount to NOK 1 million and NOK -6 million. The preliminary acquisition analysis' has identified excess value of NOK 14 million in total.

Allocation of cost price for business combinations in 2013	Devoll Hydropower Sh.A	Other acquisitions	Total
Acquisition date	07.05.2013		
Voting rights/shareholding acquired through the acquisition	50%		
Total voting rights/shareholding following acquisition	100%	100%	
Measurement of non-controlling interests	Not applicable	Not applicable	

Consideration

NOK million			
Cash	-	9	9
Fair value of previously recognised shareholdings	162	-	162
Total acquisition cost	162	9	171
Book value of net acquired assets (see table below)	324	-5	319
Identification of excess value, attributable to:			
Intangible assets	-	-	-
Property, plant and equipment	-	14	14
Gross excess value	-	14	14
Deferred tax on excess value	-	-	-
Net excess value	-	14	14
Fair value of net acquired assets, excluding goodwill	324	9	333
Of which			
Majority interests	324	9	333
Non-controlling interests	-	-	-
Total	324	9	333
Total acquisition cost	162	9	171
Fair value of net acquired assets, acquired by the majority through the transaction	324	9	333
Goodwill [1]	-162	-	-162

[1] There is no goodwill for Devoll which is deemed to be a bargain purchase. This resulted in the immediate recognition of NOK 162 million as income.

Note 5 continued

NOK million	Devoll Hydropower Sh.A	Other acquisitions	Total
Book value of net acquired assets			
Intangible assets	261	2	263
Property, plant and equipment	11	71	82
Non-current assets	272	73	345
Cash and cash equivalents	27	41	68
Receivables	31	25	56
Current assets	58	66	124
Acquired assets	330	139	469
Long-term interest-bearing liabilities	-	64	64
Other interest-free liabilities	6	65	71
Liabilities and non-controlling interests	6	129	135
Net value of acquired assets	324	9	333
Net value of acquired assets, including increase in the value of private placing	324	9	333
Total acquisition cost	162	14	176
Non-cash elements of acquisition cost	162	5	167
Consideration and cost in cash and cash equivalents	-	9	9
Cash and cash equivalents in acquired companies	27	41	68
Net cash payments in connection with the acquisitions	-27	32	5
Fair value of acquired receivables	31	25	56
Gross nominal value of acquired receivables	31	25	56
Contribution to gross operating revenue since acquisition date	-	-2	-2
Contribution to net profit since acquisition date	-6	-	-6
Proforma figure 2013 gross operating revenue	-	130	130
Proforma figure 2013 gross net profit	-9	-1	-10

Note 6 Management of capital structure

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

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

There were no changes in the Group's targets and guidelines governing the management of capital structure in 2014.

The most important target figure for the Group's management of capital structure is long-term credit rating. Statkraft AS has a long-term credit rating of A- (stable outlook) from Standard & Poor's and Baa1 (stable outlook) from Moody's. Statkraft's target is to maintain its current rating.

Overview of capital included in management of capital structure

NOK million	Note	2014	2013
Long-term interest-bearing debt	31	27 438	33 364
Current interest-bearing debt	31	9 306	7 013
Cash and cash equivalents, excluding restricted cash and short-term financial investments	29	-13 106	-8 137
Net interest bearing liabilities		23 638	32 239

Note 7 Market risk in the Group

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS GENERALLY

Statkraft is engaged in activities that entail risk in many areas and has a unified approach to the Group's market risks. Risk management is about assuming the right risk based on the Group's ability and willingness to take risks, expertise, financial strength and development plans. The purpose of the risk management is to identify threats and opportunities for the Group, and to manage the risk towards an acceptable level to provide reasonable assurance for achieving the Group's objectives.

In Statkraft, market risk will primarily relate to prices of energy and commodities, interest rates and foreign currency. The following section contains a more detailed description of the various types of market risk, and how these are managed.

DESCRIPTION OF PORTFOLIOS IN ENERGY TRADING

As a power producer, Statkraft is exposed to market risk related to price on energy and commodities. Within energy trading, Statkraft has portfolios that reduce market risk, as well as portfolios within decided mandates where Statkraft takes on market risk to generate profit. Risk management in energy trading in Statkraft focuses on portfolios rather than contracts. Internal guidelines for market exposure have been established for all portfolios. Responsibility for continual monitoring of granted mandates and frameworks lies with independent organisational units. The frameworks for trading in both financial and physical contracts are continually monitored.

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

Long-term contracts As a power producer, Statkraft has entered into physical power sales agreements with industrial customers in the Nordic region. These contracts stabilise Statkrafts revenues. The long-term contracts have varying terms, where the longest runs until 2030. The price of some of these sales obligations are indexed to foreign currency and raw materials such as metals

Statkraft enters in to financial power contracts, physical power contracts and physical gas purchase contracts. The market risk in the portfolio is derived from the future market prices for electricity, gas, coal and oil products.

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

Nordic and Continental dynamic asset management portfolios Statkraft has one Nordic and one Continental dynamic asset management portfolio, managed in Oslo and in Düsseldorf, respectively. The objective of the portfolio management is to optimise portfolio revenues and in addition reduce the risk of the Group. Portfolio management is a market activity where Statkraft generates value in the futures and forward markets, in addition to physical production and trading.

The mandate to enter into financial contracts are based on volume thresholds derived from available production. The risk is quantified using simulations of various scenarios for relevant risk factors. The management portfolios consist mainly of financial contracts for electricity, CO_2, coal, gas and petroleum products. The contracts are traded via energy exchanges and bilateral contracts. These generally have terms of less than five years. The agreements are measured at fair value in accordance with IAS 39.

Trading and Origination Statkraft has various portfolios for Trading and Origination that are managed independently of the Group's expected electricity production. The Group has trading activities in Oslo, Trondheim, Stockholm, London, Amsterdam, Düsseldorf, Istanbul, Rio de Janeiro and New Dehli. 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 involve buying and selling standardised and traded products. Electricity and CO_2 products, as well as green certificates, gas and oil products are traded. The contracts in the trading portfolio have durations ranging from 0 to 5 years.

Origination activities include buying and selling both standardised products and structured contracts. Structured products may be energy contracts with a special duration, long-term contracts or energy contracts in different currencies. Trading with transport capacity over borders and virtual power plant contracts are also included in the activities. Quoted, traded contracts on system price, regional prices and foreign currency are generally used to reduce the risk involved in trading in structured products and contracts. The majority of the contracts in the portfolio have durations of up to five years, though some contracts run until 2022.

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

All trading and origination contracts, except for power purchase agreements with minor producers of renewable energy in Scandinavia, Germany and in the UK, are recognised at fair value in accordance with IAS 39.

FOREIGN EXCHANGE AND INTEREST RATE RISK

Statkraft is exposed to two main types of risk as regards the financial activities: foreign exchange risk and interest rate risk. Statkraft uses interest rate- and foreign currency derivatives in its risk management.

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

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

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

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

Interest rate risk Statkraft's interest rate exposure is mainly in connection with the debt portfolio. An interest rate management framework has been established based on a mix between fixed and floating interest rates. The floating interest percentage shall be in the 25-75% interval. The part of the portfolio exposed to fixed interest rates shall have a remaining maturity of at least five years. The strategy for managing interest rate risk has been established based on an objective of achieving the most cost-efficient financing, coupled with the aim of a certain stability and predictability in finance costs.

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

Note 8 Analysis of market risk

Statkraft follows up market risk in energy optimisation, portfolios for Trading and Origination, currency and interest rate positions, distribution grid revenues and end-user business and district heating.

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

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

Total market risk as of 31 December 2014 was calculated at NOK 2177 million. Increased market risk from Trading and Origination in combination with reduced diversfication effects have only partly been offset by reduced market risk from Energy optimisation. The increased risk in Trading and Origination is due to an increase in allocated risk capital following increased activity.

The diversification effect emerges as the difference between total market risk in the specified areas and total market risk, where the correlation between e.g. energy prices, interest rates and currency exchange rates is taken into account.

NOK million	2014	2013
Market risk in energy optimisation (volume risk, spot price risk and hedging)	1 375	1 439
Market risk in Trading and Origination portfolios (excl. market access in Germany and the UK)	869	616
Market risk in interest rates and currency positions	25	35
Market risk in distribution grid revenues	30	30
Market risk in end-user activities and district heating	50	50
Total market risk before diversification effects	2 349	2 169
Diversification effects	-172	-185
Total market risk	2 177	1 985
Diversification effect as a percentage	7%	9%

Specification of debt by currency [1)]

NOK million	2014	2013
Debt in NOK	11 381	14 184
Debt in SEK	491	1 897
Debt in EUR	13 898	12 047
Debt in USD	2 910	2 773
Debt in GBP	5 804	5 761
Total	34 484	36 663

[1)] Includes long-term interest-bearing debt, first-year installment on long-term interest-bearing debt, certificates and the currency effect of combined interest rate- and currency swaps. Specifications of debt by currency includes effects from combined interest rate- and currency swaps, since Statkraft uses these swaps to achieve the desired currency structure for the Group's debt portfolio.

Specification of interest by currency [1)]	2014	2013
Nominal average interest rate, NOK	5.30%	4.80%
Nominal average interest rate, SEK	0.90%	1.30%
Nominal average interest rate, EUR	3.30%	3.60%
Nominal average interest rate, USD	4.80%	3.50%
Nominal average interest rate, GBP	1.60%	1.20%

[1)] Includes long-term interest-bearing debt, first-year installment on long-term interest-bearing debt, certificates, interest rate swaps and combined interest rate- and currency swaps.

Fixed interest rate debt portfolio [1)]

	Future interest rate adjustments				
NOK million	2015	1–3 years	3–5 years	5 years and more	Total
Debt	2 893	2 189	1 610	4 689	11 381
Debt in SEK	481	10	-	-	491
Debt in EUR	7 262	540	5 938	158	13 898
Debt in USD	94	436	593	1 786	2 910
Debt in GBP	5 804	-	-	-	5 804
Total	16 535	3 175	8 142	6 633	34 484

[1)] Includes long-term interest-bearing debt, first-year instalment on long-term interest-bearing debt, certificates and the currency effect of combined interest rate- and currency swaps. The split between years also take into account interest rate adjustments in interest rate swaps and combined interest rate- and currency swaps.

Short-term financial investments – bonds per debtor category

NOK million	2014	2013	Mod. duration	2014 Av. interest rate (%)
Commercial and savings banks	101	109	2.61	1.83%
Industry	39	44	1.86	2.02%
Public sector	72	77	3.50	1.60%
Total	212	230		

Note 9 Credit risk and liquidity risk

CREDIT RISK

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

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

The counterparty risk for financial energy contracts which are settled through an energy exchange is considered to be very low. For all other energy contracts entered into, the limits are stipulated for the individual counterparty using an internal credit rating. The counterparties are allocated to different categories. The internal credit rating is based on financial key figures. Bilateral contracts are subject to limits for each counterparty with regards to volume, amount and duration.

Statkraft 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. If a contractual counterparty experiences payment problems, special procedures are applied.

Investment of surplus liquidity is mainly distributed among institutions rated A- or better. For investment of surplus liquidity, the limits are stipulated for the individual counterparty using an internal credit rating.

Statkraft has entered into agreements relating to interim cash settlement of the market value of financial derivatives with counterparties (cash collateral). Counterparty exposure in connection with these agreements are considered to be very low. Cash collateral is settled on a weekly basis and will therefore not always be settled at period end. There could therefore be an outstanding credit risk at period end. Agreements have also been established for individual counterparties for financial energy contracts.

In order to reduce credit risk in connection with investments, bank or parent company guarantees are used in some cases when entering into agreements. The bank which issues the guarantee must be an internationally rated commercial bank which meets minimum rating requirements. When parent company guarantees are used, the parent company is assessed by ordinary internal credit assessments. Subsidiaries will 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.

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

Statkraft's gross credit risk exposure corresponds to the recognised value of financial assets, which are found in the various notes to the balance sheet. To the extent that relevant and significant collateral has been provided, this has been presented below.

NOK million	Note	2014	2013
Gross exposure credit risk:			
Other non-current financial assets	25	6 093	2 540
Derivatives	28	12 432	10 854
Receivables	27	12 433	9 568
Short-term financial investments		443	464
Cash and cash equivalents	29	12 663	7 685
Total		44 065	31 111
Exposure reduced by security (guarantees, cash collateral etc.):			
Derivatives	31	-1 088	-938
Net exposure credit risk		42 977	30 173

Note 9 continued

LIQUIDITY RISK

The Group's liquidity risk is the risk that the Group has no liquidity to meet its current obligations. Statkraft assumes a liquidity risk because the terms of its financial obligations are not matched to the cash flows generated by its assets. Furthermore, Statkraft assumes liquidity risk due to cash payments when furnishing surety in connection with both trading in financial contracts and financial derivatives. The liquidity risk is minimised through the following tools: liquidity forecasts, reporting of short-term liquidity target figures, liquidity reserve requirements, requirements relating to minimum cash in hand and requirements relating to guarantees in connection with energy trading.

Liquidity forecasts are prepared to plan future financing needs as well as the investment of the Group's surplus liquidity.

An individual target figure for short-term liquidity capacity, which reflects Statkraft's ability to cover its future obligations, is included in the Group balanced scorecard. The objectives relating to Statkraft's desire for a satisfactory liquidity reserve consist of available cash in hand, financial placements and unused credit facilities to cover e.g. refinancing risk, and also to act as a buffer against volatility in the Group's cash flows.

A guarantee has been established to cope with significant fluctuations in the collateral required by energy exchanges in connection with financial contracts. The guarantee significantly reduces the volatility in the Group's cash flows.

Maturity schedule, external long-term liabilities

NOK million	2015	2016	2017	2018	2019	After 2019
Instalments on debt from Statkraft SF	-	-	-	-	400	-
Instalments on bond loans from the Norwegian market	2 152	4 291	-	-	1 000	1 500
Instalments on other loans raised in non-Norwegian markets	4 519	-	5 860	-	4 501	6 290
Instalments on external loans in subsidiaries and other loans	226	331	345	438	226	2 257
Interest payments	1 387	1 180	954	739	450	1 207
Total	8 285	5 801	7 159	1 178	6 577	11 255

Allocation of non-discounted value of derivatives perperiod

The Group has a significant number of financial derivatives, which are reported as derivatives in the balance sheet. For derivatives with negative market value, where contractual due dates are decisive for the understanding of the timing of the cash flows, the non-discounted values are allocated to the time periods shown in the table below.

NOK million	2015	2016	2017	2018	2019	After 2019
Energy derivatives	1 856	900	560	253	279	1 546
Interest rate- and foreign currency derivatives	4 289	505	215	309	483	936
Total derivatives	6 145	1 405	775	562	762	2 482

Note 10 Financial Instruments

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

Financial instruments in energy trading Within energy trading, financial instruments are used in the trading and origination activity. The trading and origination activity is managed independently of the Group's energy production. Its main objective is to achieve profit from changes in the market value of energy- and energy-related financial products, as well as profit from unstandardised contracts. Financial instruments are used as part of the Group's financial hedging strategy for continuous optimisation of future revenues from the expected production volume. Financial instruments in energy trading mainly consist of financial and physical agreements relating to purchase and sale of power, gas, oil, coal, carbon quotas and green certificates. Derivatives recognised in the balance sheet are shown as separate items and are evaluated at fair value with changes in value recognised in the income statement. As the Group's future own production of power does not qualify for recognition in the balance sheet, the effect of changes in value of financial energy derivatives may have major effects on the income statement without necessarily reflecting the underlying activities.

Financial instruments in financial activities Financial instruments used in financial activities primarily consist of loans, interest rate swaps, combined interest rate- and currency swaps and forward exchange contracts. Financial derivatives are used as hedging instruments in accordance with the Group's financial hedging strategy. The hedging objects are considered to be assets in foreign currency, future cash flows or loan arrangements measured at amortised cost. For selected loan arrangements where the interest rate has been changed from fixed to floating (fair value hedging), hedging of some net investments in foreign units and cash flows, hedging is reflected in the accounts. Because not all financial hedging relationships are being reflected in the accounts, changes in value for financial instruments may result in volatility in the income statement without fully reflecting the financial reality.

FAIR VALUE OF ENERGY DERIVATIVES

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

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

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

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

Raw materials Statkraft has energy contracts where the contract price is indexed against raw materials such as gas, petroleum products and coal. These are valued using forward prices from relevant commodity exchanges and major financial institutions. If quotes are not available for the entire time period, the commodity prices are adjusted for inflation based on the most recent quoted price in the market.

CO_2 contracts CO_2 contracts are priced based on the forward price of EU Allowance (EUA) quotas and Certified Emmision Reduction (CER) quotas. For time horizons above 9 years, the prices are adjusted for expected inflation. For time horizon above nine years, the price curve is adjusted for expected inflation.

Green certificates are valued at forwardprice and adjusted for inflation from last noted price quote.

Foreign currency Several energy contracts have prices in different currencies. Quoted foreign exchange rates from European Central Bank (ECB) are used in the valuation of contracts denominated in foreign currency. If there are no quotes for the entire time period in question, the interest parity is used to calculate exchange rates.

Interest rates The market interest rate curve (swap interest rate) is used as a basis for discounting derivatives. The market interest rate curve is stipulated on the basis of the publicised swap interest rates. Credit surcharge is added to the market interest rate curve in cases where the credit risk is relevant. This applies to all external bilateral contracts classified as assets and liabilities.

FAIR VALUE OF CURRENCY- AND INTEREST RATE DERIVATIVES

The fair value of interest rate swaps and combined interest rate- and currency swaps, is determined by discounting expected future cash flows to current value through use of observed market interest rates and quoted exchange rates from ECB. The valuation of forward currency exchange contracts is based on quoted exchange rates, from which the forward exchange rate is extrapolated. Estimated net present value is subject to a test of reasonableness against calculations made by the counterparties to the contracts.

FAIR VALUE OF SHORT-TERM FINANCIAL INVESTMENTS

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

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

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

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

Note 10 continued

Assets and liabilities recognised at amortised cost

NOK million	Note	2014 Recognised value	2014 Fair value	2013 Recognised value	2013 Fair value
Financial assets measured at amortised cost					
Loans to associates	25	4 756	4 944	1 420	1 420
Bonds and other long-term receivables	25	1 254	1 254	880	880
Accounts receivable	27	7 427	7 427	6 835	6 835
Accrued revenues, etc.	27	1 370	1 370	1 055	1 055
Prepaid tax	27	78	78	73	73
Short-term loans to associates	27	100	100	48	48
Receivables related to cash collateral	27	2 665	2 665	1 009	1 009
Other receivables	27	794	794	549	549
Cash and cash deposits	29	9 602	9 602	6 128	6 128
Total		28 045	28 233	17 997	17 997
Financial liabilities measured at amortised cost					
Long-term interest-bearing debt to Statkraft SF	31	-400	-513	-400	-500
Bonds issued in the Norwegian market	31	-6 791	-7 455	-8 936	-9 495
Debt issued in non-Norwegian markets	31	-16 651	-19 193	-19 601	-21 374
External debt in subsidiaries and other debt	31	-3 597	-3 597	-4 428	-4 428
Debt connected to cash collateral	31	-1 088	-1 088	-938	-938
First year's instalment on long-term debt	31	-6 897	-7 041	-3 624	-3 661
Short-term interest-bearing debt to Statkraft SF	31	-1 120	-1 120	-2 427	-2 427
Other short-term debt	31	-200	-200	-24	-24
Accounts payable	32	-1 864	-1 864	-693	-693
Indirect taxes payable	32	-1 058	-1 058	-1 334	-1 334
Interest-free debt to Statkraft SF	32	-8	-8	-3	-3
Other interest-free liabilities	32	-6 878	-6 878	-7 151	-7 151
Total		-46 552	-50 015	-49 558	-52 027

Assets and liabilities recognised at fair value, divided among level for fair-value measurement

The company classifies fair-value measurements by using a fair-value hierarchy which reflects the importance of the input used in the preparation of the measurements. The fair-value hierarchy has the following levels:

Level 1: Non-adjusted quoted prices in active markets for identical assets or liabilities.
Level 2: Other data than the quoted prices included in Level 1, which are observable for assets or liabilities either directly, i.e. as prices, or indirectly, i.e. derived from prices.
Level 3: Data for the asset or liability which is not based on observable market data.

Note 10 continued

2014

NOK million	Note	Fair value measurement at period-end using: Level 1	Level 2	Level 3	Fair value
Financial assets at fair value					
Energy derivatives	28	758	5 069	2 294	8 120
Currency and interest rate derivatives	28	-	4 312	-	4 312
Short-term financial investments		443	-	-	443
Money market funds, certificates, promissory notes, bonds	29	3 061	-	-	3 061
Total		4 262	9 381	2 294	15 936
Available-for-sale financial assets					
Other shares and securities	25	41	43	-	84
Total		41	43	-	84
Financial liabilities at fair value					
Energy derivatives	28	-45	-2 631	-1 256	-3 933
Currency and interest rate derivatives	28	-	-6 930	-	-6 930
Total		-45	-9 561	-1 256	-10 863

2013

NOK million	Note	Fair value measurement at period-end using: Level 1	Level 2	Level 3	Fair value
Financial assets at fair value					
Energy derivatives	28	765	4 064	2 850	7 678
Currency and interest rate derivatives	28	-	3 175	-	3 175
Short-term financial investments		464	-	-	464
Money market funds, certificates, promissory notes, bonds	29	1 557	-	-	1 557
Total		2 786	7 239	2 850	12 875
Available-for-sale financial assets					
Other shares and securities	25	50	190	-	240
Total		50	190	-	240
Financial liabilities at fair value					
Energy derivatives	28	-569	-1 799	-3 532	-5 900
Currency- and interest rate derivatives	28	-38	-4 165	-	-4 204
Total		-607	-5 964	-3 532	-10 103

Total unrealised changes in value

NOK million	Note	2014	2013
Energy contracts	20	2 602	3 066
Financial items	20	-7 014	-10 860
Total		-4 412	-7 795

Assets and liabilities measured at fair value based on Level 3

NOK million	Financial assets at fair value	Financial liabilities at fair value	Total
Opening balance 01.01.2014	2 850	-3 532	-682
Unrealised changes in value, incl. currency translation effects	-570	2 275	1 705
Additions	1	1	2
Moved from Level 3	13	-	13
Closing balance 31.12.2014	2 294	-1 256	1 038
Net realised gain (+)/loss (-) for 2014			- 1 058
Opening balance 01.01.2013	2 385	-4 106	-1 721
Unrealised changes in value, incl. currency translation effects	468	697	1 165
Additions	-	-127	-127
Moved from Level 3	-3	4	1
Closing balance 31.12.2013	2 850	-3 532	-682
Net realised gain (+)/loss (-) for 2013			934

Sensitivity analysis of factors classified to Level 3

NOK million	10% reduction	10% increase
Net effect from energy prices	-449	463
Net effect from gas prices	-7	8

The effects are not symmetrical due to volume flexibility in the contracts that reduce the downside.

Note 11 Hedge accounting

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

The hedging objects are issued fixed-interest rate bonds with a total nominal value of EUR 1200 million. The hedging instruments are interest rate swaps with a nominal value of EUR 1200 million, entered into with major banks as the counterparties. The agreements swap interest rate from fixed to floating 3-month and 6-month EURIBOR. The critical terms of the hedging object and hedging instrument are deemed to be approximately the same, and 90–110% hedging efficiency is assumed. The inefficiency is recognised in the income statement.

Hedging of net investments in foreign operation EUR 1000 million of Statkraft AS' external debt is designated as hedging of the net investment in Statkraft Treasury Centre. In addition, GBP 220 million in synthetic debt in the hedging of the net investment in Statkraft UK Ltd is included. The currency effects of this debt are recognised in other comprehensive income. The accumulated effect of the hedging is that NOK -1764 million is recognised in other comprehensive income as a negative effect at the end of 2014. The effect of the hedging for the year is NOK -1022 million recognised in other comprehensive income as a negative effect.

Cash flow hedging As a general rule, the Group does not hedge cash flows. There are, however, made some exceptions which essentially relates to debt in Statkraft Peru S.A. and Kraftwerksgesellschaft Herdecke GmbH & Co. KG, respectively, with USD 46 million and EUR 40 million. Because of planned refinancing of Statkraft Peru S.A. the hedge relationship is terminated by the end of 2014, which resulted in a reclassification of NOK -112 million from other comprehensive income to the income statement.

Fair value of hedging instruments

NOK million	2014	2013
Hedging instruments used in fair value hedging	985	1 036
Hedging instruments used in cash flow hedging [1]	-55	-152
Hedging instruments used in net investments in foreign operations [2]	-1 764	-742
Total fair value of hedging instruments	-834	142

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

[2] The value represents the currency effects from financial instruments. Currency effects are recognised in other comprehensive income.

Other information on fair value hedging

NOK million	2014	2013
Net gain (+)/loss (-) on hedging instruments	-209	-312
Net gain (+)/loss (-) on hedging objects, in relation to the hedged risk	207	316
Hedge inefficiency	-2	4

Note 12 Sales revenues

Statkraft's sales revenues come from spot sales, contract sales to the industry, financial trading, distribution grid operations, as well as district heating and power sales to end-users.

Statkraft optimises its hydropower generation in the Nordic area 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 has physical contractual obligations to supply power that deviate from actual output, the difference is either bought or sold on the spot market. Necessary spot purchases are recorded as a correction to power sales.

Physical and financial contracts are used to optimise the underlying production in the form of purchase and sales positions. See note 7 for a more detailed description of these contracts.

See note 4 for more details about the split of sales revenues between the different segments in Statkraft.

NOK million	2014	2013
Physical spot sales, including green certificates	31 174	31 750
Concessionary sales at statutory prices [1]	349	341
Long-term contracts [2]	9 722	8 234
Nordic and Continental Dynamic Asset Management Portfolio	655	727
Trading and Origination (excl. market access Germany and the UK)	818	681
Distribution grid	966	1 184
End-user business	4 002	4 603
District heating	643	684
Currency hedging energy contracts	-73	-66
Other	-11	10
Sales revenues	48 246	48 148

[1] Statkraft has obligations to supply power to municipalities at concessionary prices.

[2] Statkraft has a number of physical contractual obligations of varying duration to both Norwegian and international customers.

Note 13 Other operating revenues

NOK million	2014	2013
Revenue from rental of power plants	498	402
Other operating revenues [1]	3 510	1 013
Total	4 008	1 415

[1] Other operating revenues include a gain of NOK 1213 million related to sale of hydropower plants in Finland. Gains related to sale of shares in UK wind power plants at a total of NOK 1346 million are also included. See note 5 for further information.

Note 14 Energy purchases

NOK million	2014	2013
Gas purchase	4 310	4 882
End-user activities	3 427	4 234
Other energy purchase, including all unrealised energy purchase	17 527	15 211
Total	25 264	24 327

[1] Other energy purchase includes energy purchase related to activities where Statkraft provides market access to smaller producers of renewable energy in the UK and Germany.

Note 15 Payroll costs and number of full-time equivalents

NOK million	2014	2013
Salaries	2 403	2 304
Employers' national insurance contribution	384	348
Pension costs	114	382
Other benefits	150	102
Total	3 051	3 136

Pension costs are described in further detail in note 16.

	2014	2013
Average number of full-time equivalents Group	3 421	3 484
Number of full-time equivalents as of 31.12.	3 348	3 493

Note 16 Pensions

Pension benefit schemes in the Group as of 31 December 2014 are mainly related to employees in Norway. For employees outside Norway a minor extent of pension schemes have been established in accordance with local statutes.

Defined contribution schemes Statkraft's pension scheme for new employees in wholly owned companies in Norway from 1 January 2014 is a defined contribution scheme. The contributions are 6% of the pensionable salary up to 7.1 of the National Insurance Scheme's basic amount (G), and 18% of the pensionable salary between 7.1G and 12G. In addition to retirement pensions, the contribution scheme also entails risk covers.

Funded defined benefit schemes Norwegian companies in the Group have organised their pension schemes in the National Pension Fund (SPK), own pension funds as well as in insurance companies. Employees in the Group's Norwegian companies participate in public service occupational pension schemes in accordance with the Norwegian Public Service Pension Fund Act, the Norwegian Public Pension Service Pension Fund Transfer Agreement and the regulatory framework governing public service pensions.

The defined benefit schemes cover retirement, disability, survivor pensions. The majority of the companies also offer early retirement from the age of 62 under the Norwegian early retirement pension scheme. Pension scheme benefits are coordinated with the benefits provided by the Norwegian National Insurance Scheme. With maximum accrual, the retirement schemes provide pension benefits amounting to 66% of pensionable income, up to 12G. Those born in 1943 or later will get their pension benefit adjusted for life expectancy, which may lead to lower pension benefits than 66% of pensionable income.

Employees who leave the company before pensionable age receive a deferred pension entitlement provided they have at least three years' pension entitlements.

National Pension Fund (SPK) Companies with schemes in the SPK pay an annual premium and are responsible for the financing of the scheme. Pension benefits from the SPK are guaranteed by the Norwegian state (Section 1 of the Pension Act).

The SPK scheme is not asset-based, but management of the pension fund assets is simulated as though the assets were invested in 1, 3, 5 or 10-year Norwegian government. In this simulation it is assumed that the bonds are held to maturity. The investment choice principles have been set out in a separate investment strategy for the Statkraft Group's pension assets in SPK.

The pension benefit scheme in the National Pension Fund (SPK) was closed 1 January 2014. Existing members as of 31 December 2013 could choose to enter into the new defined contribution scheme, which 209 employees did. This is not assessed as a significant reduction according to IAS 19, and thus the effect is presented as an estimate deviation.

Pension funds and insurance companies The pension funds and insurance companies have placed the pension assets in a diversified portfolio of Norwegian and foreign interest-bearing securities, Norwegian and foreign shares, secured loans to members, hedge funds and properties through external asset managers.

Unfunded defined benefit schemes In addition to the above, some Group companies in Norway have entered into a pension agreement that provide all employees whose pensionable incomes exceed 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G. The agreement was closed 30 April 2012.

Existing members of the closed agreement who leave the company before pensionable age receive a deferred pension entitlement for the scheme above 12G, provided they have at least three years' pension entitlements.

Actuarial calculations The present value of defined benefit pension liabilities and the current year's accrued pension entitlements are calculated using the accrued benefits method. The net present value of pension benefits accrued at the balance sheet date adjusted for expected future salary increases until pensionable age is based on best estimate assumptions as of 31 December 2014. Calculations are based on staff numbers and salary data at the end of the year.

Scheme changes in 2014 are related to implementation of adjustment for life expectancy on public service occupational pension schemes for those born in 1954 or later, and changes in disability pension. The actuarial loss recognised in comprehensive income during the year is mainly due to reduced discount rate.

The following assumptions are used [1]	31.12.14	01.01.14	31.12.2013	01.01.2013
Annual discount rate [2]	2.20%	4.10%	4.10%	3.80%
Salary adjustment	2.75%	3.75%	3.75%	3.75%
Adjustment of current pensions	1.75%	2.75%	2.75%	2.75%
Adjustment of the National Insurance Scheme's basic amount (G)	2.50%	3.50%	3.50%	3.50%
Forecast voluntary exit				
· Up to age 45	3.50%	3.50%	3.50%	3.50%
· Between ages 45 and 60	0.50%	0.50%	0.50%	0.50%
· Over age 60	0.00%	0.00%	0.00%	0.00%
Rate of inflation	1.50%	1.75%	1.75%	1.75%
Tendency to take early retirement (AFP)	10.00–30.00%	10.00–30.00%	10.00–30.00%	10.00–30.00%
Demographic factors for mortality and disability	K2013/IR73	K2013/IR73	K2013/IR73	K2005/IR73

[1] The assumptions apply for Norwegian entities. Foreign entities apply assumptions adapted to local conditions.

[2] The discount rate is set at 2.2% for Norwegian pension schemes and is based on high quality corporate bonds (OMF). Statkraft is of the opinion that the OMF market represents a deep and liquid marked with relevant durations that qualify as discount rate according to IAS 19.

Note 16 continued

Number of employees and pensioners covered by defined benefit schemes	2014	2013
Employees	2 181	2 534
Pensioners	1 354	1 344

Breakdown of net defined benefit pension liability

NOK million	2014	2013
Present value of accrued pension entitlements for funded defined benefit schemes	6 385	5 638
Fair value of pension assets	4 663	4 117
Net pension liability for funded defined benefit schemes	1 722	1 521
Present value of accrued pension entitlements for unfunded defined benefit schemes	611	457
Employers' national insurance contribution	323	273
Net pension liabilities in the balance sheet - see note 30	2 655	2 252

Movement in defined benefit pension liability during the year

NOK million	2014	2013
Defined gross benefit pension liabilities 01.01	6 095	5 469
Net change in liabilities due to new subsidiaries/members	-14	-
Present value of accrued pension entitlements for the year	282	278
Interest expenses	228	192
Scheme changes	-269	-
Actuarial gains/losses	777	260
Paid benefits	-140	-129
Currency translation effects	38	25
Gross defined benefit pension liabilities 31.12	6 996	6 095

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

NOK million	2014	2013
Fair value of pension assets 01.01	4 117	3 624
Projected yield on pension assets	157	131
Actuarial gains/losses	166	102
Total contributions	312	341
Paid benefits	-110	-103
Currency translation effects	21	22
Fair value of pension assets 31.12	4 663	4 117

Pension assets comprise	2014	2013
Equity instruments	857	718
Interest-bearing instruments	3 385	3 036
Other	421	362
Fair value of pension assets 31.12	4 663	4 117

Movement in actuarial gains and losses recognised directly in comprehensive income

NOK million	2014	2013
Cumulative actuarial gains and losses recognised in comprehensive income before tax 01.01	2 264	2 089
Actuarial gains and losses recognised in comprehensive income during the period	704	175
Cumulative actuarial gains and losses recognised in comprehensive income before tax 31.12	2 968	2 264
Cumulative deferred tax relating to actuarial gains and losses recognised in comprehensive income	784	600
Cumulative actuarial gains and losses recognised in comprehensive income after tax 31.12	2 184	1 664

Pension cost recognised in the income statement

Defined benefit schemes

NOK million	2014	2013
Present value of accrued pension entitlements for the year	282	278
Interest expenses	228	192
Projected yield on pension assets	-157	-131
Scheme changes	-269	-
Employee contributions	-27	-26
Employers' national insurance contribution	5	43
Net pension cost defined benefit schemes	62	355

Defined contribution schemes

Employer payments	52	27
Total pension cost - see note 15	114	382

	Discount rate		Annual salary increase		Increase in G		Staff turnover rate	
Sensitivity analysis upon changes in assumptions	1 %	-1 %	1 %	-1 %	1 %	-1 %	1 %	-1 %
Increase (+)/decrease (-) in net pension cost defined benefit schemes for the period (ex. scheme changes)	-21%	25%	16%	-16%	9%	-12%	-5%	3%
Increase (+)/decrease (-) in gross defined pension liability as of 31.12.	-17%	23%	8%	-8%	12%	-11%	-2%	1%

Note 17 Property tax and licence fees

NOK million	2014	2013
Property tax	1 319	1 316
Licence fees	311	324
Total	1 630	1 640

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

The present value of the Group's future licence fee obligations that are not provided for in the annual financial statements is estimated at NOK 9627 million, discounted at an interest rate of 3.2% in accordance with the regulations relating to the adjustment of licence fees, annual compensation and funds etc. In 2013, the corresponding amount was NOK 6237 million with an interest rate of 5.2%.

Note 18 Other operating expenses

NOK million	2014	2013
Purchase of third-party services	1 367	1 177
Materials	563	540
Power plants operated by third parties	280	264
Compensation payments	113	107
Rent	325	262
IT expenses	246	300
Marketing	123	114
Travel expenses	169	163
Insurance	132	131
Other operating expenses	174	363
Total	3 493	3 422

Note 19 Financial items

2014	Assessment basis					
NOK million	Fair value through profit or loss	Amortised cost	Available for sale	Equity method	Bank	Total
Financial income						
Interest income	11	59	-	-	197	267
Other financial income	-	81	-	512	-	592
Total	11	140	-	512	197	859
Financial expenses						
Interest expenses external debt	-454	-972	-	-	-	-1 426
Other interest expenses	-	-121	-	-	-38	-159
Capitalised borrowing costs	-	360	-	-	-	360
Other financial expenses	-	-83	-	-	-	-83
Total	-454	-816	-	-	-38	-1 309
Net currency effects	-1 600	-2 285	-	-	-905	-4 791
Other financial items						
Net gains and losses on derivatives and securities	-1 028	-	-	-	-	-1 028
Impairment and gain/loss of financial assets	-	-	-14	-	-	-14
Total	-1 028	-	-14	-	-	-1 043
Net financial items	-3 072	-2 961	-14	512	-747	-6 283

Note 19 continued

2013

NOK million	Assessment basis: Fair value through profit or loss	Amortised cost	Available for sale	Equity method	Bank	Total
Financial income						
Interest income	48	-	-	-	170	218
Other financial income	-	19	-	1	-	20
Total	48	19	-	1	170	237
Financial expenses						
Interest expenses external debt	-283	-1 132	-	-	-	-1 415
Other interest expenses	-5	-55	-	-	-8	-68
Capitalised borrowing costs	-	211	-	-	-	211
Other financial expenses	-	-	-	-	-78	-78
Total	-288	-976	-	-	-87	-1 351
Net currency effects	-1 701	-7 126	-	-	-575	-9 403
Other financial items						
Net gains and losses on derivatives and securities	-954	-	-	-	-	-954
Impairment and gain/loss of financial assets	-	-	-123	-	-	-123
Total	-954	-	-123	-	-	-1 076
Net financial items	-2 895	-8 083	-123	1	-492	-11 592

Note 20 Unrealised effects recognised in the income statement

NOK million	2014 Unrealised	2014 Realised	2014 Total	2013 Unrealised	2013 Realised	2013 Total
Sales revenues						
Long-term contracts	1 429	8 294	**9 722**	1 285	6 949	8 234
Nordic and Continental Dynamic Asset Management Portfolio	-317	971	**655**	480	247	727
Trading and Origination (excl. market access Germany and the UK)	206	612	**818**	-223	904	681
End-user	14	3 988	**4 002**	-28	4 631	4 603
Other sales revenues	-	33 121	**33 121**	-	33 969	33 969
Eliminations	-27	-46	**-73**	-43	-23	-66
Total sales revenues	1 304	46 942	**48 246**	1 471	46 678	48 148
Energy purchase	1 298	-26 561	**-25 264**	1 595	-25 922	-24 327
Net currency effects	-5 974	1 183	**-4 791**	-9 934	531	-9 403
Other financial items						
Net gains and losses on derivatives and securities	-1 028	-	**-1 028**	-924	-29	-954
Impairment and gain/loss of financial assets	-13	-2	**-14**	-2	-120	-123
Total unrealised effects	**-4 412**			-7 795		

Note 21 Taxes

The tax expense in the income statement

NOK million	2014	2013
Income tax payable	2 648	2 910
Resource rent tax payable	1 792	1 923
Correction relating to tax assessment for previous years	306	-589
Change in deferred tax	-701	-1 940
Tax expense in the income statement	4 045	2 303

Income tax payable

NOK million	2014	2013
Income taxes payable on the Group's profit for the year	2 648	2 910
Effect of Group contributions on tax liability	-1 213	-1 121
Income tax payable before offsetting against natural resource tax for the year	1 435	1 789

Taxes payable in the balance sheet

NOK million	2014	2013
Natural resource tax	604	595
Income tax exceeding natural resource tax	831	1 195
Resource rent tax payable	1 792	1 923
Prepaid tax/taxes payable from previous years	319	-211
Taxes payable in the balance sheet	3 546	3 503

Prepaid tax included in receivables

NOK million	2014	2013
Prepaid tax included in receivables - see note 27	78	73

Reconciliation of nominal Norwegian tax rate and effective tax rate

NOK million	2014	2013
Profit before tax	7 937	2 511
Expected tax expense at a nominal rate of 27% (28%)	2 143	703
Effect on taxes of		
Resource rent tax	2 483	2 687
Foreign tax rate differences	-509	-759
Change in tax rates	-76	-152
Share of profit from associates	-178	-308
Tax-free income	-810	-25
Changes relating to previous years	245	-440
Change in unrecognised deferred tax assets	239	178
Other permanent differences [1)]	508	419
Tax expense	4 045	2 303
Effective tax rate	51.0%	91.7%

[1)] Other permanent differences is mainly due to non-deductible interests, depreciations on added values without tax effect and changes in value related to equity instruments without tax effect.

Note 21 continued

BREAKDOWN OF DEFERRED TAX

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

NOK million	01.01.2014	Tax expense in the income statement	Recognised in comprehensive income	Acquisitions and sale of companies	Group contribution	31.12.2014
Current assets/current liabilities	635	-1 027	-287	-242	1 213	292
Property, plant and equipment [1)]	6 654	199	162	-406	-	6 609
Pension liabilities	-605	71	-148	-	-	-682
Other long-term items	750	-588	44	245	-	451
Tax loss carryforward/compensation [1)]	-215	-51	-15	54	-	-227
Deferred tax, resource rent tax	1 963	581	-35	-	-	2 509
Negative resource rent tax carryforward [2)]	-2 358	114	-	-	-	-2 244
Total net deferred tax liability	6 824	-701	-279	-349	1 213	6 708
Of which presented as deferred tax asset, see note 22	1 291					1 471
Of which presented as deferred tax liability, see note 30	8 116					8 180

NOK million	01.01.2013	Tax expense in the income statement	Recognised in comprehensive income	Acquisitions and sale of companies	Group contribution	31.12.2013
Current assets/current liabilities	346	-460	-372	-	1 121	635
Property, plant and equipment [1)]	6 624	-141	292	-121	-	6 654
Pension liabilities	-575	17	-47	-	-	-605
Other long-term items	2 734	-2 226	242	-	-	750
Tax loss carryforward/compensation [1)]	-288	-34	-24	132	-	-215
Deferred tax, resource rent tax	1 317	646	-	-	-	1 963
Negative resource rent tax carryforward [2)]	-2 617	259	-	-	-	-2 358
Total net deferred tax liability	7 541	-1 940	91	11	1 121	6 824
Of which presented as deferred tax asset, see note 22	1 973					1 291
Of which presented as deferred tax liability, see note 30	9 514					8 116

[1)] The Group also has deferred tax assets not recognized in the balance sheet. This mainly relates to Germany with not recognized deferred tax assets of NOK 1213 million as of 31.12.2014 (NOK 1106 million as of 31.12.2013).

[2)] Tax assets related to negative resource rent tax carryforward that are estimated used within the next ten years, are recognised in the balance sheet. Normal production and price curve expectations for the next ten years form the basis for the calculation of expected future taxable profit. Off-balance sheet deferred tax assets related to negative resource rent tax carryforward amounted to NOK 1594 million as of 31.12.2014 (NOK 1653 million as of 31.12.2013).

Deferred tax recognised in comprehensive income

NOK million	2014	2013
Actuarial gains/losses pensions	-184	-49
Translation differences	187	480
Net investment hedge	-282	-340
Total deferred tax recognised in comprehensive income	-279	91

Note 22 Intangible assets

NOK million	2014	2013
Deferred tax asset [1]	1 471	1 291
Goodwill [2]	599	824
Other [3]	1 368	1 395
Total	3 439	3 510

[1] Deferred tax is presented in more detail in note 21.

[2] The amount is technical goodwill associated with deferred tax. The rest is excess value identified through acquisitions of businesses. Goodwill has been tested for impairment in 2014. The testing identified no impairment losses.

[3] Includes rights in connection with leasehold improvements for power plants transferred from Statkraft SF.

NOK million	Goodwill	Other	Total
2014			
Balance at 01.01	824	1 395	2 219
Additions	4	39	43
Additions from business combinations	27	-	27
Transferred to/from non-current assets	-	7	7
Disposals	-50	-17	-67
Derecognised on disposal of a subsidiary [1]	-231	-156	-388
Currency translation effects	26	63	90
Amortisation	-	-40	-40
Impairment	-	-	-
Accumulated depreciation/impairment on disposals	-	77	77
Balance at 31.12	599	1 368	1 967
Cost 31.12	1 116	1 703	2 819
Accumulated amortisation and impairment as of 31.12	-517	-335	-852
Balance at 31.12	599	1 368	1 967

[1] The line Derecognised on disposal of a subsidiary show assets at businesses derecognised from Statkraft Group in 2014.

2013			
Balance at 01.01	684	585	1 269
Additions	48	1 078	1 126
Additions from business combinations	-	263	263
Transferred to/from non-current assets	-	-716	-716
Currency translation effects	116	230	347
Disposals	-	-2	-2
Amortisation	-25	-35	-61
Impairment	-	-8	-8
Balance at 31.12	824	1 395	2 219
Cost 31.12	1 340	1 754	3 094
Accumulated amortisation and impairment as of 31.12	-517	-359	-876
Balance at 31.12	824	1 395	2 219
Expected economic lifetime		10–15 years	

RESEARCH AND DEVELOPMENT

The Group's research and development activities comprise activities relating to new energy sources and the further development of existing plants and technologies. Research activities relating to new energy sources include general research projects. These projects are intended to provide further knowledge on technologies or other areas that could provide a basis for future activities/projects.

In order to gain new knowledge and develop new methods within the fields of energy optimisation and preservation, the Group also performs research and development activities in connection with existing plants/energy sources. Research and development activities carried out in 2014 and 2013 are expensed with about NOK 102 million and NOK 109 million, respectively.

Note 23 Property, plant and equipment

NOK million	Regulation plants	Turbines, generators etc.	Distribution-grid facilities	Shareholdings in power plants operated by third parties	Properties, mountain halls, buildings, roads, bridges and quay facilities	Plants under construction	Other [1]	Total
2014								
Balance at 01.01	20 062	27 425	3 444	2 023	29 035	14 367	4 912	**101 269**
Additions	483	2 555	250	35	228	5 192	277	**9 019**
Additions from business combinations	-	-	-	-	-	150	-	**150**
Transferred between asset classes	1 743	3 578	105	-565	-	-5 355	493	**-**
Transferred from intangible assets	-	-	-	-	86	-166	72	**-7**
Disposals	-122	-95	-	-	-4	-13	-141	**-375**
Disposals from business divestment [2]	-	-8 670	86	-	-2 602	-1 416	-	**-12 601**
Capitalised loan expenses	-	-	-	-	-	360	-	**360**
Currency translation effects	1 765	344	31	2	84	1 043	4	**3 270**
Depreciation	-588	-1 171	-251	-53	-219	-	-699	**-2 981**
Impairment	-	-	-	-	-	-1 050	-	**-1 050**
Accumulated depreciation/ impairment on disposals [3]	48	1 236	12	-	312	-	538	**2 146**
Balance at 31.12	23 392	25 202	3 677	1 442	26 920	13 111	5 456	**99 199**
Cost 31.12	32 057	46 460	9 058	2 669	30 612	14 188	8 490	**143 533**
Accumulated depreciation and impairment as of 31.12	-8 665	-21 258	-5 382	-1 228	-3 692	-1 077	-3 034	**-44 335**
Balance at 31.12	23 392	25 202	3 677	1 442	26 920	13 111	5 456	**99 199**

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

[2] The line Disposal from business divestments shows fixed assets disposals due to reduced ownership in companies that previously were either fully or proportionate consolidated.

[3] Most of the disposal of accumulated depreciation and impairment is related to disposal of subsidiaries.

NOK million	Regulation plants	Turbines, generators etc.	Distribution-grid facilities	Shareholdings in power plants operated by third parties	Properties, mountain halls, buildings, roads, bridges and quay facilities	Plants under construction	Other [1]	Total
2013								
Balance at 01.01	18 601	21 609	3 459	2 076	28 780	9 624	4 396	88 546
Additions	1 152	643	119	35	2 236	7 288	483	11 957
Additions from business combinations	-	940	-	-	-648	127	-326	96
Transferred between asset classes	126	990	106	-	1 742	-3 256	292	-
Transferred from intangible assets	226	4 463	-	2	-3 961	-48	34	716
Disposals	-	-794	-2	-43	-243	-12	33	-1 062
Capitalised loan expenses	-	-	-	-	-	210	-	210
Currency translation effects	491	787	56	-	1 374	437	73	3 219
Depreciation	-534	-1 224	-296	-52	-274	-	-382	-2 761
Impairment	-	-210	-	-	-3	-3	-	-215
Accumulated depreciation/ impairment on disposals	-	222	2	-	30	-	310	563
Balance at 31.12	20 062	27 425	3 444	2 023	29 035	14 367	4 912	101 269
Cost 31.12	28 068	48 208	8 552	3 197	32 282	14 392	7 983	142 681
Accumulated depreciation and impairment as of 31.12	-8 006	-20 782	-5 107	-1 175	-3 247	-24	-3 070	-41 412
Balance at 31.12	20 062	27 425	3 444	2 023	29 035	14 367	4 912	101 269

INVESTMENTS IN 2014

The addition in 2014 of property, plant and equipment worth NOK 9019 million and intangible assets worth NOK 43 million, consisted of both investments in new generating capacity, maintenance investments and other investments. Maintenance investments and other investments amounted to NOK 2368 million (NOK 1980 million in 2013). The investments primarily relate to the Nordic hydropower and Industrial ownership segments. Investments in new capacity amounted to NOK 7525 million (NOK 11 303 million in 2013). The largest projects were Norwegian hydropower plants Kjensvatn and Nedre Røssåga, hydropower in Turkey, Peru, Panama and Albania, onshore wind power in Sweden, offshore wind power in UK, district heating plants in Norway as well as small-scale hydropower in Norway.

Note 23 continued

IMPAIRMENT IN 2014
In 2014, property, plant and equipment is impaired by a total of NOK 1050 million, compared to NOK 215 million in 2013.

Plants under construction in the segment International Hydro has been impaired by NOK 1050 million in 2014. The impairment loss has occurred due to delays and other challenges related to the construction of a hydro power plant in Turkey. The construction project was reorganized in third quarter 2014.

Consequently, start of production is expected to be at the end on 2018, approximately three years later than the initial plan. This will affect the value of future income as the construction period is part of the concessionary period. In addition the technical changes relating to the constructions are expected to increase the total investment cost. Booked value of the plant under construction, after recognition of the impairment loss, is as of 31 December NOK 3937 million.

Value in use is based on the recoverable amount. The company collects available market information when determining the discount rate in the market area where assets are located and are generating cash flow. The basis for the discount rate used is the Group's investment WACC after tax for hydro power. When setting the discount rate, political instability in South East Turkey as well as other local conditions are considered in the region-specific risk which is taken into account when setting the discount rate. Thus, the nominal discount rate after tax for the impaired assets are 0.5% higher compared to the investment WACC in other parts of Turkey in 2014. Calculated value in use is based on a discount rate of 8.7% (nominal after tax) whereas the tax effects are considered in the calculated cash flows. This means that the recoverable amount calculated are equal to the theoretical before tax value model. Statkraft considers that the established discount rate is representative for the discount rate in the market.

Evaluation of the assumptions used When calculating the expected value in use, assumptions regarding future revenue and cost are included. The estimated values in use are particularly sensitive to changes in future investment cost, future power prices and cost of capital. A change of 10% in the investment cost will result in approximately NOK 420 million. A change in the future power price of 10% will result in approximately NOK 400 million. A change in the discount rate of one percentage point (before tax) will result in approximately NOK 370 million. Changes in the mentioned assumptions going forward might change the conclusions made as of 31 December 2014.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT
A more detailed specification of the useful economic lives of the various assets is provided below. There have been no material changes in depreciation schedules compared with previous years:

	Depreciation period (years)		Depreciation period (years)
Waterfall rights	perpetual	Distribution grid facilities	
Land	perpetual	– transformer	35
Dams		– switchgear, high voltage	35–40
– riprap dams, concrete dams	75	Buildings (admin etc.)	25–50
– other dams	30	Wind turbines	
Tunnel systems	75	– land-based	20-22
Mechanical installations		– offshore	25
– pipe trenches	40	Other fixed installations	
– generators (turbine, valve)	40	– permanent	20
– other mechanical installations	15	– less permanent	10
Underground facilities	75	Miscellaneous fixtures	5
Roads, bridges and quays	75	Office and computer equipment	3
Electrotechnical installations		Furnishings and equipment	5
– transformer/generator	40	Vehicles	8
– switchgear (high voltage)	35	Construction equipment	12
– control equipment	15	Small watercraft	10
– operating centre	15	Gas and steam generators	20–25
– communication equipment	10	Water cooling systems	20–25
		Gas power plant transformers	20–25

Note 24 Associates and joint ventures

Information concerning Statkraft's material associated companies and joint ventures are shown in the table below. Based on size and complexity, the following companies are considered material:

See note 34 for pledges, guarantees and obligations.

2014

NOK million	BKK AS	Agder Energi AS	SN Power AS	Malana Power Company Ltd.	Desenvix Energias Renováveis S.A	Scira Offshore Energy Ltd.	Wind UK Invest Ltd.	Other [1]	Total
Opening balance 01.01	5 207	4 136	-	875	1 648	-	-	4 132	16 002
Investment/sales	-	-	1 651	-	78	1 505	874	-2 386	1 722
Share of profits	279	251	89	-8	-31	352	14	193	1 139
Amortisation of excess value/Impairment [2] [3]	-14	-66	-	-6	-374	-	-	-19	-478
Capital increase	-	-	535	-	68	-	-	37	640
Dividend	-399	-324	-	-	-	-	-4	-1	-729
Currency translation effects	-	-	348	84	178	123	87	32	851
Transactions against other comprehensive income	-144	-149	22	-	-	-	-	148	-123
Closing balance 31.12	4 928	3 848	2 645	946	1 567	1 980	971	2 136	19 027
Excess value 31.12.2014	2 211	2 109	-	388	-	-	-	1 528	6 236
Of which unamortised waterfall rights	1 818	333	-	-	-	-	-	1 528	3 679

[1] Effects from the companies SN Aboitiz Power - Magat Inc. and SN Aboitiz Power - Benguet Inc. are included in the column Other in 2014.

[2] The shares in Desenvix has been impaired with NOK 373 million. The impairment has been made due to challenging financing as well as postponement of profitable projects.

[3] The impairment in Scira from 2011 of NOK 341 million has been reversed. The reversal has been made due to successful operations and positive results the latest quarters.

2013

NOK million	BKK AS	Agder Energi AS	SN Aboitiz Power – Magat Inc	SN Aboitiz Power – Benguet Inc	Malana Power Company Ltd.	Desenvix Energias Renováveis S.A	Other	Total
Opening balance 01.01	5 323	4 113	1 006	948	899	1 953	1 682	15 924
Share of profits	333	405	348	270	15	-52	-121	1 200
Amortisation of excess value								
Impairment	-14	-66	-	-	-	-	-19	-99
Capital increase	-	-	-	-	-	-	51	51
Investment/sales	-	-	-	-31	-	-	-136	-167
Dividend	-399	-284	-165	-179	-	-	-24	-1 051
Currency translation effects	-	-	-14	-35	-39	-253	321	-20
Transactions against other comprehensive income	-36	-32	-	15	-	-	216	163
Closing balance 31.12	5 207	4 136	1 175	989	875	1 648	1 970	16 002
Excess value 31.12.2013	2 225	2 175	419	51	407	-	1 269	6 546
Of which unamortised waterfall rights	1 818	333	1 027	-	-	-	1 269	4 447

DESCRIPTION OF THE ACTIVITIES IN SIGNIFICANT ASSOCIATES AND JOINT VENTURES

BKK AS has operations in Western Norway. The Group's core activities are production, sale and transmission of electric power. In addition to the main activities BKK also sell consultation and contracting services. BKK also offers its customers broadband, district heating and joint metering of electricity.

Agder Energi AS has operations in Southern Norway. The Group's activities include production, trading and transmission of electric power, as well as other energy-related services.

SN Power AS has its renewable energy operations in emerging markets in Latin America, Africa and Southeast Asia. On June 6th, the agreement between Statkraft and Norfund to restructure SN Power was completed. The agreement lead to incorporation of a new company, SN Power AS, owned by Statkraft and Norfund 50% each. SN Power AS acquires the activities of the 50% owned business in the Philippines (the former associates SN Abolitiz Power Magat INC and SN Abolitiz Power Benguet INC) and the activities of the subsidiary Agua Imara and activities in Vietnam. In addition, Statkraft acquired 7% of the shares in the former SN Power as in connection with the transaction has been renamed to Statkraft International Hydro Invest AS (SKIHI). SKIHI still owns investments in Peru, Chile, India, Brazil, Nepal and certain holding companies in Singapore, the Netherlands and Norway. On the 24 September 2014, SN Power AS acquired Statkraft SF's 20% share in the hydropower company Theun Hinboun Power Company Ltd. in Laos.

Malana Power Company Ltd. is a company domiciled in India, where Statkraft through cooperation with Bhilwhara Group owns and operates the hydropower plant Malana and Allan Duhangan. The company's activities are production, sale and transmission of electric power. The main part of the plant's production is sold through long-term contracts.

Desenvix Energias Renováveis S.A. is a company domiciled in Brazil where Statkraft through collaboration with Jackson Group and Funcef owns, develops and operates hydro- and wind power plants and transmission lines. The production includes both spot sales and sales through long-term contracts.

Wind UK Invest Ltd. (WUKI) owns the land-based wind farms Alltwalis, Baillie and Berry Burn in the UK. Sale of 49% of shares in the company changes WUKI from being a subsidiary to an investment in joint operations.

Note 24 continued

Scira Offshore Energy Ltd. (Scira) owns the offshore wind farm Sheringham Shoal in the UK. Divestment from 50% to 40% of the shares in 2014 leading to changed accounting treatment of Scira, from joint operations to joint activities.

Statkraft has pledged parent company guarantee to Scira and SN Power AS, respectively NOK 1121 and NOK 191 million. Furthermore, there are bank guarantees to the same companies respectively at NOK 194 and NOK 224 million. See note 34 for pledges, guarantees and obligations.

FINANCIAL INFORMATION FOR SIGNIFICANT ASSOCIATED COMPANIES
The following table presents summarized financial information for significant associated companies. The figures apply to 100% of the companies' operations in accordance with IFRS 12.

2014

NOK million	BKK AS	Agder Energi AS	SN Power AS	Malana Power Company Ltd.	Desenvix Energias Renováveis S.A	Scira Offshore Energy Ltd.	Wind UK Invest Ltd.
Current assets	1 963	2 494	664	76	243	755	293
Non-current assets	17 403	13 924	8 379	1 364	4 593	13 705	4 571
Short-term liabilities	1 961	3 629	116	42	518	141	261
Long-term liabilities	11 412	9 029	1 609	250	2 402	9 368	1 914
Gross operating revenues	3 730	8 267	42	108	637	1 515	161
Net profit	775	998	150	20	-63	1 237	30
Total comprehensive income	1 167	769	150	20	-63	1 237	30

2013

NOK million	BKK	Agder	SN Aboitiz Power – Magat Inc	SN Aboitiz Power – Benguet Inc	Malana Power Company Ltd.	Desenvix Energias Renováveis Renováveis S.A
Current assets	3 125	2 767	737	892	48	148
Non-current assets	16 381	13 494	3 171	3 737	1 209	4 399
Short-term liabilities	2 403	4 295	266	530	30	554
Long-term liabilities	10 702	7 730	1 817	1 756	246	2 318
Gross operating revenues	3 895	9 890	1 441	1 226	73	639
Net profit	687	846	732	571	7	-134
Total comprehensive income	795	920	732	571	7	-134

JOINT VENTURES, JOINT OPERATIONS AND ASSOCIATES
Shares in companies classified as joint ventures and associates are recognised using the equity method in the consolidated financial statements. Companies classified as joint operations are treated in accordance with the proportionate consolidation method as indicated in IFRS 11.

Name	Registered office	Shareholding	Voting share
JOINT VENTURES:			
Allain Duhangan Hydro Power Ltd.	New Dehli	43.10%	43.10%
Dugar Hydro Power Ltd	Himachal Pradesh	50.00%	50.00%
Hidroelectrica La Confluencia S.A	Santiago	50.00%	50.00%
Hidroelectrica La Higuera S.A	Santiago	50.00%	50.00%
HPC Ammerån AB	Stockholm	50.00%	50.00%
HPC Byske AB	Stockholm	50.00%	50.00%
HPC Edsox AB	Stockholm	50.00%	50.00%
HPC Röan AB	Stockholm	50.00%	50.00%
Luster Småkraft AS	Gaupne	50.00%	50.00%
Malana Power Company Ltd.	New Dehli	49.00%	49.00%
Scira Offshore Energy Ltd.	London	40.00%	40.00%
SN Power AS	Oslo	50.00%	50.00%
Wind UK Invest Ltd	London	51.00%	51.00%
JOINT OPERATIONS:			
Companies			
Aktieselskabet Tyssefaldene [1]	Tyssedal	60.17%	60.17%
Dudgeon Offshore Wind Limited [1]	London	30.00%	30.00%
Forewind Ltd. [1]	London	25.00%	25.00%
Kraftwerksgesellschaft Herdecke, GmbH & Co. KG	Hagen	50.00%	50.00%
Naturkraft AS	Tysvær	50.00%	50.00%
Røldal-Suldal Kraft AS [2]	Suldal	4.79%	4.79%
Sira-Kvina Kraftselskap DA [3]	Sirdal	46.70%	46.70%
Statkraft Agder Energi Vind DA [1]	Kristiansand	62.00%	62.00%

Note 24 continued

Name	Registered office	Shareholding	Voting share
Assets			
Aurlandsverkene	Aurland	7.00%	7.00%
Folgefonn [4]	Kvinnherrad	100.00%	100.00%
Grytten	Rauma	88.00%	88.00%
Gäddede	Sweden	70.00%	70.00%
Harrsele	Sweden	50.57%	50.57%
Kobbelv	Sørfold	82.50%	82.50%
Kraftverkene i Orkla	Rennebu	48.60%	48.60%
Leiro	Eidfjord	65.00%	65.00%
Nordsvorka	Surnadal	50.00%	50.00%
Sima	Eidfjord	65.00%	65.00%
Solbergfoss [5]	Askim	33.33%	33.33%
Stegaros	Tinn	50.00%	50.00%
Svartisen	Meløy	70.00%	70.00%
Svorka	Surnadal	50.00%	50.00%
Tyssefaldene [6]	Odda	60.17%	60.17%
Vikfalli	Vik	88.00%	88.00%
Volgsjöfors	Sweden	73.10%	73.10%
Ulla-Førre [7]	Suldal	73.48%	73.48%
ASSOCIATES:			
Agder Energi AS	Kristiansand	45.50%	45.50%
BKK AS	Bergen	49.90%	49.90%
Desenvix Energias Renováveis S.A	Florianapolis	40.65%	40.65%
Energi og Miljøkapital AS	Skien	35.00%	35.00%
Fosen Vind AS	Trondheim	50.10%	50.10%
Istad AS	Molde	49.00%	49.00%
Nividhu (Pvt) Ltd.	Colombo	30.00%	30.00%
Rullestad og Skromme Energi AS	Etne	35.00%	35.00%
Spittal Hill Windfarm Ltd.	London	29.75%	29.75%
Viking Varme AS	Porsgrunn	50.00%	50.00%

[1] The shareholder's agreements indicate joint control.
[2] Statkraft owns 8.74% of the shares in Røldal-Suldal Kraft AS, which in turn owns 54.79% of the Røldal-Suldal plants. Statkraft's indirect shareholding in the power plant is thus 4.79%.
[3] Statkraft's total shareholding is 46.7% of which Skagerak Energi AS' shareholding is 14.6%.
[4] Statkraft's total shareholding is 100% of which Skagerak Energi AS' shareholding is 14.94%.
[5] Statkraft owns 33.3% of Solbergfoss, but controls 35.6% of the production.
[6] Statkraft controls 71.4% of the production from the Tysso II power plant.
[7] Statkraft's total shareholding is 73.48% of which Skagerak Energi AS' shareholding is 1.49%.

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

APPROPRIATION RIGHTS

Statkraft has appropriation rights in power plants also owned by other players. These rights are treated as joint operations and recognised with Statkraft's share of the revenues. expenses. assets and liabilities. Overview of appropriation rights:

Name	Shareholding
Båtfors	6.64%
Forsmo	2.20%
Selfors	10.60%

Note 25 Other non-current financial assets

NOK million	2014	2013
Measured at amortised cost:		
Loans to associates [1]	4 756	1 420
Bonds and other long-term receivables	1 254	880
Total measured at amortised cost	6 009	2 300
Available for sale:		
Other shares and securities	84	240
Total	6 093	2 540

[1] Increase in 2014 is mainly due to loans to Wind UK Invest Ltd. og Scira Offshore Ltd. of NOK 906 million and NOK 2426 million respectively. Increase in loans to these two companies have no cash effect.

Note 26 Inventories

	2014		2013	
NOK million	Recognised value	Cost price	Recognised value	Cost price
Green certificates measured at net realisable value:				
Electricity certificates	576	641	603	744
Carbon quotas	1 299	1 167	922	967
Total	1 875	1 808	1 525	1 711
Measured at the lower of cost price and net realisable value:				
Spare parts	94		90	
Other	119		180	
Total inventories are measured at the lowest of cost price and net realisable value	213		271	
Total	2 088		1 796	

Note 27 Receivables

NOK million	2014	2013
Accounts receivable	7 427	6 835
Accrued revenues, etc.	1 370	1 055
Short-term loans to associates	100	48
Prepaid tax	78	73
Receivables related to cash collateral	2 665	1 009
Other receivables	794	549
Total	12 433	9 568
Of which interest-bearing	2 767	1 056

[1] See note 29 for more information.

Maturity analysis of receivables

2014

		Receivables overdue by			
NOK million	Not yet due	Less than 90 days	More than 90 days	Receivables overdue and impaired	Total
Accounts receivable	6 990	326	122	-14	7 427
Other receivables	4 820	114	76	-	5 007
Total	11 811	440	197	-14	12 433
Recognised as loss for the year					2

2013

		Receivables overdue by			
NOK million	Not yet due	Less than 90 days	More than 90 days	Receivables overdue and impaired	Total
Accounts receivable	6 392	364	113	-33	6 835
Other receivables	2 717	15	1	-	2 733
Total	9 109	379	113	-33	9 568
Recognised as loss for the year					4

Note 28 Derivatives

Energy derivatives - net position

NOK million	2014	2013
Long-term contracts	724	-280
Trading and Origination (excl. market access Germany and the UK)	375	394
Nordic and Continental Dynamic Asset Management Portfolio	389	696
Energy purchase contracts	2 577	1 164
Other contracts and eliminations	122	-195
Total	4 187	1 779
Of this:		
- Non-current assets	3 754	2 733
- Current assets	4 366	4 945
- Long-term liabilities	-1 152	-2 177
- Current liabilities	-2 781	-3 723
Total	4 187	1 779

Currency and interest rate derivatives - net position

NOK million	2014	2013
Interest rate swaps	-238	-253
Forward exchange rate contracts	-2 272	-1 114
Combined interest rate and currency swaps	-108	339
Total	-2 618	-1 028
Of this:		
- Non-current assets	1 862	2 561
- Current assets	2 450	614
- Long-term liabilities	-2 403	-3 537
- Current liabilities	-4 527	-667
Total	-2 618	-1 028

Derivatives - net position group

NOK million	2014	2013
Energy derivatives	4 187	1 779
Currency and interest rate derivatives	-2 618	-1 028
Total	1 569	751
Of this:		
- Non-current assets	5 616	5 295
- Current assets	6 816	5 559
- Long-term liabilities	-3 556	-5 713
- Current liabilities	-7 308	-4 389
Total	1 569	751

Note 29 Cash and cash equivalents

NOK million	2014	2013
Cash and cash deposits [1)]	9 602	6 128
Money market funds, certificates, promissory notes, bonds	3 061	1 557
Total	12 663	7 685

[1)] Includes NOK 86 million and NOK 85 million respectively in 2014 and 2013 from companies reported as joint operations under IFRS 11.

Book value of cash and cash equivalents pledged as security to/from counterparties

The following amounts in cash and cash equivalents are pledged as security to/from counterparties:

NOK million	2014	2013
Deposit account in connection with power sales on energy exchanges	122	35
Other restricted bank deposits	-	12
Total	122	47

Cash collateral

Cash collateral comprises mostly of payments made to/from counterparties as security for the net unrealised gains and losses that Statkraft has on interest rate swaps, combined interest rate and currency swaps and forward exchange contracts. The table below shows net payments at year end to counterparties, who will eventually be repaid. See notes 27 and 31.

NOK million	2014	2013
Cash collateral for financial derivatives	-1 607	-252

Note 30 Provisions

NOK million	2014	2013
Deferred tax	8 180	8 116
Pension liabilities	2 655	2 252
Decommissioning	342	191
Other provisions	7 620	8 857
Total provisions	18 796	19 416

Pension liabilities are discussed in more detail in note 16, while deferred tax is covered in note 21. Included in other provisions are liabilities in connection with equity instruments.

Note 31 Interest-bearing debt

NOK million	2014	2013
Short-term interest-bearing debt		
First year's instalment on long-term debt	6 897	3 624
Debt connected to cash collateral	1 088	938
Debt to Statkraft SF	1 120	2 427
Other short-term debt	200	24
Total short-term interest-bearing debt	9 306	7 013
Long-term interest-bearing debt		
Debt to Statkraft SF	400	400
Bonds issued in the Norwegian market	6 791	8 936
Other debt issued in non-Norwegian markets	16 651	19 601
External debt in subsidiaries and other debt	3 597	4 428
Total long-term interest-bearing debt	27 438	33 364
Total interest-bearing debt	36 744	40 377

The Group's net borrowing in 2014 amounted to NOK -1983 million. Other changes are mainly explained by the changes in exchange rates on foreign currency loans. For futher details, see note 6-11.

Note 32 Other interest-free current liabilities

NOK million	2014	2013
Accounts payable	1 864	693
Indirect taxes payable	1 058	1 334
Debt to Statkraft SF	8	3
Other interest-free liabilities [1)]	6 878	7 151
Total	9 808	9 181

[1)] Of other interest-free liabilities NOK 4617 million is accrued, not due interest-free liabilities in 2014. In 2013 this amounted to NOK 4597 million.

Note 33 Contingencies, disputes, etc.

EXCESS/SHORTFALL OF REVENUE
In distribution grid business, differences can arise between the revenue ceiling determined by the Norwegian Water Resources and Energy Directorate (NVE) and the amount actually invoiced as grid rental charges. If the invoiced amount is lower than the revenue ceiling, a shortfall of revenue arises, and if the invoiced amount is higher than the ceiling, excess revenue arises. Excess/shortfall of revenue will even out over time as the actual invoicing is adjusted.

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

Excess/shortfall of revenue distribution grid operations, closing balance

NOK million	2014	2013
Cumulative excess revenue transferred to subsequent years	373	264
Cumulative revenue shortfall transferred to subsequent years	-11	-22
Net excess/shortfall of revenue	362	243

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

Note 34 Pledges, guarantees and obligations

PLEDGES

Under certain circumstances local authorities and publicly owned energy companies are entitled to a share of the output from power plants belonging to Statkraft in return for paying a share of the construction costs. To finance the acquisition of such rights, the local authorities/companies have been granted permission to pledge the power plant as security. The mortgage debt raised by the local authorities under this scheme totals NOK 1065 million. In addition, other subsidiaries have a total of NOK 3403 million in pledged assets. As of 31 December 2014, the carrying value of the pledged assets in Statkraft Energi AS totalled NOK 5258 million, and a total of NOK 6797 million in other subsidiaries. Fjordkraft has available overdraft facilities amounting to NOK 1200 million, being pledged in trade receivables at a maximum of NOK 600 million. No funds were drawn at 31 December 2014.

GUARANTEES

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

NOK million	2014	2013
Parent company guarantees [1)]	27 480	15 392
Other	2 525	2 374
Total guarantees in Statkraft AS	30 005	17 766

[1)] Whereof the most material guarantees are regarding energy purchase of NOK 11 812 million and liabilities to suppliers of NOK 8678 million.

Parent company guarantees	2 052	1 080
Guarantees in NASDAQ OMX Stockholm AB and other energy exchanges	1 181	1 212
Other	1 283	1 168
Total guarantees in subsidiaries	4 517	3 460
Total guarantees	34 521	21 226

CONTRACT OBLIGATIONS

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

- Long-term agreements to purchase CO_2 quotas.
- Agreements relating to purchase of gas equalling 31.7 TWh in the period to 2017.
- Obligation relating to a financial power exchange agreement on the order of NOK 631 million.
- A license agreement relating to the development, construction and operation of two hydropower plants which involves a responsibility estimated at EUR 535 million.
- An investment decision has been made to build several small-scale hydro power plant. The investment has a frame of NOK 227 million.
- Statkraft decided in September 2010 to build the Cheves hydropower plant in Peru. The plant will have an installed capacity of 173 MW and an expected annual production of 866 GWh. The investment, totaling USD 596 million, of which USD 93 million is remaining as of December 2014.
- See note 3 for information of subsequent events.

CONCESSIONARY POWER CONTRACTS

The Group recognises concessionary power as normal buying and selling in accordance with stipulated concessionary power prices upon delivery, regardless of whether the settlement takes place upon physical delivery or financial settlement. Concessionary power contracts are normally regarded as indefinite. The parties can however agree on financial settlement for a period of time.

At the end of 2014 , the contracts with financial settlement had a total volume of around 86 GWh and an average price from the Ministry of Petroleum and Energy of 10.84 øre/kWh. For the remaining contracts with financial settlement, the estimated fair value at 31 December 2014 is around NOK 409 million.

Note 35 Leases

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

NOK million	Within 1 year of the end of the period	Between 1 and 5 years after the end of the period	More than 5 years after the end of the period	Total
Property rental agreements	208	652	1 009	1 868
Vehicles	13	8	8	29
Other leases	5	4	46	55
Total	226	664	1 063	1 953

Lease-related rent expensed in the period and specified in the following manner:

NOK million	Minimum lease	Variable lease	Sublease payments
Property rental agreements	187	-	-
Vehicles	56	-	-
Other leases	20	2	-
Total	263	2	-

In 2012, Statkraft established new business activity, offering market access to minor renewable energy producers. Some of these activities are defined as leases with variable lease payments, and are presented as energy purchases, see notes 12 and 14. The lease agreements have durations ranging from 1 to 17 years and the rent paid for 2014 was NOK 2488 million.

Statkraft has no financial lease agreements by year end 2014. The sale-leaseback agreement for a transmission asset is in 2014 deconsolidated and is now a part of the offshore wind farm Scira.

Note 36 Fees paid to external auditors

Deloitte AS is the Statkraft Group's auditor and audits all subsidiaries subject to auditing requirements.

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

NOK thousand	2014	2013
Statutory auditing	14 365	14 798
Other attestation services	1 554	1 301
Tax consultancy services	3 455	2 460
Other services [1]	4 583	3 434
Total	23 958	21 993

[1] The main items in the fees for other services in 2013 and 2014 are related to quality and control procedures associated with the restructuring of the International Hydropower segment and the attestation of the sustainability report.

Note 37 Benefits paid to executive management and the Board of Directors

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

Salary and other benefits – executive management

NOK	Salary	Bonus [1]	Benefits in kind	Salaries and other benefits
Christian Rynning-Tønnesen, President and CEO	4 676 509	-	161 521	4 838 030
Jens B. Staff, Executive Vice President [2]	1 359 184	350 000	77 165	1 786 349
Hallvard Granheim, Executive Vice President [3]	1 766 084	223 777	138 681	2 128 542
Jon Brandsar, Executive Vice President	2 382 888	350 000	133 897	2 866 785
Steinar Bysveen, Executive Vice President	2 513 525	375 000	148 251	3 036 776
Hilde Bakken, Executive Vice President	2 346 404	350 000	151 569	2 847 973
Asbjørn Grundt, Executive Vice President	2 762 976	400 000	192 026	3 355 002
Øistein Andresen, Executive Vice President	2 450 717	200 000	165 527	2 816 244

[1] Bonus earned in 2013, but disbursed in 2014.
[2] Jens B. Staff resigned as Executive Vice President on 31 May 2014.
[3] Hallvard Granheim was appointed Executive Vice President on 30 June 2014.

The Group management has not received any compensation or financial benefits from other companies in the same Group other than those shown above. No additional compensation for special services beyond normal managerial functions has been provided. For 2014, total salaries and other benefits paid to the executive management amounted to NOK 23 675 701.

Bonus for the Executive Vice Presidents for 2014, which will be paid in 2015, is not finally determined. The Executive Vice Presidents are employed in Statkraft AS. Total accrued bonus compensation for Statkraft AS is as of year end 2014 NOK 33 million. This accrual includes all employees in Statkraft AS that are eligible for bonus.

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

NOK	Board remuneration	Audit Committee	Compensation Committee	Participation in board meetings
Olav Fjell, chair	462 250	-	47 600	8
Berit J. Rødseth, deputy chair	297 100	64 500	-	8
Halvor Stenstadvold, director	268 100	88 950	-	8
Harald von Heyden, director [2]	136 500	-	15 050	4
Elisabeth Morthen, director [2]	136 500	-	-	4
Hilde Drønen, director [2]	136 500	32 800	-	3
Ellen Stensrud, director [1]	159 650	-	-	4
Erik Haugane, director [1]	131 600	31 700	-	3
Silvija Seres, director [1]	131 600	-	14 550	4
Thorbjørn Holøs, employee-elected director	268 100	64 500	-	6
Odd Vanvik, employee-elected director [1]	131 600	-	14 550	4
Lena Halvari, employee-elected director [1]	131 600	-	-	4
Vilde Eriksen Bjerknes, employee-elected director [2]	136 500	-	-	4
Asbjørn Seveljordet, employee-elected director [2]	136 500	-	15 050	4

[1] Ellen Stensrud, Silvija Seres, Erik Haugane, Odd Vanvik and Lena Halvari left the board on 27 June 2014.
[2] Harald von Heyden, Elisabeth Morthen, Hilde Drønen, Vilde Eriksen Bjerknes and Asbjørn Seveljordet entered the board on 27 June 2014.

The Board has no remuneration agreements other than the directors' fee and remuneration for participation in committee work, nor have any loans or surety been granted to directors of the Board. Total remuneration paid to the Board, Audit Committee and Compensation Committee in 2014 was NOK 2 664 100, NOK 282 450 and NOK 106 800, respectively.

Pension provisions – executive management

NOK	Pensions [1]
Christian Rynning-Tønnesen, President and CEO	2 377 971
Jens B. Staff, Executive Vice President [2]	361 467
Hallvard Granheim, Executive Vice President [3]	144 401
Jon Brandsar, Executive Vice President	1 169 803
Steinar Bysveen, Executive Vice President	886 790
Hilde Bakken, Executive Vice President	774 139
Asbjørn Grundt, Executive Vice President	1 105 090
Øistein Andresen, Executive Vice President	864 270

[1] The year's accounting cost for the pension scheme which reflects the period during which the individual has been an executive employee.
[2] Jens B. Staff resigned as Executive Vice President on 31 May 2014.
[3] Hallvard Granheim was appointed Executive Vice President on 30 June 2014.

For 2014, the total pension provision for executive management was NOK 7 683 931.

Note 37 continued

THE BOARD'S STATEMENT REGARDING SALARIES AND OTHER REMUNERATIONS TO SENIOR EXECUTIVES – 2014

The Board of Statkraft will contribute to a moderate, but competitive development of executive remuneration in Statkraft. Principles and guidelines for salary and other remuneration to executive management are designed accordingly.

Statkraft's policy is to offer competitive conditions, but not take a leading position.

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

Organisation
The Board of Statkraft has established a separate Compensation Committee.

The mandate of the Committee is as follows:

- Once a year prepare the Board's treatment of items relating to the President and CEO's salary and conditions of employment.
- Prepare the Board's statement on executive pay and other compensation paid to senior executives.
- Prepare the Board's treatment of all the fundamental issues relating to salary, bonus systems, pension, and employment agreements and similar for the executive management in Statkraft.
- Deal with specific issues relating to compensation for employees in the Statkraft Group to the extent that the Committee deems that these concern matters of particular importance for the Group's reputation, competitiveness and attractiveness as an employer.
- The President and CEO should consult the Compensation Committee regarding his recommendations for the salaries for the corporate executives and Group's auditor before they are decided upon.

Report on executive remuneration policy
The President and CEO is only compensated with a fixed salary, and corporate executives shall receive both a fixed salary and a variable payment.

Fixed salary The fixed salary is determined based on an assessment of the specific position and the market – as well as an assessment against Statkraft's policy of offering competitive terms, but not take a leading position. When deciding the annual salary regulation, the average salary increases of other employees are also considered.

Variable salary In addition to the fixed salary, the Group has a bonus scheme for the corporate executives based on financial, operational and individual goals. The annual bonus has a maximum disbursement of NOK 500 000 per person, from earning year 2015 this has been changed to 25% of gross base salary.

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

Pension plans For wholly owned Norwegian subsidiaries, Statkraft has established a defined contribution plan in Gjensidige Pensjonsforsikring AS and has a closed defined benefit plan in the Government Pension Fund (SPK).

The President and CEO, Christian Rynning-Tønnesen, has a retirement age of 67 years, and will receive a pension of 66% of his annual salary, provided that he has been part of SPK during the entire 30-year vesting period. The other corporate executives have a retirement age of 65 years at the earliest, with the right to 66% of their annual salary, provided that they have been part of SPK during the entire 30-year vesting period.

Statkraft established a pension scheme funded out of current income for income above 12G in 2003. The scheme included all employees with an annual salary over 12G, including the President and CEO and corporate executives. This scheme was closed to new employees in 2012. There is no established new retirement pension scheme for annual salary over 12G, but an additional salary system has been established that can be used for supplementary private pension savings. Additional salary is set at 18% of ordinary salary over 12G. Group disability coverage relating to salaries over 12G has also been established.

Position change agreements The President and CEO and certain corporate executives have agreements regarding change of position after the age of 62. These are agreements where, at any time after the employee has reached 62 years of age, the executive or the company has a mutual right to request to resign, or be requested to resign, from his executive position without further justification. If any of the parties exercise this right, the executive should be offered another position with a salary of 75% of the executive's pay – and working hours of up to 50% until the agreed-upon retirement age.

The policy regarding executive remuneration has now been amended and the arrangement is closed to new employees.

Severance arrangements The mutual period of notice for the President and CEO is 6 months. For corporate executives, there is a mutual notice period of 3 months. After more than 2 years of employment, the employer's period of notice is 6 months.

For the President and CEO and certain corporate executives, agreements have been signed guaranteeing a special severance pay from the employer if notice is given from the employer with a shorter deadline than mentioned above. The agreement waives the employee's rights in the Work Environment Act (Arbeidsmiljøloven) for protection against dismissal. If the employer uses this right of termination, the employee is entitled to a severance payment of up to 12 months' salary in excess of agreed notice period. The amount shall be paid monthly. Severance pay shall be reduced according to established rules if the employee receives other income within the payment period. These agreements are entered into in accordance with the Guidelines for the employment conditions of managers in state-owned enterprises and companies of 28 June 2004.

The policy regarding executive remuneration has also been changed, and the arrangement is closed to new employees.

Terms, President and CEO Fixed salary paid to the President and CEO for 2015 is NOK 4 800 000, with other terms as set out in this statement.

Note 38 Related parties

All subsidiaries, associates and joint arrangements stated in note 24 and note 39 are related parties of Statkraft. Intercompany balances and transactions between consolidated companies are eliminated in Statkraft's consolidated financial statements and are not presented in this note.

The individuals stated in note 37 are members of the corporate management or the Board and are also related parties of Statkraft.

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

NOK million	2014	2013
Revenues	2 017	326
Expenses	648	487
Receivables at the end of the period	5 028	1 659
Liabilities at the end of the period	303	409

The increase in receivables from 2013 to 2014 of NOK 3369 million is mainly a consequence from changing method of consolidation for some entities from full consolidation to equity consolidation following reduced shareholding in these companies.

Significant transactions with the owner and companies controlled by the owner
The shares in Statkraft AS are all owned by Statkraft SF, which is a company wholly owned by the Norwegian State.

NOK million	2014	2013
Gross operating revenues include:		
Concessionary sales at statutory prices	349	341
Net operating revenues includes:		
Energy purchases from Statoil	1 019	812
Transmission costs to Statnett	1 070	939
Operating expenses include:		
Property tax and licence fees to Norwegian authorities	1 220	1 222
Tax expenses include:		
Taxes payable to Norwegian authorities	2 948	3 272
Dividend and Group contribution from Statkraft AS to Statkraft SF	5 600	-

The energy purchase from Statoil shown above includes purchase of gas used either in the Group's electricity production or resold on the market. Volumes and prices are based on long-term contracts negotiated at commercial terms. Transmission costs to Statnett are mainly grid tariff. The prices in this market are stipulated by the Norwegian Water Resources and Energy Directorate. Other transactions with related parties are conducted at commercial terms and conditions.

In addition to the transactions disclosed above, Statkraft AS has on behalf of Statkraft Agder Energi Vind DA issued guarantees for a total of NOK 31 million to Statnett SF related to connecting the wind power projects Fosen and Snillfjord in Norway to the grid. The warranty period for the two projects expires in 2015.

Statkraft also has transactions and balances with other enterprises controlled by the Norwegian state, but their size, neither individually nor combined, have significance for Statkraft's financial statements.

The leased power plants Sauda I-IV, Svelgen I and II and Tysso II were in 2013 transferred from Statkraft SF to Statkraft AS, and further to Statkraft Energi AS. The transactions were recognised at fair value where net assets transferred amounted to NOK 3442 million. Of these, NOK 624 million were treated as capital contribution and NOK 2817 million as other paid-in equity.

Note 39 Consolidated companies

Shares in consolidated subsidiaries

Name	Segment [1]	Country	Registered office	Parent company	Shareholding and voting share
Hitra Vind AS	WP	Norway	Oslo	Statkraft AS	100.00%
Kjøllefjord Vind AS	WP	Norway	Oslo	Statkraft AS	100.00%
Renewable Energies and Photovoltaics Spania S.L.	OA	Spain	Malaga	Statkraft AS	70.00%
Smøla Vind 2 AS	WP	Norway	Oslo	Statkraft AS	100.00%
Småkraft AS [2]	OA	Norway	Bergen	Statkraft AS	40.00%
Statkraft Albania Shpk.	IH	Albania	Tirana	Statkraft AS	100.00%
Statkraft Asset Holding AS	NH,OA	Norway	Oslo	Statkraft AS	100.00%
Statkraft France SAS	CT	France	Lyon	Statkraft Asset Holding AS	100.00%
Plaine de l'Ain Power SAS	CT	France	Lyon	Statkraft France SAS	100.00%
Statkraft Markets BV	CT	The Netherlands	Amsterdam	Statkraft Asset Holding AS	100.00%
Devoll Hydropower Sh.A.	IH	Albania	Tirana	Statkraft Markets BV	100.00%
Statkraft Sweden AB	NH, WP	Sweden	Stockholm	Statkraft Asset Holding AS	100.00%
Gidekraft AB	NH	Sweden	Stockholm	Statkraft Sweden AB	90.10%
Statkraft Sweden Vattendel 3 AB	NH	Sweden	Stockholm	Statkraft Sweden AB	100.00%
Harrsele AB	NH	Sweden	Stockholm	Statkraft Sweden Vattendel 3 AB	50.57%
Statkraft Vind AB	WP	Sweden	Stockholm	Statkraft Asset Holding AS	100.00%
Statkraft Leasing AB	WP	Sweden	Stockholm	Statkraft Vind AB	100.00%
Statkraft SCA Vind AB	WP	Sweden	Stockholm	Statkraft Vind AB	60.00%
Statkraft SCA Vind Elnät AB	WP	Sweden	Stockholm	Statkraft SCA Vind AB	100.00%
Statkraft SCA Vind II AB	WP	Sweden	Stockholm	Statkraft Vind AB	60.00%
Statkraft Värme AB	WP	Sweden	Stockholm	Statkraft SCA Vind II AB	100.00%
Statkraft Södra Vindkraft AB	WP	Sweden	Stockholm	Statkraft Vind AB	90.10%
Statkraft Södra Vindarrende AB	WP	Sweden	Växjö	Statkraft Södra Vindkraft AB	100.00%
Vindpark EM AB	WP	Sweden	Stockholm	Statkraft Södra Vindkraft AB	90.10%
Statkraft Värme AB	WP	Sweden	Kungsbacka	Statkraft Asset Holding AS	100.00%
Statkraft Carbon Invest AS	CT	Norway	Oslo	Statkraft AS	100.00%
Statkraft Elektrik Enerjisi Toptan Satış Ltd. Şirketi	CT	Turkey	Istanbul	Statkraft AS	100.00%
Statkraft Energi AS	CT, NH, WP	Norway	Oslo	Statkraft AS	100.00%
Aktieselskabet Tyssefaldene	NH	Norway	Tyssedal	Statkraft Energi AS	60.17%
Baltic Cable AB	CT	Sweden	Malmö	Statkraft Energi AS	100.00%
Statkraft Varme AS	DH	Norway	Trondheim	Statkraft Energi AS	100.00%
Stjørdal Fjernvarme AS	DH	Norway	Trondheim	Statkraft Varme AS	85.00%
Statkraft Enerji A.S.	IH	Turkey	Istanbul	Statkraft AS	100.00%
Anadolu Elektrik A.S.	IH	Turkey	Istanbul	Statkraft Enerji A.S.	100.00%
Çakıt Enerji A.S.	IH	Turkey	Istanbul	Statkraft Enerji A.S.	100.00%
Çetin Enerji A.S.	IH	Turkey	Istanbul	Statkraft Enerji A.S.	100.00%
Kargı Kızılırmak Enerji A.S.	IH	Turkey	Istanbul	Statkraft Enerji A.S.	100.00%
Statkraft Financial Energy AB	CT	Sweden	Stockholm	Statkraft AS	100.00%
Statkraft Forsikring AS	OA	Norway	Oslo	Statkraft AS	100.00%
Statkraft Germany GmbH	CT	Germany	Düsseldorf	Statkraft AS	100.00%
Statkraft Markets GmbH	CT	Germany	Düsseldorf	Statkraft Germany GmbH	100.00%
Statkraft Germany Drei GmbH	CT	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Germany Fünf GmbH	CT	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Germany Vier GmbH	CT	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Holding Herdecke GmbH	CT	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Kraftwerksgesselschaft Herdecke GmbH & Co. KG	CT	Germany	Düsseldorf	Statkraft Holding Herdecke GmbH	50.00%
Statkraft Holding Knapsack GmbH	CT	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Knapsack Power GmbH & Co KG	CT	Germany	Düsseldorf	Statkraft Holding Knapsack GmbH	100.00%
Knapsack Power Verwaltungs GmbH	CT	Germany	Düsseldorf	Knapsack Power GmbH & Co KG	100.00%
Statkraft Markets Financial Services GmbH	CT	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft Romania SRL	CT	Romania	Bucuresti	Statkraft Markets GmbH	100.00%
Statkraft South East Europe EOOD	CT	Bulgaria	Sofia	Statkraft Markets GmbH	100.00%
Statkraft Trading GmbH	CT	Germany	Düsseldorf	Statkraft Markets GmbH	100.00%
Statkraft IH Invest AS	IH	Norway	Oslo	Statkraft AS	67.00%
Statkraft Brasil AS	IH	Brazil	Oslo	Statkraft IH Holding AS	100.00%
Statkraft Investimentos Ltda.	IH	Brazil	Florianopolis	Statkraft Brasil AS	100.00%
Statkraft Energia do Brasil Ltda.	IH, CT	Brazil	Florianopolis	Statkraft Investimentos Ltda.	100.00%
Statkraft IH Holding AS	IH	Norway	Oslo	Statkraft IH Invest AS	100.00%
Statkraft Holding Singapore Pte. Ltd.	IH	Singapore	Singapore	Statkraft IH Holding AS	100.00%
Himal Power Ltd (HPL)	IH	Nepal	Kathmandu	Statkraft Holding Singapore Pte. Ltd.	50.70%
Statkraft Holding Chile Pte. Ltd.	IH	Chile	Santiago	Statkraft IH Holding AS	100.00%
Statkraft Chile Inversiones Electricas Ltd.	IH	Chile	Santiago	Statkraft Holding Chile Pte. Ltd.	100.00%
Statkraft Chile Tinguiririca SCC	IH	Chile	Santiago	Statkraft Chile Inversiones Electricas Ltd.	100.00%
Statkraft Market Services Chile SA	IH	Chile	Santiago	Statkraft Chile Inversiones Electricas Ltd.	100.00%
Statkraft Holding Nepal Ltd.	IH	Nepal	Kathmandu	Statkraft IH Holding AS	100.00%

Note 39 continued

Name	Segment [1]	Country	Registered office	Parent company	Shareholding and voting share
Statkraft Holding Peru Pte. Ltd	IH	Peru	Lima	Statkraft IH Holding AS	100.00%
Statkraft Peru Holding S.R.L	IH	Peru	Lima	Statkraft Holding Peru Pte. Ltd	100.00%
Statkraft Peru SA	IH	Peru	Lima	Statkraft Peru Holding S.R.L	100.00%
Empresa de Generacion Electrica Cheves SA	IH	Peru	Lima	Statkraft Peru Holding S.R.L	100.00%
Statkraft India Pvt. Ltd.	IH	India	New Dehli	Statkraft IH Holding AS	100.00%
Statkraft Markets Pvt. Ltd.	CT	India	New Dehli	Statkraft IH Holding AS	100.00%
Statkraft Industrial Holding AS	IH	Norway	Oslo	Statkraft AS	100.00%
Fjordkraft AS [3]	IO	Norway	Oslo	Statkraft Industrial Holding AS	3.15%
Trondheim Kraft AS	IO	Norway	Trondheim	Fjordkraft AS	100.00%
Skagerak Energi AS	IO	Norway	Porsgrunn	Statkraft Industrial Holding AS	66.62%
Skagerak Elektro AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Skagerak Kraft AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Grunnåi Kraftverk AS	IO	Norway	Porsgrunn	Skagerak Kraft AS	55.00%
Sauland Kraftverk AS	IO	Norway	Hjartdal	Skagerak Kraft AS	67.00%
Skagerak Naturgass AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Skagerak Nett AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Skagerak Varme AS	IO	Norway	Porsgrunn	Skagerak Energi AS	100.00%
Skien Fjernvarme AS	IO	Norway	Skien	Skagerak Varme AS	51.00%
Statkraft Treasury Centre GBP SA	OA	Belgium	Brussels	Statkraft AS	100.00%
Statkraft Treasury Centre NOK SA	OA	Belgium	Brussels	Statkraft AS	100.00%
Statkraft Treasury Centre SA	OA	Belgium	Brussels	Statkraft AS	100.00%
Statkraft Treasury Centre SEK SA	OA	Belgium	Brussels	Statkraft AS	100.00%
Statkraft UK Ltd.	WP, CT	United Kingdom	London	Statkraft AS	100.00%
Andershaw Wind Power Ltd	WP	United Kingdom	London	Statkraft UK Ltd	100.00%
Doggerbank Project 1A Statkraft Limited	OA	United Kingdom	London	Statkraft UK Ltd.	100.00%
Doggerbank Project 1B Statkraft Limited	OA	United Kingdom	London	Statkraft UK Ltd.	100.00%
Doggerbank Project 2A Statkraft Limited	OA	United Kingdom	London	Statkraft UK Ltd.	100.00%
Doggerbank Project 2B Statkraft Limited	OA	United Kingdom	London	Statkraft UK Ltd.	100.00%
Doggerbank Project 3A Statkraft Limited	OA	United Kingdom	London	Statkraft UK Ltd.	100.00%
Doggerbank Project 3B Statkraft Limited	OA	United Kingdom	London	Statkraft UK Ltd.	100.00%
Doggerbank Project 4A Statkraft Limited	OA	United Kingdom	London	Statkraft UK Ltd.	100.00%
Doggerbank Project 4B Statkraft Limited	OA	United Kingdom	London	Statkraft UK Ltd.	100.00%
Doggerbank Project 5A Statkraft Limited	OA	United Kingdom	London	Statkraft UK Ltd.	100.00%
Doggerbank Project 5B Statkraft Limited	OA	United Kingdom	London	Statkraft UK Ltd.	100.00%
Doggerbank Project 6A Statkraft Limited	OA	United Kingdom	London	Statkraft UK Ltd.	100.00%
Doggerbank Project 6B Statkraft Limited	OA	United Kingdom	London	Statkraft UK Ltd.	100.00%
Statkraft Energy Ltd.	CT	United Kingdom	London	Statkraft UK Ltd.	100.00%
Rheidol 2008 Trustees Ltd.	CT	United Kingdom	London	Statkraft Energy Ltd.	100.00%
Statkraft Western Balkans d.o.o.	CT	Serbia	Beograd	Statkraft AS	100.00%

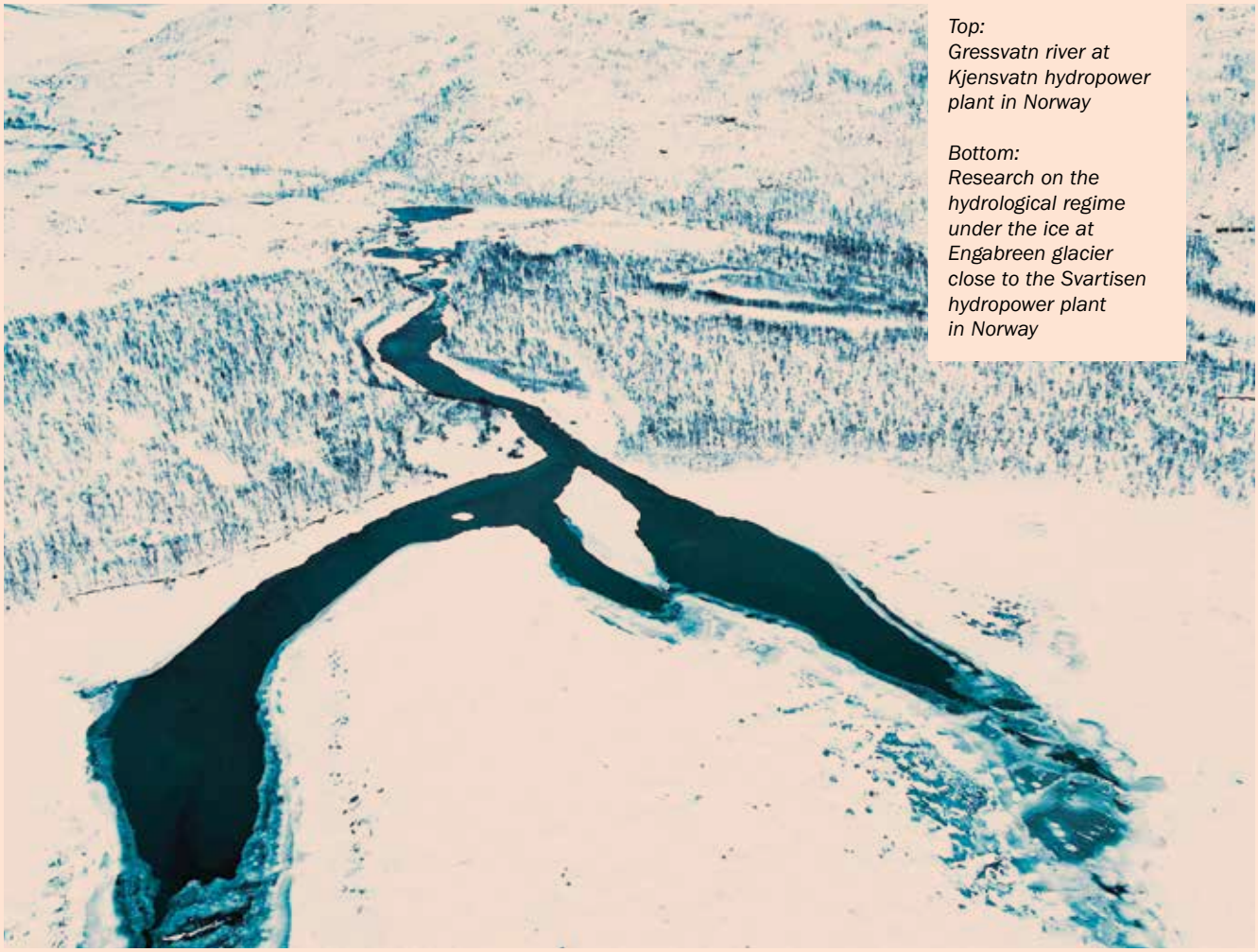
[1] NH: Nordic hydropower, CT: Continental energy and trading, IH: International hydropower, WP: Wind power, DH: District heating, IO: Industrial ownership, OA: Other activities.
[2] Småkraft AS is owned 20% by Skagerak Kraft AS, Agder Energi AS and BKK AS. Statkraft AS owns 40% directly.
[3] Fjordkraft AS owned by Statkraft Industrial Holding AS (3.15%), Skagerak Energi AS (48%) and BKK AS (48.85%).

Non-controlling interests' share of the Group's activities

There are significant non-controlling shareholdings in Skagerak Energi AS. Statkrafts share of SN Power Invest AS has been alterd through a large transaction in 2014. For closer description see note 24. Their shares of the Group's activities and cash flows can be found in the following table:

	SKIHI Group [1]		Skagerak Energi Group [2]	
NOK million	2014	2013	2014	2013
Gross revenues	1 809	1 893	2 359	2 875
Total comprehensive income	3 369	777	161	490
- of which allocated to non-controlling interests	52	68	-3	-2
Assets	17 279	16 980	11 292	10 705
Debt	5 579	4 757	7 534	6 827
Equity	11 700	12 223	3 597	3 878
- of which accumulated non-controlling interests	1 197	1 079	31	31
Dividend disbursed to non-controlling interests	-	79	-	-
Net cash flow from operating activities [3]	-	-	599	912

[1] SKIHI Group was established as a part of the restructuring of old SN Power and is own by Statkraft with 67% and Norfund 33%. See note 24.
[2] Table based on annual report.
[3] Net cash flow from SKIHI Group will be prepared from fiscal year 2015.



Top:
Gressvatn river at Kjensvatn hydropower plant in Norway

Bottom:
Research on the hydrological regime under the ice at Engabreen glacier close to the Svartisen hydropower plant in Norway

Statkraft AS Financial Statements

Income statement

Statkraft AS parent company

NOK million	Note	2014	2013
Operating revenues	4, 23	638	514
Salaries and payroll costs	5, 6	-591	-567
Other operating expenses	7, 21, 23	-811	-797
Depreciation	10	-61	-38
Operating expenses		-1 463	-1 402
Operating profit		-825	-888
Financial income	8, 23	468	310
Financial costs	8, 23	-1 427	-1 642
Revenues from investments in subsidiaries and associates	8, 23	5 431	4 598
Net realised and unrealised securities	8, 23	-1 855	2 352
Net realised and unrealised currency and derivatives	8	-5 004	-7 093
Net financial items		-2 387	-1 475
Loss before tax		-3 212	-2 363
Tax expense	9	770	1 487
Net loss		-2 442	-876
Allocation of net loss for the year			
Dividends payable	15	5 600	-
Transfer to (+)/from (-) other equity	15	-8 042	-876

Balance Sheet

Statkraft AS parent company

NOK million	Note	31.12.14	31.12.13
ASSETS			
Deferred tax asset	9	1 641	807
Property, plant and equipment	10	295	290
Investments in subsidiaries, associates and joint ventures	11	97 268	111 120
Derivatives	20	100	1 112
Other non-current financial assets	12	8 433	90
Non-current assets		107 737	113 419
Receivables	13	16 402	7 590
Derivatives	20	1 619	364
Cash and cash equivalents	14	9 560	4 853
Current assets		27 581	12 807
Assets		135 318	126 226
EQUITY AND LIABILITIES			
Paid-in capital	15	53 543	46 193
Retained earnings	15	3 979	12 185
Equity		57 522	58 378
Provisions	16	872	689
Long-term interest-bearing debt	3, 17	23 875	28 981
Derivatives	20	2 210	3 314
Long-term liabilities		26 957	32 984
Current interest-bearing debt	3, 18	39 776	33 323
Taxes payable	9	-	66
Derivatives	20	4 748	774
Other interest-free liabilities	19	6 315	701
Current liabilities		50 839	34 864
Equity and liabilities		135 318	126 226

The Board of Directors of Statkraft AS

Oslo, 4 March 2015

Olav Fjell
Chair of the Board

Berit Rødseth
Deputy chair

Halvor Stenstadvold
Director

Harald von Heyden
Director

Elisabeth Morthen
Director

Hilde Drønen
Director

Asbjørn Sevlejordet
Director

Vilde Eriksen Bjerknes
Director

Thorbjørn Holøs
Director

Christian Rynning-Tønnesen
President and CEO

Statement of Cash Flow
Statkraft AS parent company

NOK million	Note		2014	2013
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax			-3 212	-2 363
Depreciation	10		61	38
Write-downs/reversal of write-downs from previous years	8		1 844	-2 360
Cash flow from operating activities			-1 307	-4 685
Changes in long-term items			-1 716	3 039
Changes in other short-term items			-1 339	3 073
Net cash flow from operating activities		A	-4 362	1 427
CASH FLOW FROM INVESTING ACTIVITIES				
Investments in property, plant and equipment	10		-67	-177
Investments in and proceeds from sale of other companies			6 424	-4 713
Net cash flow from investing activities		B	6 357	-4 890
CASH FLOW FROM FINANCING ACTIVITIES				
New debt [1]			1 195	11 729
Capital deposit			5 000	-
Repayment of debt			-3 483	-3 505
Dividend and Group contribution paid			-	-2 910
Net cash flow from financing activities		C	2 712	5 314
Net change in cash and cash equivalents		A+B+C	4 707	1 851
Cash and cash equivalents 01.01	14		4 853	3 002
Cash and cash equivalents 31.12	14		9 560	4 853

[1] New debt in 2014 relates to changes in group cash pool balances in its entirety

Notes
Statkraft AS parent company

Index of notes to the financial statements

Note 1 Significant accounting policies

The annual accounts for Statkraft AS have been prepared in accordance with the Accounting Act and generally accepted accounting principles in Norway (Norwegian GAAP).

VALUATION AND CLASSIFICATION PRINCIPLES

Uncertainties in estimates The accounts are based on assumptions and estimates that affect the book value of assets, liabilities, income and costs. The best estimate at the time when the accounts are rendered form the basis, but the actual figures may deviate from the initial estimates.

Principles for recognition of income and expensing of costs Recognition of revenues from sale of goods and services takes place when earned, while expensing of costs takes place in accordance with the accrual principle. Dividends and group contributions from subsidiaries are recorded as income during the year when earned, while dividends from other companies are recognised as income in accordance with the cash basis of accounting. Gains/losses from sale of property, plant and equipment are treated as operating revenues or expenses.

Pensions - Defined benefit schemes A defined benefit scheme is a retirement benefit scheme that defines the retirement benefits that an employee will receive on retirement. The retirement benefit is normally set as a percentage of the employee's salary. To be able to receive full retirement benefits, contributions will normally be required to be paid over a period of between 30 and 40 years. Employees who have not made full contributions will have their retirement benefits proportionately reduced. The liability recognised in the balance sheet which relates to the defined benefit scheme is the present value of the future retirement benefits that are reduced by the fair value of the plan assets. The present value of future benefits in the pension schemes accrued at the balance sheet date is calculated by accrued benefits method.

Remeasurement gains and losses attributable to changes in actuarial assumptions or base data are recognised directly against equity.

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

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

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

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

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

Fixed assets are valued at cost, but are impaired when the reduction in value is not expected to be transitory. Impairment is reversed when the basis for the impairment no longer exists. Fixed assets with limited useful economic life are depreciated according to schedule.

Long-term loans are recognised in the balance sheet at nominal value, corrected for any unamortised early redemption penalty or discount. Current assets are valued at the lower of cost and fair value. Short-term loans are recognised in the balance sheet at nominal received amount at the time of establishment.

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

Investment in subsidiaries, associated companies and joint ventures Subsidiaries are companies where Statkraft AS has controlling influence over financial and operational principles. Controlling influence is normally achieved when the company owns more than 50% of the voting shares. The investment is valued at cost for the shares unless impairment has been necessary. Impairment is done when the reduction in value is due to reasons that cannot be considered transitory. Impairment is reversed when the basis for the impairment no longer exists. Dividends and other disbursements received are recognised as income in the same year that the subsidiary allocated it. If the dividend exceeds the share of retained profits after the purchase, the excess part represents repayment of invested capital and the disbursements received are deducted from the value of the investment in the balance sheet. Associated companies are companies where Statkraft AS has significant influence. Significant influence is normally deemed to exist where the company owns or controls from 20 to 50% of the voting shares. Joint ventures are where Statkraft shares control of a company together with another party.

Long-term share investments and shareholdings All long-term investments are treated in accordance with the cost method. Dividend received is treated as financial income.

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

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

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

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

Long-term debt Borrowing costs and early redemption penalty or discount are recognised in accordance with the effective interest rate method (amortised cost) for fixed interest debt. The first year's repayments relating to long-term debt are presented as current liabilities.

FINANCIAL DERIVATIVES AND HEDGING

The accounting treatment of financial instruments follows the intention behind entering into the agreements. Upon entering into the agreement, it is either defined as a hedging transaction or a trading transaction. Classification of derivatives is performed in accordance with the general guidelines for such classification, with the exception of some derivatives that are hedging instruments in hedge accounting, where the derivatives are presented together with the hedging item.

Interest rate derivatives Statkraft AS uses interest rate derivatives to adapt interest rate exposure to the Group's debt portfolio. Recognition of gains and losses depends on whether the interest rate derivative has been classified as a hedging instrument and, if applicable, the type of hedging. Interest rate derivatives that are not hedging

Note 1 continued

instruments are recorded in accordance with the lowest value principle. Unrealised losses or gains are included in the financial result. Interest rate derivatives that are defined as hedging instruments are accrued in the same way as interest on hedged debts or receivables. Interest rate derivatives are classified as long-term financial assets or long-term financial liabilities if the remaining term is longer than one year.

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

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

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

Currency Money items denominated in foreign currency are valued at the exchange rate on the balance sheet date. Realised and unrealised currency effects are presented as net in the financial statements as financial income or financial cost. Transactions denominated in foreign currency are translated using the exchange rate at the transaction date.

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

Note 2 Market risk

RISK AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS IN GENERAL

Risk management is about assuming the right risk based on the Group's ability and willingness to take risks, expertise, solidity and development plans. The purpose of the risk management is to identify threats and opportunities for the Group, and to manage the risk towards an acceptable level. The central treasury function in Statkraft AS coordinates and manages the financial risks relating to currency, interest rates and liquidity of the Group. A more detailed explanation of how these are managed will be provided in the following.

FOREIGN EXCHANGE AND INTEREST RATE RISK

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

Foreign exchange risk Statkraft AS incurs foreign exchange risk in the form of transaction risk in connection with investments and other cash flows in foreign currencies. Balance sheet risk is related to shareholdings in foreign subsidiaries.

Statkraft AS hedges its currency exposure related to cash flows from energy sales of physical contracts and financial trading on energy exchanges, investments, dividends and other currency exposures in accordance with the company's financial strategy. Exposure is hedged by using financial derivatives and loans in foreign currencies as hedging instruments. Few of the hedging relationships fulfil the requirements of hedge accounting.

Interest rate risk Statkraft AS interest rate exposure is mainly related to the debt portfolio. An interest rate management framework has been established based on a split between fixed and floating interest rates. The floating interest percentage shall be in the 25-75% interval. The part of the portfolio exposed to fixed interest rates shall have a remaining maturity of at least five years. The strategy for managing interest rate risk has been established based on an objective of achieving the most cost-efficient financing, coupled with the aim of a certain stability and predictability in finance costs. The currency positions that are to be entered into are assessed on an ongoing basis, given the market conditions observed for the currency and the overall exposure that exists for that currency in the Group.

LIQUIDITY RISK

Statkraft AS assumes a liquidity risk because the terms of its financial obligations are not matched to the cash flows generated by its assets. Statkraft AS has good borrowing opportunities from the Norwegian and international money markets and from the banking market. Drawdown facilities have been established to secure access to short-term financing.

Liquidity forecasts are prepared as an important part of the daily liquidity management and for planning future financing requirements. The liquidity reserve is a tool for risk management and functions as a buffer in relation to the liquidity forecast.

CREDIT RISK

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

Placement of surplus liquidity is mainly divided among institutions rated A- or better. There are established exposure limits with individual counterparties, which are used for short-term placements.

For financial derivatives, credit risk is reduced by using cash collateral. Cash collateral is settled on a weekly basis and will therefore not always be settled on 31 December. Therefore there could be an outstanding credit risk at year-end.

Note 3 Market and liquidity risk analysis

Specification of debt by currency

NOK million	2014	2013
Debt in NOK	10 883	13 530
Debt in SEK	464	1 845
Debt in EUR	14 466	12 315
Debt in GBP	4 699	4 699
Interest rate swaps	2 650	1 413
Total	33 162	33 801

The specification includes long-term interest-bearing debt, the first-year instalment on debt, certificate loans, interest rate swaps and combined interest rate and currency swaps. Specification of debt by currency includes effects from combined interest rate- and currency swaps, since Statkraft uses these swaps to achieve the desired currency structure for the company's debt portfolio.

Nominal average interest rate, NOK	5.50%	4.80%
Nominal average interest rate, SEK	0.90%	1.30%
Nominal average interest rate, EUR	3.30%	3.60%
Nominal average interest rate, GBP	0.80%	0.80%

Fixed interest rate debt portfolio

	Future interest rate adjustments				
NOK million	2015	1–3 years	3–5 years	5 years and later	Total
Debt in NOK	2 581	2 092	1 610	4 600	10 883
Debt in SEK	464	-	-	-	464
Debt in EUR	8 206	441	5 857	-39	14 466
Debt in GBP	4 699	-	-	-	4 699
Interest rate swaps	-11 094	3 229	5 168	5 347	2 650
Total	4 856	5 762	12 635	9 908	33 162

Interest rate swaps and combined interest rate- and currency swaps must be seen in connection with debt, since Statkraft uses interest rate derivatives to adapt interest rate exposure to the company's debt portfolio.

Repayment schedule

NOK million	2015	2016	2017	2018	2019	After 2019	Total
Debt to Statkraft SF (back-to-back agreement)	-	-	-	-	400	-	400
Bonds issued in the Norwegian market	2 152	4 291	-	-	1 000	1 500	8 943
Other debt issued in non-Norwegian markets	4 519	-	5 860	-	4 501	6 290	21 170
Interest rate swaps and combined	1 129	66	114	194	401	745	2 650
Total	7 801	4 357	5 973	194	6 302	8 535	33 162

Note 4 Operating revenues

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

Note 5 Payroll costs and number of full-time equivalents

NOK million	2014	2013
Salaries	436	374
Employers' national insurance contribution	78	67
Pension costs	48	106
Other benefits	29	19
Total	591	567

The parent company employed an average of 474 full-time equivalents in 2014. The corresponding figure for 2013 was 418. Pension costs are described in further detail in note 6. For information about salaries and payroll costs for the Group management and the board of directors, see note 37 in the Group accounts.

Note 6 Pensions

Defined contribution schemes Statkraft's pension scheme for new employees in wholly owned companies in Norway from 1 January 2014 is a defined contribution scheme. The contributions are 6% of the pensionable salary up to 7.1 of the National Insurance Scheme's basic amount (G), and 18% of the pensionable salary between 7.1G and 12G. In addition to retirement pensions, the contribution scheme also entails risk covers.

Funded defined benefit schemes The pension benefit scheme in the National Pension Fund (SPK) was closed 1 January 2014. Existing members as of 31 December 2013 could choose to enter into the new defined contribution scheme, which 70 employees did. The effect of employees entering into the new contribution scheme is a part of the estimated deviation for the period.

The defined benefit schemes cover retirement, disability, survivor pensions. The retirement schemes provide pension benefits amounting to 66% of pensionable income, up to 12G, with maximum accrual. The majority of the companies also offer early retirement from the age of 62 under the Norwegian early retirement pension scheme. Pension benefits from the SPK are guaranteed by the Norwegian state (Section 1 of the Pension Act). Companies with schemes in the SPK pay an annual premium and are responsible for the financing of the scheme. The SPK scheme is not asset based, but management of the pension fund assets is simulated as though the assets were invested in Norwegian government bonds. In simulations it is assumed that bonds are held to maturity.

Unfunded defined benefit schemes In addition to the above, some Group companies in Norway have entered into a pension agreement that provide all employees whose pensionable incomes exceed 12G with a retirement and disability pension equivalent to 66% of that portion of their pensionable income exceeding 12G. The agreement was closed 30 April 2012. Existing members of the closed agreement who leave the company before pensionable age receive a deferred pension entitlement for the scheme above 12G, provided they have at least three years' pension entitlements.

Actuarial calculations The present value of defined benefit pension liabilities and the current year's accrued pension entitlements are calculated using the accrued benefits method. The net present value of pension benefits accrued at the balance sheet date adjusted for expected future salary increases until pensionable age is based on best estimate assumptions as of 31 December 2014. Calculations are based on staff numbers and salary data at the end of the year.

Scheme changes in 2014 are related to implementation of adjustment for life expectancy on public service occupational pension schemes for those born in 1954 or later, and changes in disability pension. The actuarial loss recognised in equity during the year is mainly due to reduced discount rate.

Note 6 continued

Economic assumptions	31.12.14	01.01.14	31.12.13
Discount rate and projected yield	2.20%	4.10%	4.10%
Salary adjustment	2.75%	3.75%	3.75%
Adjustment of current pensions	1.75%	2.75%	2.75%
Adjustment of the National Insurance Scheme's basic amount (G)	2.50%	3.50%	3.50%
Forecast annual exit			
– Up to age 45	3.50%	3.50%	3.50%
– Between ages 45 and 60	0.50%	0.50%	0.50%
– Over age 60	0.00%	0.00%	0.00%
Rate of inflation	1.50%	1.75%	1.75%
Tendency to take early retirement (AFP)	10.00%	10.00%	10.00%
Demographic factors for mortality and disability	K2013/IR73	K2013/IR73	K2013/IR73

The discount rate is set at 2.2% for Norwegian pension schemes and is based on high-quality corporate bonds (OMF).

Number of employees and pensioners covered by benefit schemes	2014	2013
Employees covered by defined benefit schemes	343	418
Employees covered by defined contribution schemes	141	-
Pensioners covered by defined benefit schemes	37	34

Breakdown of pension costs for the period

NOK million	2014	2013
Present value of accrued pension entitlements for the year	75	79
Interest costs on pension liabilities	37	33
Projected yield on pension assets	-17	-13
Employee contributions	-6	-6
Scheme change(s)	-53	-
Employers' national insurance contribution	5	13
Net pension costs	41	106

Defined contribution schemes

Employers contribution incl national insurance contribution	7	-
Total pension costs	48	106

Reconciliation of pension liabilities and pension fund assets

NOK million	2014	2013
Present value of accrued pension entitlements for funded defined benefit schemes	849	712
Fair value of pension assets	452	410
Actual net pension liability for funded defined benefit schemes	397	302
Present value of accrued pension entitlements for unfunded defined benefit schemes	311	235
Employers' national insurance contribution	99	75
Net pension liabilities	807	612

Movement in actuarial gains and losses recognised directly in equity

NOK million	2014	2013
Cumulative amount recognised directly in equity before tax 01.01	114	94
Actuarial gains and losses recognised in equity during the year	225	-39
Actuarial gains and losses from the merger with Statkraft Development AS	-	59
Cumulative amount recognised directly in equity before tax 31.12	339	114
Of which recognised against equity	247	82
Of which recognised in deferred tax	92	32

Note 7 Other operating expenses

NOK million	2014	2013
Materials	16	17
Purchase of third-party services	630	495
Other operating expenses	165	285
Total	811	797

Note 8 Financial income and costs

Financial income

NOK million	2014	2013
Interest income from group companies	291	65
Interest income	57	138
Other financial income	120	107
Total	468	310

Financial costs

NOK million	2014	2013
Interest expense to group companies	-247	-365
Interest expenses	-1 163	-1 255
Other financial costs	-17	-22
Total	-1 427	-1 642

Revenues from investments in subsidiaries and associates

NOK million	2014	2013
Dividend from group companies	1 141	698
Group contribution	4 290	3 900
Total	5 431	4 598

Net realised and unrealised securities

NOK million	2014	2013
Write-downs/reversal of write-downs from previous years [1]	-1 844	2 360
Gains and losses on securities, realised and unrealised	-11	-8
Total	-1 855	2 352

[1] Write downs is in 2014 mainly related to write-down of shares in Statkraft Germany GmbH and Statkraft Enerji A.S. of NOK 1210 million and NOK 526 million, respectively. The write-down in Statkraft Germany GmbH is due to revaluation of underlying operations whereas write-down of shares in Statkraft Enerji A.S. is due to a delayed project. See note 23 in the Group financial statements for more information regarding the write-down in Statkraft Enerji A.S. Net reversal of write-down in 2013 is mainly due to currency effects on investments in Statkraft UK Ltd. and Statkraft Germany GmbH.

Net realised and unrealised currency and derivatives

NOK million	2014	2013
Currency gains and losses, realised	-772	-924
Currency gains and losses, unrealised	-2 978	-5 786
Gains and losses derivatives, realised	-2	-2
Gains and losses derivatives, unrealised [1]	-1 252	-381
Total	-5 004	-7 093

[1] Includes NOK 4 million in gains on ineffective hedging (see note 20).

Net financial items	-2 387	-1 475

Note 9 Taxes

The tax expense comprises the following

NOK million	2014	2013
Income tax	-	66
Correction relating to tax assessment for previous years	-2	-
Withholding tax	6	-
Change in deferred tax	-774	-1 553
Total tax expense in the income statement	-770	-1 487

Income tax payable

NOK million	2014	2013
Income tax payable on the profit for the year	-	66
Income tax payable	-	66

Reconciliation of nominal tax rate and effective tax rate

NOK million	2014	2013
Profit before tax	-3 212	-2 363
Expected tax expense at nominal rate [1)]	-867	-662
Effect on taxes of:		
Tax-free income	-308	-195
Changes relating to previous years	-74	-1
Withholding tax	6	-
Changes in tax rates	-	30
Impairment/reversal of impairment previous years	469	-661
Other permanent differences, net	4	2
Tax expense	-770	-1 487
Effective tax rate	24%	63%

[1)] Nominal tax rate of 27% for 2014, 28% for 2013.

Breakdown deferred tax
The following table provides a breakdown of the net deferred tax. Deferred tax assets are recognised in the balance sheet to the extent it is probable that these will be utilised.

NOK million	2014	2013
Current assets/current liabilities	-2 604	-999
Derivatives	-2 616	-1 331
Property, plant and equipment	-52	-46
Pension liabilities	-807	-612
Total temporary differences and tax loss carry forwards	-6 079	-2 988
Total deferred tax (+)/deferred tax asset (-)	-1 641	-807
Applied tax rate	27%	27%
Deferred tax (+)/deferred tax asset (-) as of 01.01	-807	757
Recognised during the period	-774	-1 553
Merged deferred tax from Statkraft Development AS	-	-22
Recognised directly in equity	-60	11
Deferred tax (+)/deferred tax asset (-) as of 31.12	-1 641	-807

Note 10 Property, plant and equipment

NOK million	Operating equipment and fixtures and fittings	Plants under construction	Total
Cost 01.01	351	160	511
Additions	57	10	67
Retirement	-94	-	-94
Transferred from assets under construction	159	-159	-
Cost 31.12	472	11	484
Accumulated depreciation and impairment 31.12	-189	-	-189
Carrying value 31.12	284	11	295
Depreciation for the year	-61		-61
Period of depreciation	3–8 years		

Note 11 Shares in subsidiaries and associates

NOK million	Registered office	Shareholding and voting share	Equity 31.12.2013 [3]	Net profit 2013 [3]	Carrying value
Shares in subsidiaries					
Hitra Vind AS	Oslo	100.00%	173	-20	95
Kjøllefjord Vind AS	Oslo	100.00%	90	-16	102
Renewable Energies and Photovoltaics Spain S.L.	Malaga	70.00%	1	-	4
Smøla Vind 2 AS	Oslo	100.00%	337	-88	150
Småkraft AS [1]	Bergen	40.00%	622	-5	596
Statkraft Albania Shpk.	Tirana	100.00%	1	-7	18
Statkraft Asset Holding AS	Oslo	100.00%	19	-11	4 441
Statkraft Carbon Invest AS	Oslo	100.00%	18	32	4
Statkraft Elektrik Enerjisi Toptan Satış Ltd. Şirketi	Istanbul	100.00%	37	-1	44
Statkraft Energi AS [4]	Oslo	100.00%	17 196	4 581	14 295
Statkraft Enerji A.S.	Istanbul	100.00%	1 650	10	3 376
Statkraft Financial Energy AB	Stockholm	100.00%	18	3	1
Statkraft Forsikring AS	Oslo	100.00%	123	64	80
Statkraft Germany GmbH	Düsseldorf	100.00%	4 220	-45	6 971
Statkraft Industrial Holding AS [4]	Oslo	100.00%	3 486	-207	10 440
Statkraft IH Invest AS	Oslo	67.00%	8 853	61	6 280
Statkraft Treasury Centre GBP SA	Brussels	100.00%	-	-	-
Statkraft Treasury Centre NOK SA	Brussels	100.00%	-	-	-
Statkraft Treasury Centre SA	Brussels	100.00%	63 354	1 817	46 569
Statkraft Treasury Centre SEK SA	Brussels	100.00%	-	-	1
Statkraft UK Ltd.	London	100.00%	3 103	65	3 453
Statkraft Western Balkans d.o.o.	Belgrade	100.00%	18	-1	28
Södra Statkraft Vindkraft Utveckling AB	Stockholm	90.10%	-	-	1
Total subsidiaries					96 949
Associates and joint ventures					
Fosen Vind AS	Oslo	50.10%	-	-	- 137
Naturkraft AS	Tysvær	50.00%	633	16	76
Statkraft Agder Energi Vind DA [2]	Kristiansand	62.00%	175	-42	106
Total associates and joint ventures					319
Total					97 268

[1] Småkraft AS is owned 20% by Skagerak Kraft AS, Agder Energi AS and BKK AS. Statkraft AS owns 40% directly.

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

[3] The financial statements 2014 for most subsidiaries and associates have not been finalised. See footnote 4) for exceptions.

[4] Based on annual accounts for 2014.

Note 12 Other non-current financial assets

NOK million	2014	2013
Loans to Group companies	8 365	15
Other shares and loans	67	75
Total	8 433	90

Note 13 Receivables

NOK million	2014	2013
Accounts receivable	45	7
Interest-bearing restricted funds related to cash collateral (see note 14)	2 668	1 009
Other receivables	148	98
Group cash pooling receivable	8 722	1 421
Short-term receivables from group companies	4 819	5 056
Total	16 402	7 590

As of 31 December 2014, no need to recognise a provision for bad debts has been identified. Short-term receivables from Group companies comprise dividends and group contribution from subsidiaries.

Note 14 Cash and cash equivalents

NOK million	2014	2013
Cash and cash deposits	6 499	3 388
Certificates and promissory notes	3 061	1 465
Total	9 560	4 853

Cash collateral is payments to/from counterparties as security for the net unrealised gains and losses that Statkraft AS has on interest rate swaps, combined interest rate and currency swaps and forward exchange contracts. The table below shows net payments at year end from counterparties, who will eventually be repaid. See notes 13 and 18.

NOK million	2014	2013
Cash collateral for financial derivatives	-1 579	-71

Statkraft AS has long-term committed drawing facilities of up to NOK 12 000 million and a bank overdraft of up to NOK 1000 million. Neither had been used as of 31 December 2014.

Note 15 Equity

	Paid-in capital				
NOK million	Share capital	Share premium account	Other paid-in capital	Retained earnings	Total equity
Equity as of 31.12.12	30 000	15 553	16	13 007	58 576
Profit for 2013	-	-	-	-876	-876
Actuarial gains/losses pensions	-	-	-	29	29
Merger with Statkraft Development AS	-	-	-	25	25
Capital contribution	600	24	-	-	624
Equity as of 31.12.13	30 600	15 577	16	12 185	58 378
Profit for 2014	-	-	-	-2 442	-2 442
Actuarial gains/losses pensions	-	-	-	-164	-164
Dividends 2014	-	-	-	-5 600	-5 600
Capital contribution	2 400	4 950	-	-	7 350
Equity as of 31.12.14	33 000	20 527	16	3 979	57 522

The company has a share capital of NOK 33 billion, divided into 200 million shares with a par value of NOK 165. All shares are owned by Statkraft SF.

Note 16 Provisions

NOK million	2014	2013
Pension liabilities	807	612
Other provisions	65	77
Total	872	689

Pension liabilities are described in further detail in note 6.

Note 17 Long-term interest-bearing debt

NOK million	2014	2013
Debt to Statkraft SF (back-to-back agreement)	400	400
Bonds issued in the Norwegian market	6 791	8 936
Other debt issued in non-Norwegian markets	16 651	19 601
Other debt	33	45
Total	23 875	28 981

Note 18 Current interest-bearing debt

NOK million	2014	2013
First year's instalment of debt	6 671	3 452
Group cash pooling debt	30 896	26 507
Debt related to cash collateral (see note 14)	1 088	938
Current debt to Group companies	1 121	2 427
Total	39 776	33 323

Note 19 Other interest-free liabilities

NOK million	2014	2013
Other interest-free liabilities	648	402
Tax withholding and employers' national insurance contribution owed	44	37
Current liabilities to Group companies	5 623	262
Total	6 315	701

Note 20 Derivatives

Statkraft trades in financial derivatives for different purposes. Accounts will depend on the purpose as described in the accounting policies note.

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

	31.12.2014		31.12.2013	
Derivatives – non-current assets				
NOK million	Carrying value	Fair value [1]	Carrying value	Fair value [1]
Currency and interest rate derivatives				
Interest rate swaps	-	492	-	1 536
Forward exchange rate contracts	100	100	1 112	1 112
Combined interest rate and currency swaps	-	260	-	386
Total	100	852	1 112	3 034
Derivatives – current assets				
NOK million				
Currency and interest rate derivatives				
Interest rate swaps	-	2	-	33
Forward exchange rate contracts	1 619	1 619	364	364
Combined interest rate and currency swaps	-	724	-	303
Total	1 619	2 344	364	699
Derivatives – long-term liabilities				
NOK million				
Currency and interest rate derivatives				
Interest rate swaps	1 491	1 491	1 020	1 020
Forward exchange rate contracts	719	719	1 982	1 982
Combined interest rate and currency swaps	-	-	312	312
Total	2 210	2 210	3 314	3 314
Derivatives – current liabilities				
NOK million				
Currency and interest rate derivatives				
Interest rate swaps	11	11	-	11
Forward exchange rate contracts	3 623	3 623	738	738
Combined interest rate and currency swaps	1 114	1 114	35	35
Total	4 748	4 748	774	785

[1] Fair value does not include accrued interests.

The fair value of interest rate swaps, as well as combined interest rate and currency swaps, is determined by discounting expected future cash flows to current value through use of observed market interest rates and quoted exchange rates from ECB. The valuation of forward currency exchange contracts is based on quoted exchange rates, from which the forward exchange rate is extrapolated. Estimated present value is subjected to a test of reasonableness against calculations made by the counterparties to the contracts.

The interest rate swaps, including the interest portion of combined interest rate and currency swaps, are part of risk management and are accounted for as hedging or at the lowest value principle, depending on whether the requirements for hedge accounting are achieved. The fair value of interest rate swaps designated as hedging (fair value) totalled NOK -6 million at 31 December 2014, while the interest rate swaps at the lowest value principle amounted to NOK -2616 million. Ineffectiveness on fair value hedges in 2014 is recognised as a net loss in the amount of NOK 4 million. The hedges expire in 2015-2022.

Note 21 Fees paid to external auditors

Deloitte AS is the Statkraft Group's auditor. The total fees paid for auditing and other services for Statkraft AS (excluding VAT) for 2014 were as follows:

NOK thousand	2014	2013
Statutory auditing	2 569	3 188
Other attestation services	855	459
Tax consultancy services	601	713
Other services [1]	3 421	2 004
Total	7 446	6 364

[1] The main items in the fees for other services in 2014 are related to quality and control procedures associated with the restructuring of the SN Power Group and the attestation of the sustainability report.

Note 22 Obligations and guarantees

Statkraft AS has guarantees and off-balance-sheet obligations totalling NOK 30 005 million. Of this, NOK 27 480 million concerns parent company guarantees.

Statkraft rents two office buildings in Lilleakerveien 4 and 6 in Oslo. The lessor is Mustad Eiendom AS. The lease agreements expire in 2023 and 2028, respectively with an option to prolong the contracts for 10 years. The annual rent totals NOK 92 million.

Note 23 Related parties

The Company's related parties are considered to be:

- Directly owned subsidiaries, see specification in note 11
- Other group companies, see specification in note 39 to the Consolidated Financial Statements
- The parent company of the Group, Statkraft SF
- Associated companies, see specification in note 11
- Group management and the board of directors, see specification in note 37 to the Consolidated Financial Statements

Transactions with subsidiaries and associated companies relate mainly to the following:

- Statkraft AS sells intra-group services from centralised service centres
- Dividends and group contributions are accrued through Statkraft AS' own shareholdings
- Statkraft AS is also the borrower for the majority of the Group's external borrowings and is the owner of the cash pooling facilities. The central treasury function in Statkraft AS coordinates and manages the financial risks relating to currency, interest rates and liquidity of the Group.

All intra-group transactions are conducted at market terms.

Transactions within the Group are presented in the table below:

	2014	2013
Operating revenues	601	506
Other operating expenses	43	93
Interest income from group companies	291	65
Interest expense to group companies	247	365
Dividend and group contribution from group companies	5 431	4 598

Intercompany balances are specified in notes 12, 13, 17, 18 and 19. Guarantees related to group companies are listed in note 22. NOK 131 million of the current and non-current asset derivatives are derivatives entered against group companies. Similarly, NOK 484 million of the short-term and long-term liability derivatives are derivatives entered against group companies.

In 2014 Statkraft AS has transferred its shares in Statkraft Värme AB, Statkraft France SAS, Statkraft Suomi OY, Statkraft Vind AB and SN Power AS to Statkraft Asset Holding AS as capital contribution of NOK 5082 million. In addition the shares in Statkraft Sverige AB have been sold to Statkraft Asset Holding at a price of NOK 11 016 million. The sale has been offset by converting the receivables arisen of NOK 2766 million to equity in Statkraft Asset Holding AS. The remaining receivables of NOK 8250 million were converted to long-term interest-bearing receivables. The interest rate on the receivables is equivalent to a six-month NIBOR + 0.9475%. The value of the shares in Statkraft Asset Holding AS has been reduced with NOK 4963 million, equivalent to the difference between the sales price and the booked value of the shares of Statkraft Sverige AB.

The subsidiary Statkraft Treasury Centre SA has reduced its share capital by NOK 8956 million. The amount has been paid to Statkraft AS, and the cost price of the shares in Statkraft Treasury Centre SA has been reduced correspondingly.

Note 24 Subsequent events

There have been no subsequent events.

Auditor's Report

Deloitte.

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To the Annual Shareholders' Meeting of Statkraft AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Statkraft AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2014, and the income statement and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet as at 31 December 2014, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as The Board of Directors and the President and CEO determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Statkraft AS as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Statkraft AS as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

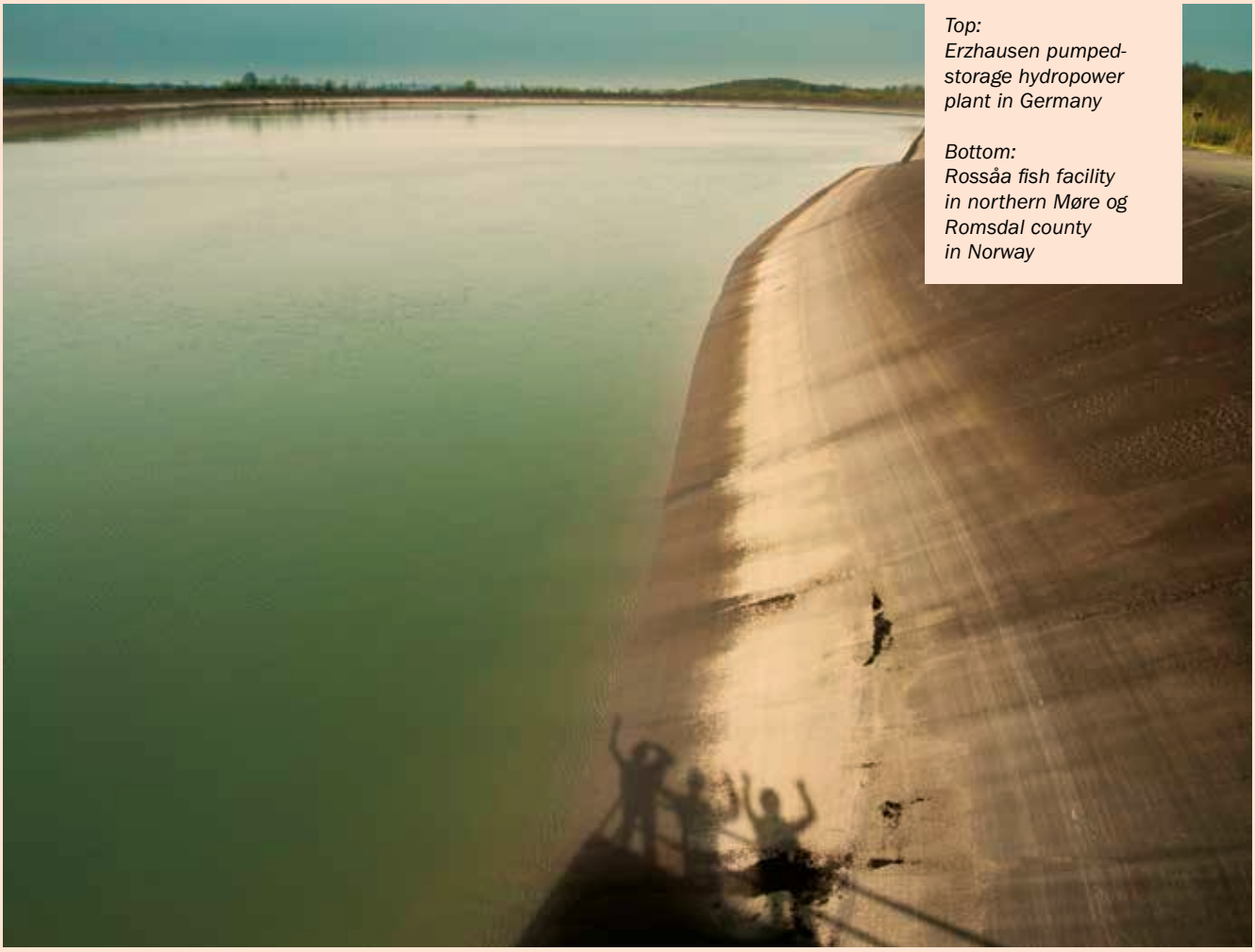
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, the going concern assumption and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Oslo, 4 March 2015
Deloitte AS

Ingebret G. Hisdal
State Authorised Public Accountant (Norway)



Top:
Erzhausen pumped-storage hydropower plant in Germany

Bottom:
Rossåa fish facility in northern Møre og Romsdal county in Norway

Corporate Responsibility Statement

Power generation and district heating production

Installed capacity per technology and geography [1]	Unit of measurement	2014	2013	2012
Installed capacity power generation	MW	16 401	16 041	16 257
Of which hydropower	MW	13 273	12 886	13 522
Of which small-scale hydropower [2]	MW	147	128	117
Of which wind power [3]	MW	488	514	528
Of which gas power [3]	MW	2 600	2 600	2 178
Of which bio power	MW	40	40	29
Installed capacity, district heating	MW	760	674	710
Installed capacity per geography, power generation				
Norway	MW	11 823	11 272	11 333
Other Nordic countries	MW	1 511	1 340	1 341
Other European countries	MW	2 761	3 009	2 446
Rest of the world	MW	305	334	1 138
Installed capacity per geography, district heating				
Norway	MW	596	596	478
Other Nordic countries	MW	164	164	232

Installed capacity per technology and geography [1]	Unit of measurement	2014	2013	2012
Installed capacity per technology, power generation				
Hydropower	%	80.9	80.3	83.2
Wind power [3]	%	3.0	3.2	3.2
Gas power [3]	%	15.9	16.2	13.4
Bio power	%	0.2	0.2	0.2
Installed capacity per geography, power generation				
Norway	%	72.1	70.3	69.7
Other Nordic countries	%	9.2	8.4	8.2
Other European countries	%	16.8	18.8	15.0
Rest of the world	%	1.9	2.1	7.0
Installed capacity per geography, district heating				
Norway	%	78.4	88.4	67.3
Other Nordic countries	%	21.6	24.3	32.7

Capacity under development per technology and geography [1], [4]	Unit of measurement	2014	2013	2012
Capacity under development, power generation	MW	1 262	1 673	1 701
Of which hydropower	MW	1 016	1 172	910
Of which small-scale hydropower [2]	MW	13	19	0
Of which wind power	MW	247	500	361
Of which gas power [3]	MW	0	0	430
Capacity under development, district heating	MW	23	8	91
Capacity under development per geography, power generation		1 262	1 673	1 701
Norway	MW	158	208	145
Other Nordic countries	MW	126	454	296
Other European countries	MW	859	902	1 158
Rest of the world	MW	119	109	101
Capacity under development per geography, district heating				
Norway	MW	23	8	35
Other Nordic countries	MW	0	0	56

Capacity under development per technology and geography [1], [4]	Unit of measurement	2014	2013	2012
Capacity under development per technology, power generation				
Of which hydropower	%	80.5	70.1	53.5
Of which wind power	%	19.6	29.9	21.2
Of which gas power [3]	%	0.0	0.0	25.3
Capacity under development per geography, power generation				
Norway	%	12.5	12.4	8.5
Other Nordic countries	%	10.0	27.1	17.4
Other European countries	%	68.1	53.9	68.1
Rest of the world	%	9.4	6.5	5.9
Capacity under development per geography, district heating				
Norway	%	100.0	100.0	38.5
Other Nordic countries	%	0.0	0.0	61.5

Power generation and district heating production per technology and geography [1]	Unit of measurement	2014	2013	2012
Power generation	TWh	56.0	55.9	60.0
Of which hydropower	TWh	53.4	52.6	57.6
Of which small-scale hydropower [2]	TWh	0.3	0.3	0.3
Of which wind power	TWh	1.7	1.4	0.8
Of which gas power [3]	TWh	0.5	1.5	1.5
Of which bio power	TWh	0.3	0.3	0.1
District heating	TWh	1.0	1.1	1.1
Renewable power generation [5]	%	99.1	97.3	97.5
Renewable district heating [5]	%	83.6	82.0	80.6
Power generation per geography				
Norway	TWh	46.4	45.1	48.3
Other Nordic countries	TWh	5.6	5.4	7.1
Other European countries	TWh	1.8	2.3	2.1
Rest of the world	TWh	2.2	3.0	2.5
District heating per geography		1.0	1.1	1.1
Norway	TWh	0.8	0.8	0.7
Other Nordic countries	TWh	0.2	0.3	0.4

Power generation and district heating production per technology and geography [1]	Unit of measurement	2014	2013	2012
Power generationper technology				
Hydropower	%	95.4	94.1	96.0
Wind power	%	3.0	2.5	1.3
Gas power [3]	%	0.9	2.7	2.5
Bio power	%	0.5	0.5	0.2
Power generation per geography				
Norway	%	82.9	80.7	80.5
Other Nordic countries	%	10.0	9.7	11.8
Other European countries	%	3.2	4.1	3.5
Rest of the world	%	3.9	5.4	4.2
District heating per geography				
Norway	%	79.5	72.6	66.8
Other Nordic countries	%	20.5	27.4	33.2

Efficiency of thermal plants [6]	Unit of measurement	2014	2013	2012
Gas power plants	%	43 - 59	43 - 59	43 - 59
District heating plants	%	85 - 90	85 - 100	85 - 90
Bio power plants		30 - 31	30 - 31	30 - 31

[1] Includes Statkraft's shareholdings in subsidiaries where Statkraft has a major interest.
[2] Installed capacity <10 MW.
[3] Includes the jointly controlled Herdecke (Germany), Kårstø (Norway) and Scira (United Kingdom) power plants.
[4] Includes projects whith an investment decission.
[5] Non-renewable production covers gas power and share of district heating based on fossil fuel.
[6] Ratio of net energy output (electricity and heat) against gross energy input. Efficiency is reported per plant.

Climate

Greenhouse gas emissions	Unit of measurement	2014	2013	2012
Emissions of CO_2 equivalents, consolidated activities [1]	Tonnes	- [2]	460 900	483 900
Of which from gas power plants	Tonnes	- [2]	357 600	394 800
Of which from district heating plants [3]	Tonnes	64 000	77 200	75 600
Of which from SF_6 emissions	Tonnes	5 500	1 200	600
Of which from halon emissions	Tonnes	0	27	0
Of which from fuel consumption [4]	Tonnes	30 400	22 500	10 100
Of which from business travel [5]	Tonnes	2 000	2 400	2 800
Emissions of CO_2 equivalents [6] from affiliated gas power plants	Tonnes	- [2]	52 600	170 700
SF_6 emissions	kg	267	53	26
Halon emissions	kg	0	20	0

[1] Statkraft's ownership is >50%.
[2] CO_2 emissions from gas power plants in 2014 will be reported in the Corporate Responsibility Statement for 2015.
[3] Fossil share of emissions.
[4] CO_2 from fuel consumption from the Group's equipment and machinery.
[5] Comprises air travel and mileage reimbursements for private vehicle use in the Norwegian operations.
[6] Statkraft's share.

The GHG-protocol (from the World Business Council for Sustainabile Development and World Resources Institute) divides greenhouse gas emissions into three types. Type 1 emissions are direct emissions from own activitites. Type 2 emissions are indirect emissions from purchased electricity and district heating, while type 3 emissions are other indirect emissions. All the emissions in the table above are type 1, except for business travel, which falls under type 3. The electricity consumption in Statkraft is guaranteed renewable, resulting in zero type 2 emissions. For 2014, the Group's type 1 emissions totalled 458 500 tonnes, while the type 3 emissions totalled 2400 tonnes. Corresponding figures for 2014 will be accounted for in the 2015 report.

Relative greenhouse gas emissions [1]	Unit of measurement	2014	2013	2012
CO_2-equivalent emissions per MWh generated, total	kg/MWh	- [2]	8	10
CO_2-equivalent emissions per MWh generated, gas power	kg/MWh	- [2]	273	377
CO_2-equivalent emissions per MWh generated, district heating	kg/MWh	64	70	69

[1] Includes Statkraft's share of production and direct fossil CO_2 emissions from the production process. Includes also Statkraft's share of production and emissions of CO_2 in the jointly controlled power plants Herdecke (Germany), Kårstø (Norway) and Scira (UK).
[2] CO_2-equivalent emissions in total and for gas power for 2014 will be reported in the Corporate Respo

Allocated CO_2-quotas	Unit of measurement	2014	2013	2012
Allocated CO_2-quotas, consolidated activities [1]	Tonnes	55 500	86 300	2 001 000
Of which Norway	Tonnes	26 200	28 800	19 300
Of which other Nordic countries	Tonnes	29 300	57 500	0
Of which other European countries	Tonnes	0	0	1 981 700
Of which rest of the world	Tonnes	0	0	0
Allocated CO_2-quotas, affiliated activities [2] (Statkraft's share)	Tonnes	0	0	643 200
Of which Norway	Tonnes	0	0	161 700
Of which other Nordic countries	Tonnes	0	0	0
Of which other European countries	Tonnes	0	0	481 500
Of which rest of the world	Tonnes	0	0	0

[1] Statkraft's ownership is >50%.
[2] Statkraft's ownership is 20-50%.

Interventions on nature and biodiversity

Impacts on watercourses [1]	Unit of measurement	2014	2013 [2]	2012 [2]
Affected river courses with:				
Anadromous fish	Number	46	47	45
Catadromous fish	Number	2	1	1
Affected national salmon rivers	Number	12	12	12
Affected protected rivers		12	12	12

[1] Impact entails change of waterflow, water levels or other living conditions for fish.
[2] SN Power is not included

Fish cultivation	Unit of measurement	2014	2013	2012
Restocking of fish and smolt [1]	Number	1 799 200	913 100	773 600
Stocking of fish roe [2]	Number	936 400	317 800	143 000

[1] Includes salmon, inland trout, grayling and eel.
[2] Includes salmon roe in Norway.

Distribution grid and cables	Unit of measurement	2014	2013	2012
Overhead lines				
High voltage (≥ 1 kV)	km	4 300	3 600	3 600
Low voltage (< 1 kV)	km	3 800	3 800	4 200
Underground and undersea cables	km	10 900	10 500	10 700
District heating main		434	415	373

Energy and resource consumption

Consumption	Unit of measurement	2014	2013	2012
Electricity	GWh	899	882	1 202
Of which pumped-storage power	GWh	668	591	955
Of which electric boilers for district heating	GWh	76	87	95
Of which other operations	GWh	155	204	152
Of which certified renewable (RECS)	%	100	100	100
Energy loss, transformer stations and power lines	GWh	775	682	681
Fossil fuel				
Natural gas, gas-fired power plants	Mill. Nm^3	- [1]	173	200
Fuel gas, district heating plants	Tonnes	3 712	5 810	5 727
Fuel oil	Tonnes	1 817	2 937	3 369
Engine fuel [2]	Tonnes	13 223	10 390	3 542
Other fuel				
Waste for district heating plants	Tonnes	205 400	225 495	199 400
Waste for bio power plants	Tonnes	0	285 764	283 700
Bio fuel	Tonnes	409 700	168 746	87 800
Process water [3]	m^3	350 000	1 361 200	1 220 400

[1] Use of natural gas for 2014 will be reported in the Corporate Responsibility Statement for 2015.
[2] Includes consumption of fuel for own equipment and machinery.
[3] Includes process water (cooling water) in gas fired power plants, bio power plants and district heating plants.

Inventories	Unit of measurement	2014	2013	2012
SF_6	kg	28 578	31 452	24 471
Halon	kg	2 126	2 126	2 126

Statkraft has been temporarily exempted from the requirements to phase out halon as an explosion suppression medium in transformer rooms.

Air pollution

Emissions to air	Unit of measurement	2014	2013	2012
SO_2 from district heating plants	Tonnes	16	48	25
NO_x	Tonnes	514	874	862
Of which from gas power plants	Tonnes	66	173	228
Of which from district heating plants	Tonnes	293	415	344
Of which from bio power plants	Tonnes	155	286	290

Waste

Waste	Unit of measurement	2014	2013	2012
Hazardous waste	Tonnes	60 400	86 400	78 800
Of which from waste incineration plants [1]	Tonnes	47 400	53 600	47 200
Of which from bio power plants	Tonnes	11 200	32 000	31 200
Of which other hazardous waste	Tonnes	1 750	770	450
Other waste	Tonnes	7 700	8 800	8 200
Of which separated waste	Tonnes	5 700	6 500	5 600
Of which residual non-hazardoues waste	Tonnes	2 000	2 300	2 700

[1] Consists of slag, filter dust and filter cake.

Environmental assessment and compliance

Environmental assessment [1]	Unit of measurement	2014	2013	2012
Environmental assessment result, total	Rating	B	B+	B-
Environmental management	Rating	B	B	B
Products and services	Rating	B	B+	C+
Eco-efficiency	Rating	A-	A-	C+

[1] Environmental assessement from the rating company oekom research AG. Rating from E- to A+ (highest), where rating B- and above is considered as leading by oekom research.

Environmental incidents and issues	Unit of measurement	2014	2013	2012
Serious environmental incidents	Number	0	0	0
Less serious environmental incidents	Number	159	127	128
Unwanted environmental conditions	Number	171	117	145

Definitions:
Serious environmental incidents: An incident that causes significant negative environmental impact, i.e. permanent or severe damage (restituation time >1 year).

Less serious environmental incident: An incident that causes a negative environmental impact that is not considered significant (restituation time <1 year).

Unwanted envionmental situation: A situation that could have lead to a negative environmental impact if not corrected.

Most of the less serious environmental incidents in 2014 concern short-term breaches of the river management regulations and minor oil spills. These incidents had little or no environmental impact.

Penal sanctions, environment	Unit of measurement	2014	2013	2012
Penal sanctions for non-compliance with environmental legislation	Number	0	0	1[1]
Fines for non-compliance with environmental legislation	NOK million	0	0	0,4

[1] In 2011, Small Scale Hydro (at Skarelva, Narvik) performed soil work outside permitted area. In 2012, Norwegian Water Resources and Energy Directorate issued a fine of 0.4 million NOK.

Contribution to society

Value creation	Unit of measurement	2014	2013	2012
Gross operating revenues	NOK million	52 254	49 564	37 550
Paid to suppliers for goods and services [1]	NOK million	29 942	28 740	22 667
Gross value added	NOK million	22 312	20 824	14 883
Depreciation and amortisation	NOK million	4 071	3 045	4 933
Net value added	NOK million	18 241	17 779	9 950
Financial income	NOK million	859	237	5 464
Share of profit from associates	NOK million	661	1 101	871
Minority interests	NOK million	684	482	230
Values for distibution	NOK million	19 077	18 635	16 055

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

Distribution of value created	Unit of measurement	2014	2013	2012
Employees				
Gross salaries and benefits	NOK million	2 667	2 788	2 720
Lenders/owners				
Interest	NOK million	7 143	11 830	3 123
Dividend [1]	NOK million	6 007	-	4 000
Taxes [2]	NOK million	6 059	4 291	5 891
The company				
Change in equity	NOK million	-2 799	-274	321
Total wealth distributed		19 077	18 635	16 055

[1] Includes dividend and Group contribution from Statkraft AS to Statkraft SF, and minority interest.
[2] Includes taxes, property tax and employers' contribution.

Taxes [1]	Unit of measurement	2014	2013	2012
Total	NOK million	3 546	3 503	3 239
Of which Norway	NOK million	2 959	3 369	3 116
Of which in other Nordic countries	NOK million	165	30	3
Of which in other European countries	NOK million	420	87	61
Of which in the rest of the world	NOK million	3	17	60

[1] Taxes payable in the balance sheet.

Tax contribution [1] **to Norwegian municipalities**	Unit of measurement	2014	2013	2012
Total	NOK million	1 518	1 518	1 360
Total, the ten municipalities which receive the most				
Vinje	NOK million	109	107	101
Hemnes	NOK million	96	96	91
Suldal	NOK million	91	96	89
Rana	NOK million	82	83	77
Odda	NOK million	78	76	36
Eidfjord	NOK million	63	65	61
Meløy	NOK million	63	61	58
Tokke	NOK million	61	63	59
Nore og Uvdal	NOK million	53	54	50
Luster	NOK million	49	52	49

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

Support schemes	Unit of measurement	2014	2013	2012
Sponsorship agreements	NOK million	25.94	31.86	15.73
Donations to associations and organisations	NOK million	1.87	6.56	6.07
Agreements with voluntary humanitarian organisations	NOK million	4.13	1.55	1.05
Agreements with humanitarian organisations	NOK million	3.40	3.14	2.35

Access to electricity

Power outage	Unit of measurement	2014	2013	2012
Power outage frequency (SAIFI) [1]	Index	1.75	1.34	1.22
Average power outage duration (SAIDI) [2]	Index	115.8	85.8	76.5

[1] System average interruption frequency index (measured based on IEEE standard)

[2] System average interruption duration index (measured based on IEEE standard)

Ethics

Whistleblower cases	Unit of measurement	2014	2013	2012
Whistleblower cases reported to Statkraft Corporate Audit	Number	5	2	0

Penal sanctions, ethics [1]	Unit of measurement	2014	2013	2012
Penal sanctions for non-compliance with legislation related to ethics	Number	0	0	0
Fines for non-compliance with legislation related to ethics	NOK milion	0	0	0

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

Labour practices

Employees	Unit of measurement	2014	2013	2012
Employees 31.12	Number	3 731	3 734	3 615
Of which in Norway	Number	2 470	2 454	2 386
Of which in other Nordic countries	Number	216	205	197
Of which in other European countries	Number	663	708	625
Of which in the rest of the world	Number	382	367	407
Full-time employees 31.12	%	97	97	97
Staff turnover rate [1]	%	4.0	6.0	5.7
Service time				
Average service time	Years	11.8	10.9	10.8
Average service time for employees resigned or dismissed	Years	11.4	5.3	6.6
Apprentices employed 31.12	Number	75	76	75
Trainees employed 31.12	Number	14	17	15
Nationalities represented among Statkraft's employees	Number	45	50	48

[1] Excluding retirements.

Gender equality	Unit of measurement	2014	2013	2012
Percentage of women				
Total	%	24	23	24
In Norway	%	25	25	25
In other Nordic countries	%	20	19	16
In other European countries	%	24	23	21
In the rest of the world	%	16	18	22
In management positions	%	22	22	21
In Norway	%	24	25	24
In other Nordic countries	%	12	12	9
In other European countries	%	21	17	15
In the rest of the world	%	16	11	13
In Group Management	%	14	14	14
In the Statkraft Board of Directors	%	44	44	44
New employees	%	25	23	29
New managers	%	14	26	9
Full-time employees	%	23	20	23
Part-time employees	%	57	60	58

Equal salary [1]	Unit of measurement	2014	2013	2012
Equal salaries, employees	Ratio	0.90	0.92	0.88
In Norway	Ratio	0.93	0.96	0.94
In other Nordic countries	Ratio	0.98	1.05	0.79
In other European countries	Ratio	0.70	0.76	0.77
In the rest of the world	Ratio	1.02	1.08	0.54
Equal salaries, managers	Ratio	0.90	0.85	0.86
In Norway	Ratio	0.94	0.92	0.94
In other Nordic countries	Ratio	0.70	0.87	0.73
In other European countries	Ratio	0.74	0.67	0.69
In the rest of the world	Ratio	1.15	0.47	0.43

[1] Average salary for women in relation to average for men.

Statkraft as employer	Unit of measurement	2014	2013	2012
Organisation and leadership evaluation [1]				
Result	Scale 0-100	74	73	73
Response rate	%	87	86	84
Employees fulfilled the performance and career development review	%	88	92	89
Ranking as preferred employer [2] among				
Business students	Ranking	48	43	33
Technology students	Ranking	7	7	7
Business professionals	Ranking	28	35	17
Technology professionals	Ranking	18	13	9

[1] From Statkraft's internal annual organisation and leadership evaluation survey. Statkraft's score can be compared with the European Employee Index Norway 2014 result of 70.

[2] Ranking among final-year students and professionals, as defined and measured in the annual Universum Graduate Survey for Norway and the Universum Professional Survey for Norway respectively.

Health and safety

Fatalities	Unit of measurement	2014	2013	2012
Consolidated operations [1]				
Employees	Number	0	0	0
Contractors	Number	3	1	2
Third party	Number	0	1	2
Associates [2]				
Employees	Number	0	0	0
Contractors	Number	1	0	0
Third party	Number	0	0	0

[1] Activities where Statkraft has > 50% ownership.
[2] Activities where Statkraft has 20 - 50% ownership.

There were four work-related fatalities in Statkraft in 2014. Three contractors died in a rockslide in the Devoll project in Albania (100% owned by Statkraft), and one contractor died in a crane accident in the Bajo Frio project in Panama (Statkraft indirect ownership of approx 25%).

Injuries [1]	Unit of measurement	2014	2013	2012
Employees				
Lost-time injuries (LTI) [2]	Number	43	37	58
Lost-time injuries per million hours worked	LTI rate	3.0	2.4	3.7
Total recordable injuries (TRI) [3]	Number	80	104	103
Total recordable injuries per million hours worked	TRI rate	5.6	6.8	6.6
Lost days [4]	Number	566	498	1 238
Lost days per million hours worked	Lost-days rate	39	32	78
Contractors				
Lost-time injuries (LTI) [2]	Number	63	83	76
Lost-time injuries per million hours worked	LTI rate	3.7	4.2	3.8
Total recordable injuries (TRI) [3]	Number	90	124	130
Total recordable injuries per million hours worked	TRI rate	5.4	6.3	6.4
Third parties				
Injuries [5]	Number	2	1	0
Statkraft, total				
Lost-time injuries per million hours worked	LTI rate	3.4	3.4	3.7
Total recordable injuries per million hours worked	TRI rate	5.5	6.5	6.5
Operations				
Lost-time injuries per million hours worked	LTI rate	3.6	3.6	4.1
Total recordable injuries per million hours worked	TRI rate	6.0	5.9	7.2
Projects				
Lost-time injuries per million hours worked	LTI rate	3.1	4.2	3.3
Total recordable injuries per million hours worked	TRI rate	4.9	6.8	5.6

[1] Includes activities where Statkraft has > 20% ownership.
[2] Work-related injuries which have resulted in absence extending beyond the day of the injury.
[3] Work-related injuries, with and without absence. Includes injuries which resulted in absence, medical treatment or need for alternative work assignments.
[4] Number of days of recorded absence due to work-related injuries.
[5] Recorded injuries requiring treatment by a doctor.

Hazardous conditions and near-misses [1]	Unit of measurement	2014	2013	2012
Hazardous conditions [2]	Number	9 459	9 415	8 239
Near-misses [3]	Number	989	1 531	363
Unwanted occurrences [4]	Frequency [5]	0.55	0.56	-

[1] Includes activities where Statkraft has > 20% ownership.
[2] Recorded matters involving personal safety risk.
[3] Recorded unforeseen incidents that could have resulted in personal injuries.
[4] Hazardous conditions and near-misses.
[5] Number of unwanted occurances per year and employee.

Sickness absence	Unit of measurement	2014	2013	2012
Sickness absence, total	%	2.8	2.9	3.1
Of which short-term absence (16 days or less)	%	1.3	1.6	1.4
Of which long-term absence (more than 16 days)	%	1.5	1.4	1.7

Penal sanctions, health and safety	Unit of measurement	2014	2013	2012
Penal sanctions for non-compliance with health and safety legislation	Number	0	0	0
Fines for non-compliance with health and safety legislation	NOK milion	0	0	0

Auditor's Statement

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To the management of Statkraft AS

Independent Auditor's Report on the Statkraft Corporate Responsibility Report 2014

We have reviewed certain aspects of Statkraft Corporate Responsibility Report 2014 ("the Report") and related management systems and procedures. The Report is part of the Statkraft Annual Report 2014 on the Internet (www.annualreport2014.statkraft.com). The Report includes the Corporate Responsibility Statement published also in the printed Statkraft Annual Report 2014. The Report is the responsibility of and has been approved by the management of Statkraft AS ("the Company"). Our responsibility is to draw a conclusion based on our review.

We have based our work on the international standard ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. The objective and scope of the engagement were agreed with the management of the Company and included those subject matters on which we have concluded below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters. We have performed interviews with management responsible for corporate responsibility aspects at corporate and at selected reporting units represented by District Heating (head-office in Trondheim, Norway), Power Generation – Region Mid-Norway (head-office in Gaupne, Norway) and Trading and Origination.

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed.

Conclusions

Based on our review, nothing has come to our attention causing us not to believe that:

- Statkraft has established management processes and systems to manage material aspects related to corporate responsibility, as described in the Report.
- Statkraft has applied procedures to identify, collect, compile and validate information for 2014 to be included in the Report, as described in the Report. Information presented for 2014 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- The management systems referred to above have been implemented and locally adopted as necessary at the reporting units that we have visited, as specified above. Information for 2014 from these units has been reported according to the procedures noted above and is consistent with source documentation presented to us.
- Statkraft applies a reporting practice for its corporate responsibility reporting aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (version 3.1) reporting principles and the reporting fulfils Application Level B+ according to the GRI guidelines. The GRI Index presented in the Report appropriately reflects where information on each of the elements and indicators of the GRIs guidelines is to be found within the Statkraft Annual Report 2014 on the Internet.

Oslo, 4 March 2015
Deloitte AS

Ingebret G. Hisdal
State Authorized Public Accountant (Norway)

Frank Dahl
Deloitte Sustainability

Design: Tangram Design
Photo: Jarle Nyttingnes (pages 7, 12, 35)
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Statkraft

Annual Report 2014
Statkraft AS

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At Nedre Røssåga hydropower plant in northern Norway, a 1600 tonne heavy tunnel boring machine has provided several kilometres of new tunnels into the power plant.

Corporate Responsibility Report **2014**

Statkraft

Content

Corporate responsibility report 2014

Statkraft will be a good corporate citizen in all its activities. In brief, this means that we will deliver electricity based on environment-friendly sources of energy, use sustainable, safe and efficient production methods and behave in a responsible and ethical manner in the market.

This part of the annual report presents Statkraft's work, management system and performance in the area of corporate responsibility for 2014, describing challenges and activities within areas such as environment, health and safety, human rights, labour issues and anti-corruption.

Corporate responsibility in Statkraft

Our ambition is to be an industry leader in corporate responsibility. Our plants and projects shall create added value for local communities where we are active, and we aim to minimise the negative effects of our activities.

In order to succeed, we must work in a structured and systematic manner on all issues relating to corporate responsibility and integrate this work in all relevant processes in the company, such as purchasing, acquisitions, project development and plant operation.

The construction of the Devoll Hydropower Project in Albania is underway and now has more than 30 employees engaged in environmental and social issues. The picture shows the construction of the Banjë dam with the associated access road.

Our corporate responsibility work is founded on internationally recognised initiatives and standards such as the UN Global Compact and IFC's Performance Standards on Environmental & Social Sustainability.

Statkraft's fundamental principles for sustainable, ethical and socially responsible behaviour are described in Statkraft's code of conduct. The code of conduct applies to all companies and employees in the Statkraft Group. Further follow-up of Statkraft's corporate responsibility is an integrated part of Statkraft's management system. The management system facilitates a structured and uniform handling of the Group's corporate responsibility, and the system is regularly evaluated to tailor it to new environments, surroundings and challenges.

Climate and the environment

Statkraft's environmental ambition is to offer renewable, sustainable and robust climate energy solutions. Close to 99% of the Group's power and district heating production in 2014 was based on renewable energy sources, and new investments in the Group are now exclusively made within renewable energy. However, renewable power generation also affects the environment. Environmental impact assessments are included in all relevant business activities, and our goal is always to find environmentally responsible solutions.

Statkraft established a climate research programme in 2013. The climate programme includes obtaining updated climate forecasts and facilitating unified handling of climate challenges in the Group.

Health and safety

In Statkraft, health and safety has the highest priority, everywhere and always. The goal is zero work-related injuries. In an effort to reach this goal, the Group works systematically to establish a safety culture based on transparency and a desire to continuously improve as regards planning and executing activities in a safe manner. The Group's management and follow-up of health and safety are based on the requirements in the OHSAS 18001 standard and international good practice.

All accidents and near-misses with a serious damage potential are investigated in a structured manner, with the intention to share experience across the organisation.

Security

Statkraft is goal-oriented in conditions relating to security, preparedness and crisis management. In Statkraft, the umbrella term 'security' encompasses four areas; personnel security, physical security, IT system security and information security.

In 2014, we identified improvement areas and measures which will ensure that Statkraft is on a par with good international practice as regards various security topics.

Human rights

Statkraft is present in parts of the world where human rights conformance can be difficult, and this is something the Group takes seriously. The UN's Guiding Principles on Business and Human Rights have been taken into consideration in Statkraft's management system and project management tools.

Ethics and anti-corruption

Statkraft has committed to a high ethical standard and business culture, with zero tolerance for corruption. Statkraft is present in an increasing number of markets exposed to corruption. We therefore greatly emphasise safeguarding a good internal business culture and developing robust anti-corruption measures.

A new phase of Statkraft's anti-corruption programme was approved and initiated in 2014. This program e.g. includes risk assessment and a mapping of needs in each business area.

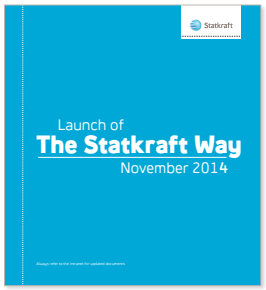
Social impact

As a power producer, we have a very long-term perspective, which emphasises the need to develop sustainable solutions. We will succeed best by maintaining an open dialogue with local communities and other stakeholders, and we facilitate such dialogue and interaction in all project development and operations.

Managing corporate responsibility

Follow-up and management of the Group's corporate responsibility is an integrated part of Statkraft's management system, The Statkraft Way. Statkraft's fundamental principles for acting in a sustainable, ethical and socially responsible manner are described in Statkraft's Code of Conduct.

The Statkraft Way



The Statkraft Way, Statkraft's management system, is based on the Group's vision, values, code of conduct and business model and provides, through briefly formulated policies and more detailed specification and supporting documents, an introduction to how Statkraft works. Corporate responsibility is a key topic in The Statkraft Way.

Requirements and guidelines

Statkraft will operate in accordance with applicable laws and regulations in all countries where we have activities and adhere to internationally recognised standards and guidelines. We focus our work towards creating a work culture in accordance with our principles and which promotes good business practice.

Statkraft's fundamental principles for acting in a sustainable, ethical and socially responsible manner are described in Statkraft's Code of Conduct. The Code of Conduct applies to all employees and companies in the Statkraft Group, and Statkraft's business partners are expected to have standards in accordance with Statkraft's Code of Conduct. Statkraft has prepared corresponding guidelines for the Group's suppliers.

Corporate social responsibility is an integrated part of Statkraft's management system, The Statkraft Way. The management system facilitates structured and coordinated handling of the company's corporate social responsibility, and the system is regularly evaluated to adapt it to new surroundings and challenges. Detailed descriptions of how to safeguard Statkraft's corporate social responsibility for different areas can be found in requirement and supporting documentation.

- → Statkraft's Code of Conduct
- → Group policy: Corporate responsibility and HSE
- → Group policy: People, leadership and communication

Statkraft is a member of the UN Global Compact and is committed to following up this initiative and its ten principles. Furthermore, Statkraft bases its conduct on internationally recognised initiatives and standards, including principles from the OECD's Guidelines for Multinational Enterprises and IFC's Performance Standards on Environmental and Social Sustainability. The OECD's guidelines present recommendations from governments to multinational companies in relation to responsible business conduct, while IFC's standards provide guidelines for sustainable behaviour throughout the value chain.

Statkraft's environmental management system is based on requirements in the ISO 14001:2004 standard. Statkraft has group-wide requirements and guidelines for environmental management, which e.g. concern mapping of environmental risk and environmental impact and establishing specific targets and action plans.

Statkraft's follow-up of health and safety is based on the principles in OHSAS 18001. Statkraft has group-wide requirements and guidelines for multiple topics, e.g. investigation of serious incidents, planning and implementing work with a risk potential, as well as incident reporting and follow-up.

Corporate responsibility throughout the organisation

Corporate responsibility is a line responsibility in Statkraft. This means that each individual unit has an independent responsibility to conduct activities in a responsible manner and that follow-up of topics such as health and safety, anti-corruption, human rights and environmental impact are incorporated in relevant processes, projects and tasks in each individual unit.

At Group level, Statkraft has a dedicated staff to follow up the company's work and performance as regards corporate responsibility on an overall level. This staff has an advisory role vis-à-vis the business units and ensures that corporate social responsibility is properly discharged in the Group's management and reporting system.

Corporate responsibility in development projects

Statkraft has a set process for execution of major development projects, mergers and acquisitions which ensures a unified approach to, e.g., corporate responsibility from an early phase and through stepwise decision processes. The model's basic principle is that each main decision must be accompanied by documented information on a number of stipulated topics, including corporate responsibility, as part of the decision basis.

Emergency preparedness

Emergency preparedness plans have been prepared for all operative units in the Group and focus especially on protecting life and health, reducing negative environmental impact and securing the company's assets. Emergency drills are held regularly on different levels in the organisation so that unexpected, serious situations will be handled in a suitable and efficient manner.

Performance follow-up

Statkraft's Group scorecard includes KPIs for the environment, health and safety areas and the scorecard results are regularly reviewed by the Group management and the board. In addition, relevant results and measures within all topics associated with corporate responsibility are discussed in regular Business Reviews (meetings between the President and CEO and the business/staff unit).

In its work, the Group Audit considers to what extent the requirements and guidelines for discharging corporate responsibility have been implemented and adhered to in the organisation. This takes place through focused audits and as part of more wide-ranging efforts. In 2014, no serious noncompliances were registered in connection with corporate responsibility.

Statkraft has established a Group-wide system for registration and follow-up of non-compliances and potential improvements. The system facilitates structured handling of measures and deadlines, analysis of causal links and learning across the organisation.

Supplier follow-up

Statkraft sets clear requirements for all suppliers and follows up risk topics throughout the procurement process.

Statkraft's supplier code of conduct

Statkraft has developed a version of Statkraft's code of conduct which is especially aimed at Group's suppliers. This document describes the Group's requirements for suppliers as regards protection of the environment, human rights, labour rights and labour standards, health and safety and anti-corruption. Statkraft's suppliers are informed of our code of conduct and other relevant requirements during the procurement processes and contract signing.

Follow-up of suppliers

Statkraft has implemented a risk-based tool that identifies and follows up risk topics throughout the procurement process. This tool makes it possible to identify risk areas such as corruption, safety issues or child labour at an early stage, and the follow-up is focused on high-risk areas. In addition Statkraft will conduct announced visits and unannounced inspections linked to particularly important and vulnerable deliveries. Such visits and audits may comprise multiple units in the supplier chain.

Stakeholder dialogue

Statkraft wants to communicate in an open and active manner with everyone affected by our activities. Important partners in this dialogue include the owner, elected officials on all levels, employees, local populations, customers, suppliers, local and regional authorities, voluntary organisations and the media.

Dialogue with local communities and host municipalities

Statkraft emphasises a direct and predictable dialogue with all host municipalities. In Norway, annual meetings are held with all host municipalities, where Statkraft provides information about ongoing and coming activities, opening up for discussion about topics important for the individual municipality.

It is particularly important to provide information and ensure transparency in the early stages of development projects. In line with national licensing processes and international guidelines, Statkraft holds open meetings and hearings, providing information about development plans and topics relevant for those affected by the project. Such topics may include expropriation, future job opportunities and environmental impacts resulting from the project.

Dialogue with policymakers and voluntary organisations

Statkraft participates in several national and international forums for the purpose of discussing and influencing energy policy. These forums include Energy Norway, Eurelectric, Word Business Council for Sustainable Development (WBCSD) and the International Hydropower Association (IHA).

Statkraft also cooperates with voluntary organisations and has entered into cooperation agreements with the environmental organisations the Norwegian Society for the Conservation of Nature, Bellona and WWF, in addition to a conference partnership with Zero.

Competence and training

Good corporate responsibility expertise among managers and employees is an important factor for Statkraft to achieve its goals.

Relevant corporate responsibility topics have been incorporated in training programmes for both new employees and managers. Introductions are given, both as regards overall requirements and individual responsibilities, and more focused training in safety requirements in the workplace, anti-corruption work and environmental and social impact as a result of Statkraft's activities.

The projects sets a particular focus on health and safety training, and Statkraft has developed web-based courses that are available, and in some cases mandatory, for both employees and contractors.

Efforts are particularly directed towards raising expertise in and understanding of anti-corruption work throughout the organisation. Anti-corruption manuals and e-learning tools are available and tailored dilemma training sessions are held when needed.

Statkraft's Corporate Responsibility reporting

Statkraft annually reports the most important challenges facing the Group, as well as corporate responsibility measures and performance.

The report is based on GRI's recommendations

Statkraft's corporate social responsibility reporting is based on the recommendations of the Global Reporting Initiative (GRI). GRI's recommendations include both indicators for several topic areas, as well as ten reporting principles which e.g. concern identifying important topics and implementing the actual reporting process. Statkraft systematically gathers information in order to present an annual status and most important results for areas such as climate and the environment, health and safety, security, anti-corruption work and follow-up of human rights. All relevant business units report on both quantitative and qualitative indicators. We believe these indicators capture the most important aspects as regards corporate responsibility in the Group, while also taking into account reporting requirements and expectations from our stakeholders. Statkraft's corporate responsibility reporting describes the most important topics and results on the Group level. More information on special topics and individual projects can be found on Statkraft's website.

Verification of corporate responsibility information

Statkraft's external auditor verifies the Group's corporate responsibility reporting. The auditor's work is based on the ISAE 3000 assurance standard, and the conclusion for the work is set out in the auditor's statement.

Environmental impact

Statkraft offers renewable and sustainable energy solutions, which is how we help meet one of the greatest challenges of our day: global warming. At the same time, all power production is associated with different forms of interventions in nature. Systematic environmental management in line with good international practice will minimise and compensate for the negative environmental impact of the Group's activities.

Statkraft offers renewable and sustainable energy solutions

Statkraft is Europe's largest producer of renewable energy, and in 2014, over 99% of the company's power production was based on renewable energy sources.

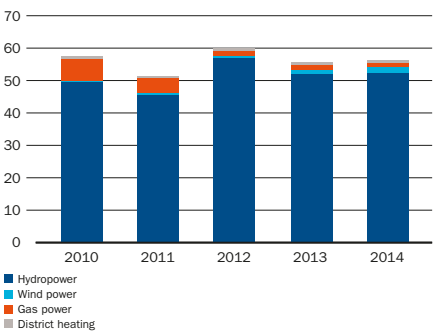
Statkraft's environmental ambition states that we will support a global transition towards a low-carbon economy by offering renewable and sustainable energy solutions. In addition, all activities shall be planned and implemented in line with good international practice.

Environment-friendly portfolio

Development and operation of hydropower plants facilitate multiple uses of watercourses and regulation plants, Examples of such use include irrigation, water supply, transport and recreation. In addition, flood control using reservoirs is an important safety measure in many areas. Such use of our installations will in all probability be even more important in the future when we face the consequences of the climate changes.

Wind power is a renewable technology with few environmental effects and almost no emissions. The tendency is towards larger turbines, higher towers and fewer turbines in each wind farm. This is considered to be a positive development as regards environmental effects.

Power generation and district heating (Statkraft's share)



The Group's non-renewable energy production includes gas-fired power and a small part of the district heating production.

Gas power is by many considered a transitional technology. The technology generates carbon emissions, but the emissions are substantially lower than for coal-based power plants. Statkraft's gas power plants in Germany operate only as peak load producers and, like hydropower, therefore contribute to flexibility in the European energy markets. Knapsack I and II are two of Europe's most modern and efficient gas-fired power plants, but due to high gas prices, low carbon prices and large growth in inflexible power production (solar and wind power), Statkraft's gas power production has been significantly reduced in recent years.

Environmental management in Statkraft

Environmental management is an integrated part of Statkraft's management system and covers all business units and activities. The environmental management system shall ensure a systematic approach to the environmental work, with key activities being identification of environmental risk, establishment of goals and action plans, implementation of measures and follow-up of results.

Statkraft's environmental management system has been designed in accordance with ISO 14001:2004. Statkraft's contractors are also subject to the Group's environmental requirements, and these are therefore incorporated in all contracts where relevant.

The Group's development projects are planned and implemented in line with good international practice and the work is based on the IFCs Performance Standards on Environmental & Social Sustainability. In accordance with these standards, Statkraft sets requirements relating to comprehensive impact analyses and environmental follow-up plans which are updated throughout the project process. These documents are published on the projects' websites and thereby made available to external stakeholders.

External assessment of environmental performance

Statkraft's environment KPI on the Group's score card has, since 2012, consisted of an environmental assessment prepared by an external rating agency (oekom research AG). The assessment is based on a broad set of criteria covering environmental management, power production and energy efficiency, and provides an understanding of how the world around us rates our efforts and in which areas we should aim to improve. The use of a rating agency also makes it possible to compare with other companies, both in our own and other industries.

The 2014 assessment resulted in the rating B, which corresponds to good international practice in the oekom Corporate Rating.

IHA's Sustainability Assessment Protocol

The International Hydropower Association (IHA) has developed a tool for considering sustainability in hydropower projects (IHA Sustainability Assessment Protocol). The most recent version of the protocol was launched in 2010.

Statkraft has participated actively in the testing of the sustainability protocol. In 2012, a sustainability assessment was made of Jostedal power plant in accordance with the protocol's requirements. This assessment has been approved as an official assessment and published on IHA's website. The protocol has also been tested in a development project in Albania, Devoll Hydropower Project, where a preliminary assessment has been made, based on the requirements and scope of the protocol.

Cooperation agreements

Statkraft has entered into strategic partnership agreements with the three environmental organisations Norwegian Society for the Conservation of Nature, Bellona and WWF. The overall purpose of the agreements is to benefit from each other's expertise and develop the best energy solutions.

Environmental activities in Statkraft

Statkraft's core business areas are hydropower and wind power. Neither of these technologies generates significant emissions or discharges, but both cause interventions in ecosystems and the landscape. The objective is always to make interventions as gentle as possible, and adapt them to local conditions. Statkraft is involved in many activities which will reduce the environmental impact of our activities.

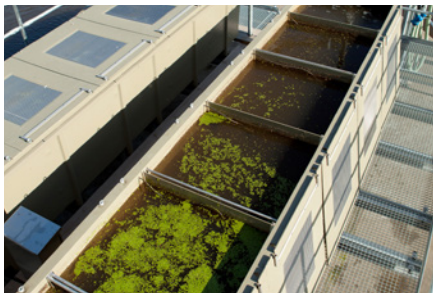
Planting of eyed eggs take place by releasing salmon eyed eggs into boxes filled with fist-sized rocks.

Hydropower and the environment

Rivers and river systems are important, both as elements of the landscape and as ecosystems. Watercourses play an important role in both droughts and floods, and also have a multi-purpose value for people in the form of recreation, transport and as water supply to households, industry and agriculture. The development and operation of hydropower plants must therefore take into account many interests.

Statkraft's goal in all activities is to achieve sustainable water management, and our environmental efforts in relation to river systems and fish are comprehensive. Examples of such efforts include environmentally adapted operation of the power plants, laying down suitable spawning and smolt growth substrate, fish restocking, egg planting, construction of fish ladders and improvement of thresholds and migration barriers.

The overall objective for this work is to achieve sustainable and self-recruiting fish populations. Many of these measures are imposed by licence, but Statkraft also implements voluntary measures, often in close cooperation with landowners and local organisations. Statkraft operates two out of three Norwegian gene banks for salmon, nine fish cultivation facilities and is a large producer of stocking fish and fish eggs in Norway and Sweden.



In Germany, Statkraft has installed a turbine control systems to increase survival rates for migrating silver eel. Statkraft has eight run-of-river power plants in the Weser River and all are integrated in the turbine control system. The system satisfied the requirements both from the EU's Eel Regulation (2007) and Water Framework Directive (2000). The system is based on a warning system for migrating eel, MIGROMAT, developed by the Institute for Applied Ecology (IFOE). After three seasons of testing the turbine control system, Statkraft can point to good results.

We carry out comprehensive studies of affected river systems. In Norway, the main focus is on salmon and trout, while Sweden and Germany have seen an increasing focus on conserving eel populations. Eel are very vulnerable to turbine injuries when migrating from regulated rivers, and Statkraft is involved in several projects and has implemented various solutions to meet this challenge. In Sweden, eel are now moved downstream of power plants manually, while in Germany a system has been developed to control turbines and stop them when the eel migrate.

In Norway, the licence terms for many power plants are now under revision, aiming to update the environmental terms to current standards. Selbusjøen received renewed licence terms in 2014, whereas reviews are ongoing in the Tokke, Vinje, Røssåga, Surna/Trollheim, Altavatn, Aura, Bævra and Rana river systems.

The EU's Water Framework Directive is a set of regulations developed to ensure comprehensive management of European water resources based on the ecosystems. In Norway, these regulations have been incorporated into the Framework for water management (the Water Regulations). Statkraft is working closely with the authorities to implement the Water Regulations and to find sound environmental solutions in the river systems where we have activities.

In order to be better prepared for the challenges resulting from the term reviews and implementation of the Water Framework Directive, Statkraft has performed a comprehensive survey our greatest environmental challenges. The survey will form the basis for further research and action plans. The survey showed that the most important environmental challenges going forward will be in relation to minimum water flow and fragmentation of habitats, biological diversity and sedimentation.

The wind farm on Smøla has led to increased mortality for white-tailed eagles, and only a few eagle couples now breed inside the wind farm. However, this has not resulted in a noticeable decline in the number of white-tailed eagles in the area. Photo: Bjørn Iuell

Wind power and the environment

Both onshore and offshore, Statkraft's wind power developments are facing environmental challenges. Birds are a recurring topic, both due to the risk of birds colliding with the turbines, and because wind farms can drive certain bird species away from their natural habitats or form barriers to important migration routes.

Establishing wind farms with the associated infrastructure can influence living conditions for plants and animals, particularly in the construction phase. It is therefore important to find solutions that are well adapted to the individual location, and to avoid construction activity in particularly vulnerable periods. Noise and landscape aesthetics are also topics that are carefully considered when establishing new wind farms.

Offshore, the impact on the marine environment is a particularly challenging topic, not least as there is currently little knowledge about the consequences for sea mammals, fish and benthic fauna. There are a lot of indications that negative effects mainly in relate to the construction phase, and that offshore wind farms may also benefit the environment in the longer term. A wind farm resting on the seabed can e.g. provide shelter for fish fry and create good growth areas for fish and other organisms.

In 2013, trials started at Smøla wind farm to make the wind turbines more visible to birds through use of lights or contrast paint. The goal is to reduce the risk of bird collisions. The trials are a collaboration with Statoil, Vattenfall, Trønder EnergiKraft, NVE, the Research Council of Norway and Energy Norway, and are carried out by the Norwegian Institute for Nature Research. Photo: Espen Lie Dahl

Since 2005, Statkraft has been involved in R&D activities at the Smøla wind farm to look into how white-tailed eagles and the local variety of willow ptarmigan are affected by the wind farm, and specifically what can be done to avoid collisions between birds and turbines. The wind farm on Smøla has led to increased mortality for white-tailed eagles, and only a few eagle couples now breed inside the wind farm. However, this has not resulted in a noticeable decline in the number of white-tailed eagles in the area.

In 2014, a doctotal thesis was presented which concluded that although Statkraft's activities in Smøla have had a effect on the white-tailed eagles reproductive success whitin and in close proximity to the wind farm, the overall population of white-tailed eagles in the area is still robust and growing. Population studies of white-tailed eagles in the Smøla area indicate that most of the couples which previously bred inside the wind farm area have now found new territories away from the wind farm.

In connection with the planning and construction of offshore wind farms, considerable resources have been spent to look into possible environmental effects on fish, marine birds and marine mammals, such as seals and porpoises.
Photo: Bjørn Iuell

The research that Statkraft and several partner organisations are conducting in Smøla includes using contrast paint and UV-light on the turbines and rotor blades to increase visibility and thereby reducing the risk of collisions between the birds and the turbines. This is the only project in the world where scientific tests of this kind has been performed in full scale. The results of the project are expected in 2016. The research on birds and wind power in Smøla has been ongoing for nearly ten years, resulting in a significant amount of new knowledge about the interaction between eagles and wind power. The knowledge that the research has generated is useful, not only to Statkraft, but also for other operators of on- and offshore windpower.

Other technologies and the environment

Statkraft is also involved in activities using other technologies, primarily production of gas power (Germany), production of biopower (Germany), production of district heating (Norway and Sweden), grid distribution (Norway) and some gas distribution (Norway through Skagerak Energi).

Gas power results in carbon and NO_x emissions, and discharge of cooling water. NO_x can contribute to overfertilisation, while discharge of cooling water can impact biodiversity in nearby river systems. Statkraft's gas power plants are some of Europe's most modern power plants, with high efficiency, good treatment facilities and low emission and discharge risk. They are located in industrial areas where the additional impact from our plants has little environmental impact.

OVERVIEW OF ENERGY EFFICIENCY IN STATKRAFT'S GAS POWER PLANTS	
Norway:	
Kårstø	58-59%
Germany:	
Herdecke	59%
Knapsack I	58%
Knapsack II	59%
Emden	53%
Robert Frank	43%

The operation of district heating plants and biopower plants generates NOx emissions, and district heating plants also emit SOx, which can contribute to acidification of river systems. The amount of SOx emitted varies with the energy source used. Emission and discharge figures are carefully followed up to ensure that the plants comply with their licences.
For district heating plants that use waste as fuel, there may also be challenges in the form of odours, and the activity generates large volumes of hazardous waste.

Environmental challenges in connection with grid activities are primarily related to radiation from power lines and landscape impact, which in turn can change visual qualities and the opportunities for recreational activities in the area.

For gas distribution, the risk lies primarily in gas leakages. This distribution is subject to detailed guidelines and controls covering environmental, health and safety risks.

Statkraft and the climate

Statkraft offers clean and sustainable energy solutions and in this manner supports a global transition to a low-carbon economy. Climate change and global warming are among the greatest challenges of our day, and the UN climate panel's most recent report from 2013 confirm that the global climate changes are anthropogenic. The IPCC has previously pointed out that increased use of renewable energy may be the single most important measure against climate change.

The picture shows the extent of the flooding in Rena in Norway on 23 May 2013.

Statkraft's Climate Advisory Panel

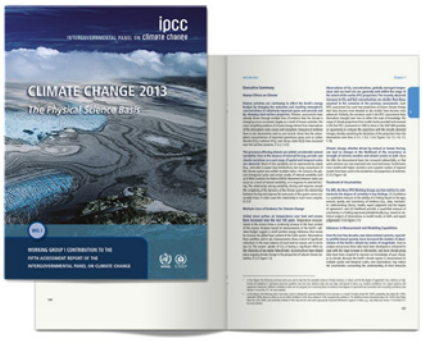
Statkraft's activities have a very long perspective and climate change will influence both operations and business opportunities significantly, e.g. through influencing energy sources (precipitation, run-off and wind) and through changes in the political framework.

In order to meet the challenges caused by climate change, Statkraft has established an internal, cross-disciplinary workgroup, Statkraft's Climate Advisory Panel (CAP). The Climate Advisory Panel's main mission is to coordinate the Group's efforts in relation to climate issues, and raise the Group's understanding of climate issues.

Based on information from international processes and key climate issue forums, as well as internal analyses of the climate situation, Statkraft has chosen a specific climate scenario as a starting point for the Group's long-term strategy work.

In some locations, climate change will result in more water, in other locations less. Statkraft can contribute to dampening the effects of climate change by using its own installations for e.g. flood control. In dry countries, reservoirs can also be used for irrigation and water supply.

Corporate Management adapted a climate policy statement in 2014 which states that Statkraft's most important contribution in relation to climate change is contributing to the transition towards a low-carbon society and the development of a climate resilient economy. Statkraft's most important contribution is to – in a sustainable manner – produce renewable and flexible energy which can facilitate more variable energy sources (solar and wind). Statkraft's climate assessments are to be based on research, in-depth analysis and scientific evidence. Central to this is the IPCC assessments and the UN climate convention.



Statkraft's climate programme

Statkraft's assessments and adaptations in relation to climate changes shall be based on international expertise and recognised research results. On this background, Statkraft has established a research programme whichfocuses on the development of business-specific climate knowledge and will contribute to adapt the global climate models to planning and operation.

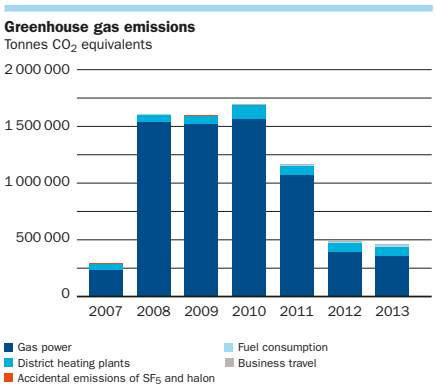
The climate programme works closely with Statkraft's Climate Advisory Panel and has two main objectives:

- understanding the physical impact of climate change and recommend possible adaptations
- contributing to development of scientific methods which can be used to consider how climate change will affect us commercially

The program will run over several years and has a budget of NOK 10 million per year.

Climate Round Table

In 2014, Statkraft hosted the second Climate Round Table with selected participants from commerce and industry, key international climate researchers and – advisors and NGOs. This year's Round Table addressed topics related to drivers of economic growth and the role of business in the transition towards a low-carbon society.



Statkraft's emissions of greenhouse gases

Most of Statkraft's portfolio is more or less emission-free hydropower and wind power production, and the Group's emissions of greenhouse gases are therefore relatively low. The majority of the Group's total emissions of greenhouse gases comes from the gas power plants in Germany. For Statkraft's consolidated power production emissions of CO_2 equivalents amounted to 383 700 million tonnes, corresponding to a relative emission of CO_2 equivalents of 8 kg/MWh in 2013. Emission figures for 2014 will be reported in next year's report.

The Group buys ordinary carbon quotas in the international carbon quota market to compensate for greenhouse gas emissions from that part of the business that is not subject to mandatory quota schemes. This applies to emissions related to fuel consumption, business travel and any accidental emissions of the greenhouse gases halon and SF6. In 2014, the emissions from these sources amounted to 40 960 tonnes of CO_2 equivalents.

Emission quota and green energy trading

Statkraft actively sells certified electricity from renewable sources to distribution companies that want to or are required to supply their customers with green electricity. Statkraft sources and markets these certificates under Europe-wide schemes as well as national schemes in the UK, Italy, Poland and in Norway/Sweden.

Statkraft is also engaged in trading emissions worldwide. We actively trade the major carbon currencies and deal with compliance companies looking to satisfy their obligations under the European Emission Trading System (EU ETS). With new carbon markets developing worldwide, we increase focus on our international activities.

Consumption, emissions, discharges and waste

Statkraft's activities do not cause waste production, emissions or discharges to any significant degree. Data for the Group's energy consumption, emissions and discharges, waste volumes and environmental incidents are reported in the corporate responsibility statement.

Electricity consumption

In 2014, electricity consumption in Statkraft was 899 GWh, of which 74% was used for pumped-storage hydropower. Electricity use in the Group is certified as renewable in accordance with RECS.

A major energy efficiency project has been ongoing at Statkraft's Norwegian hydropower plants since 2010. The purpose of the project is to reduce internal energy consumption, primarily through installation of control systems for pumps, ventilation, heating and lights. The project is now in the final phase, and the preliminary results from the participating hydropower plants indicate a reduction in electricity consumption of between 33 and 38%.
A different energy efficiency measure has been implemented in Germany. During the construction of Knapsack II, provisions were made for transfer of steam from Knapsack I. Normally, electric boilers are used when starting up gas power plants, but with the transfer of steam between the two plants, the use of electric boilers can be reduced substantially.

Local pollution

Statkraft faces few challenges as regards local pollution. The greatest environmental risk is associated with oil spills from vehicles, construction equipment and production equipment. New routines have been introduced for registration of equipment containing oil, and use of bio oils and the switch to equipment with water-lubricated bearings also help reduce the risk of oil spills. There were no oil spills with permanent damage to the external environment in 2014.

There can be local challenges associated with noise and dust in connection with transport and construction, and we have also experienced challenges with odours and ash emissions from the district heating plants.

Statkraft's new gas power plant in Germany, Knapsack II, is built in an area previously polluted by chemical industry. In connection with the development, a rehabilitation programme for polluted ground has been established in cooperation with the authorities and other expertise. The programme will address environmental, health and safety risks.

Waste handling

Statkraft's operations generated about 60 400 tonnes of hazardous waste in 2014. More than 97 per cent of this was residual products from the biomass plant in Germany and the district heating plant in Trondheim, which mainly uses waste as energy source. In addition, 7 700 tonnes of other waste was generated. Statkraft goal is to separate as much as possible of the generated waste at source, and 74% of the waste (hazardous waste not included) was source separated in 2014.

Environmental incidents

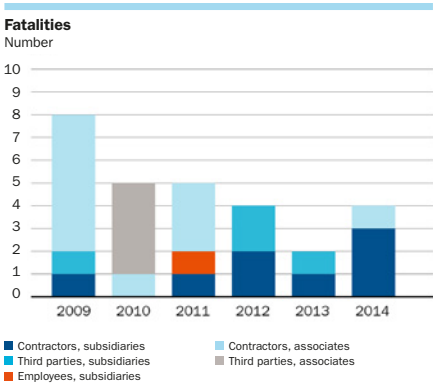
Environmental incidents are recorded and followed up systematically throughout the Group and reported regularly to the management and board of directors. No serious environmental incidents have been registered since 2008. In 2014, 159 minor environmental incidents with little or no impact on the environment were reported. Most of them concerned short-term breaches of the river management regulations for hydropower plants and minor oil spills.

Health and safety

Safety is our top priority in Statkraft and our objective is zero injuries for both our own employees, contractor personnel, suppliers, partners and third parties. The desired safety culture shall permeate the entire organisation and be characterised by transparency and a desire to learn - both from our own mistakes and from successful improvement measures.

Accidents

Unfortunately, there were two fatal work-related accidents in 2014 in connection with Statkraft's activities. Both accidents took place in development projects, one in Albania and one in Panama. In total, 106 lost-time injuries and 170 injuries overall were recorded among the Group's employees and contractors in 2014. This corresponds to an injury frequency rate (TRI) of 5.5 and lost time injury rate (LTI) of 3.4.

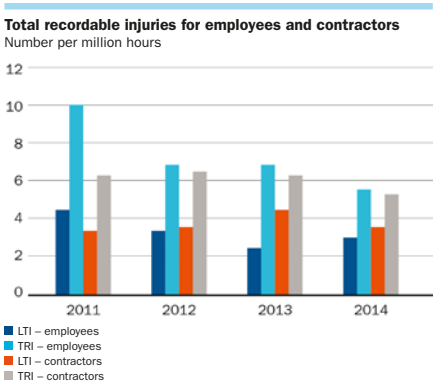


Fatal accidents

A total of four fatalities occurred in two work-related fatal accidents in Statkraft in 2014.

One of the accidents took place in the Devoll project in Albania, which is wholly owned by Statkraft. In this accident, there were three fatalities following a rockslide in the vicinity of Moglice in the Devoll valley. The fatalities were employees in a rockfall protection company that was securing the rock face for one of Statkraft's road contractors. The main conclusion from the investigation is that challenging weather and precipitation conditions had substantially increased the risk of a slide, and that this was not sufficiently considered when executing the work. The practice for executing this type of work has been changed after the accident.

The other accident took place in the Bajo Frio project in Panama, where Statkraft has an indirect ownership interest of 25%. In this accident, a barrel came loose from a mobile crane and struck multiple people who were under the crane. There was one fatality and one serious injury. The accident investigation uncovered multiple breaches of the project's requirements and guidelines and several improvement measures have been implemented.



Injuries

The LTI indicator (number of lost-time injuries per million working hours) was 3.0 among Group employees, while LTI among the Group's contractors was 3.7. Correspondingly, the TRI indicator (number of injuries per million working hours) among Group employees was 5.6 and 5.4 among contractors. In total, 170 injuries were recorded among the Group's employees and contractors, 106 of which were lost-time injuries.

In 2014, 19 injuries were registered where the consequences were or could have been serious, and a total of 58 incidents (injuries and near-misses) with a serious injury potential. Such incidents are subject to investigation in order to identify the cause, course of events and preventive measures, and also to disseminate experiences and knowledge across the organisation.

The trend as regards the injury frequency rate is in the right direction, but there is still room for improvement toward reaching the goal of zero injuries. Especially in larger development projects, there is a strong focus on establishing a good safety culture. The tools used to achieve this are clear requirements for expertise throughout all projects and close follow-up of safety in the workplace.

Hazardous conditions and near misses

All accidents, near-misses and unsafe conditions are registered in a joint follow-up and analysis tool. More than 10 000 incidents were registered in 2014. Both near-misses and unsafe conditions are followed up in the same manner as actual accident situations, and conditions which recur or could have had serious consequences are subjected to analysis and follow-up in order to identify the chain of causation. This allows us to elevate expertise concerning work situations with a risk potential, which makes us better equipped for good planning and preventive measures that can reduce the risk of accidents.

Preventitive health and saftey work

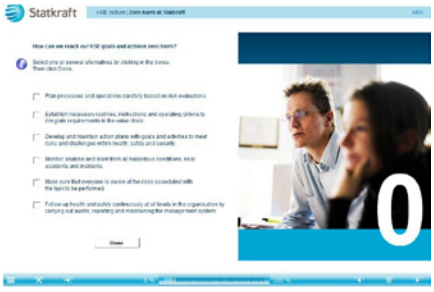
Follow-up of health and safety is a line responsibility in Statkraft. This means that each unit has an independent responsibility for efforts and follow-up relating to the health and safety performance. Clear requirements and guidelines, health and safety awareness in all situations and close follow-up in both operating and project activities are important elements of the effort to achieve good health and safety performance.

Statkraft's safety culture

Statkraft's goal is zero work-related injuries. This is a logical, yet ambitious goal. In order to reach this goal, Statkraft is working systematically to establish a safety culture based on transparency and a desire to learn, both from own mistakes and from good planning and successful improvement measures.

The identification and assessment of safety risks before all activities is a fundamental requirement, and work must be planned to ensure safe execution. All accidents, near-misses and hazardous conditions are therefore recorded and followed up in a consistent and structured manner, and sharing of lessons learned and experiences across the organisation is encouraged. Statkraft's management and follow-up of health and safety work are based on the requirements in the OHSAS 18001 standard and international good practice, and the same requirements apply in all activities.

The injury frequency for our own employees and contractors in both regular operations and projects is included as an indicator in the Group's score card, which is followed up monthly by the Group management and Statkraft's board of directors.



Example from Statkraft's web-based health and safety course.

Health and safety expertise

All Statkraft employees are given training in safety risk and working environment, adapted to their individual working situation. Health and safety is part of the introduction programme for new employees, as well as the Group's management programmes. In addition, there is a basic, web-based course on Statkraft's safety culture and work, which is available to all employees.

There is furthermore a more extensive web-based health and safety course aimed at operative operation and project activities which e.g. reviews the identification of safety hazards, working at heights, handling mobile installations, traffic safety, electrical installations, planning and coordination of safety work and emergency preparedness work.

Statkraft's project manager programme has a module which covers planning and coordination of health and safety work. This is a more extensive programme which consists of both classroom instruction and web-based training.

Training is also given in specific health and safety topics as required. Examples of such topics include investigation of serious incidents, operation of electrical installations and first aid courses.

Networks and industry associations

Statkraft is a member of several national and international networks and industry associations which follow up health and safety issues in different ways. These are important arenas where people can exchange experiences and continuously acquire updated knowledge and information about health and safety in the energy industry. Examples of such networks and associations include:

- **Energy Norway:** Energy Norway is an industry association representing about 270 Norwegian companies engaged in generation, distribution and trading of electricity. Energy Norway works actively to improve the health and safety work in the Norwegian energy industry.
- **British Wind Energy Association (BWEA):** BWEA is the leading industry association for wind power in the UK and works to develop industry guidelines for health and safety.

- **International Hydropower Association (IHA):** IHA is an international organisation promoting the role of hydropower in establishing sustainable energy solutions. IHA has developed the IHA Sustainability Guidelines, which is a framework to monitor the degree of sustainability for hydropower plants, including the health and safety aspect.
- **G9 Offshore Wind Health and Safety Association:** Statkraft is one of nine companies which established G9 in 2012 and which will promote health and safety for offshore wind power. Statkraft is a board member and also participates actively in the working groups Working at Heights, Marine Operations and Lifting Operations.
- **National Safety Council of India (through SN Power):** The National Safety Council has been established by the Indian government with a mission to promote health and safety work at the national level in India.

Cetin HSE Academy. HSE is in focus when maintenance work is performed on one of the new offshore windmills at the Sheringham Shoal field.

Focus on health and safety

Statkraft works in a goal-oriented manner to clarify requirements and maintain close follow-up of health and safety work. In the following we will present a few examples of such follow-up and improvement activities in 2014.

- The Cetin HSE Academy was established in 2014 in connection with the Cetin development project in Turkey. The Cetin HSE Academy is a facility where everyone scheduled to work in the project will be provided with safety training in line with their area of responsibility. One important purpose of this facility is to raise awareness concerning health and safety work. Training will also be provided to better handle situations with a risk potential. There will be an opportunity to train for a long list of risk activities, such as working at heights, blasting work, scaffolding work, work on live electrical installations and tunnel work. This facility is a milestone as regards preventive safety work.
- An extensive improvement program, Optimum, is under way in the Power Generation business area. This program has addressed health and safety as one of several important improvement areas. Continuous learning, simplification and cooperation across technical disciplines, as well as increased focus on energy control and improved control over high-risk activities, are some of the measures identified for improving results and securing a sustainable corporate culture within these areas.
- The Wind Power business unit is an active participant in the G9 Offshore Wind Health and Safety Association to increase expertise concerning risk activities in the offshore wind sector. Statkraft is a board member and also chairs the working group that is developing guidelines for working at heights in such projects. Statkraft is also participating actively in working groups for marine operations and lifting operations. “GP Good Practice Guidelines” were published in December 2014. Work of this nature is important in order to reduce risk at heights as much as possible, and to incorporate new expertise in further project development.

Investigation of serious incidents

All accidents, near-misses and unsafe conditions are registered in a group-wide follow-up and analysis tool. This tool allows us to analyse and efficiently follow up incidents.

Serious incidents with, or with a potential for, serious consequences are investigated according to a fixed procedure in order to fully understand the course of events. The investigation is summarised in a report which describes the detailed course of events, causal links and implemented short and long-term measures. The investigation report is followed up by the responsible unit, as well as the relevant boards. A brief version of the investigation report is made available throughout the organisation to enable us to learn from mistakes and avoid recurrences.

Absence due to illness

Absence due to illness in Statkraft has been stable, and was 2.8% 2014, which is within the goal of an absence due to illness rate lower than 3.5%. All Norwegian companies in the Group have entered into Inclusive Workplace (IA) agreements, with active follow-up of absence and adaptation of the work as needed by the employee.

Security

Statkraft works systematically in relation to security and emergency preparedness and aims to comply with international best practice. The handling of security issues is based on recognised principles.

Statkraft takes a comprehensive approach to security topics, and in 2014 we identified improvement areas and measures which will ensure secure that Statkraft is on a par with good international practice.

In Statkraft, the area of security encompasses personnel security, physical security, IT system security and information security. In a critical situation, these areas will be handled together by a coordinating staff function, while the daily follow-up is handled in the line.

The Group's guidelines for securing personnel and assets are based on national guidelines and internationally recognised principles:

- Guidelines and recommendations from the Norwegian National Security Authority, the Police and Norwegian Armed Forces
- The Voluntary Principles on Security and Human Rights
- The UN Principles on the Use of Force and Firearms by Law Enforcement Officials
- The UN Code of Conduct for Law Enforcement Officials

Demonstration against hydropower project in India.

Risk assessment

The security situation, as regards e.g. political instability, terrorism, sabotage and organised crime, is assessed continually in all areas where Statkraft has a presence. Such assessments are made both at the corporate level and by the individual unit. Measures will be considered upon changes in the security situation, e.g. reinforced security routines and travel restrictions.

Emergency preparedness

All business units, country offices and operative units in Statkraft have established emergency preparedness plans in order to handle emergencies in a structured and systematic manner. In addition, there is an overall Group emergency preparedness plan describing procedures for notification, interaction, information sharing and communication in a crisis. The emergency preparedness plans are regularly revised, and regular drills are held on small and large scales.

Large parts of the Muslim world engaged in large-scale protests following the publication of drawings of Mohammed in Norwegian media.

Securing Statkraft's assets

All of Statkraft's buildings, plants and infrastructure are secured against unauthorised access. The purpose of this is to secure the Group's assets against external threats and vandalism, but also to protect third parties against any safety risks in connection with the Group's installations.

Statkraft is involved in development activities in countries and areas which can be politically unstable. This may result in an increased need for guards and security measures for people and assets. If the threat situation so warrants, this may involve armed guards.

Business ethics

Statkraft is committed to ensuring a high level of integrity in the company and has a zero tolerance for corruption. With rising exposure in markets exposed to corruption, Statkraft works actively to safeguard a sound internal business culture and develop robust anti-corruption measures.

Our commitment

Statkraft's commitment to a high level of integrity is clearly stated in the Code of Conduct, approved by the Board of Directors. Statkraft has also adopted detailed guidelines for business ethics and anti-corruption. Statkraft endorses the ten principles of the United Nations Global Compact, which include a clear standard for business ethics.

Challenging arena – clear position

Statkraft is present in a wide range of markets. Some of these rank high on Transparency International's Corruption Perception Index, and particular care is taken to handle corruption risk in these markets. Statkraft works actively to ensure a sound internal business culture and develop robust anti-corruption measures. Examples of such work include training of employees, background checks of potential partners and incorporation of relevant clauses in contracts. In order to facilitate consistent and systematic handling of ethical issues, each business unit in Statkraft now also has an Integrity Manager, while an Integrity Officer function has been established at the corporate level.

One of Statkrat's guidance tools: a Quick Guide on business ethics in Statkraft.

A risk assessment and mapping of need in each of Statkraft's business areas were carried out in 2014. With this background, customised solutions for expertise enhancement and other corruption-preventive measures will be developed.

Furthermore, a new training programme relating to business ethics and anti-corruption has been adopted, where all employees will receive training adapted to their challenges by the end of 2015. Good management is particularly important in this topic, and dilemma training for all top executives was implemented in 2014.

Statkraft has prepared practical guidelines that will strengthen the awareness concerning ethical dilemmas and help employees to handle ethical challenges. The guidelines are a supplement to governing documents, the existing anti-corruption work manual and anti-corruption e-learning programme.

Whistleblower channel

Statkraft wants transparency surrounding dilemmas and ethical issues, and systems are in place to provide all employees with guidance and advice with regard to interpretation of Statkraft's code of conduct and desired behaviour. Statkraft's code of conduct emphasises that employees have both the right and duty to report breaches of legal or ethical obligations through the line organisation or the Group's whistleblower channel, which is handled by Group Auditing.

The whistleblower channel was improved in 2014 and is now also open for external stakeholders. Group Auditing received five internal whistleblower cases in 2014.

Role in society

Statkraft creates substantial value, both directly and indirectly, in societies where we are present. In 2014, the Group's economic value created amounted to NOK 22 312 million. Gross investments totalled NOK 11 180 million, of which NOK 3844 million was invested in Norway and NOK 7336 million abroad.

Economic value creation

The Group's financial value creation amounted to NOK 22 312 million in 2014 (20 824). Values created are distributed to a number of stakeholders, in Norway and abroad.

Social accounts

- Economic value creation: NOK 22 312 million
- Dividend to the state: NOK 6007 million
- Taxes and fees to the state and municipalities in Norway: NOK 6059 million

Tax contribution

- Tax contribution to Norwegian municipalities: NOK 1518 million
- Tax contribution to the ten municipalities that received the largest tax contributions: NOK 745 million (49%)
- Five municipalities receiving the largest tax contributions:
  - Vinje – NOK 107 million
  - Hemnes – NOK 96 million
  - Suldal – NOK 91 million
  - Rana – NOK 82 million
  - Odda – NOK 78 million

Investments

- Total investments: NOK 11 180 million
  - Of which in Norway: NOK 3844 million
  - Of which abroad: NOK 7336 million

Goods and services purchased

- Total consumption: NOK 6807 million
- Total number of suppliers: 8568

Employment

- Number of employees as of 31 Dec. 2014: 3731
  - Of which in Norway: 2454 (66%)

Innovation

Statkraft's innovation activities shall contribute to strengthen the competitiveness of the Group's core business areas. Business development, long-term expertise building and focused R&D programmes are all key aspects of this work.

R&D climate programme established

Through targeted R&D programmes, we want to strengthen our competitive advantage and develop new business models. Multi-year R&D programmes have been established, closely linked to the Group's strategic focus areas, hydropower, wind power and bio-energy.

Statkraft has also established a dedicated climate R&D programme that will e.g. focus on developing business-specific climate knowledge and contributing toward ensuring that the global climate models are adapted to planning and operations.

The Bucket Foundation is lowered into the sea at Doggerbank

Examples of innovation projects in 2014:

- **Bio-energy:** Liquid biofuel is a research activity addressing the business opportunities in the bio-energy market. This project is assessing the possibility of producing liquid fuel for road transport based on forest resources.
- **R&D Climate:** Climate change has already led to increased temperatures and altered precipitation levels. This trend will continue to affect hydrological conditions where Statkraft has development interests. The effect of climate change on future access to water is therefore the topic of multiple research projects in Statkraft. There are vast differences from region to region and a good analysis requires models both for climate and hydrology, in addition to good basic data.
- **Wind power:** In 2014, Statkraft was granted a license to install a test turbine for offshore wind on Smøla. This turbine will be used to test, qualify and harvest operational experience that may be relevant in future offshore wind power projects and will have an installed capacity of up to 8 megawatts (MW). Annual production from the turbine is calculated at just above 20 GWh. The turbine will be included in the ongoing study and research work linked to birds and wind power that is under way at the existing wind farm on Smøla.

Stakeholder engagement

Many people, organisations and local communities are directly or indirectly affected by Statkraft's activities. We shall show respect for the local communities, societies and cultures in which we are present in all dialogue with stakeholders. We want to build trust in our company by engaging in open dialogue with stakeholders.

Active and long term involvement

As a power producer with long term perspectives, it is in the interest of both Statkraft and our stakeholders to develop sustainable solutions. Success in this regard can best be achieved in open dialogue and interaction with those affected by the company's activities. Important partners in this dialogue include the Owner, elected officials, villages physically affected by a projects presence, employees, customers, suppliers, local and regional authorities, voluntary organisations and the media. Disclosure of relevant project information helps affected communities understand the risks, impacts and opportunities of the project.

Collaboration with NGOs

Many people, organisations and local communities are directly or indirectly affected by Statkraft's activities. We shall show respect for the local communities, societies and cultures in which we are present in all dialogue with stakeholders. We want to build trust in our company by engaging in open dialogue with stakeholders.

Statkraft entered into formal partnership agreements with WWF Norway, Bellona, the Norwegian Society for the Preservation of Nature and the Norwegian Red Cross in 2012. Statkraft also has a conference partnership with Zero.

Partnership with WWF in Turkey and Albania

Through the main partnership agreement with WWF Norway, Statkraft has continued its collaboration with WWF locally in Turkey and with WWF International in Albania. The purpose of this collaboration is to further develop hydropower as a sustainable renewable energy source.

The project "sustainable hydropower production in Turkey" aims to increase knowledge about different methods of inducing an environmentally tailored rate of water flow in regulated river systems. This project also aims to promote this knowledge vis-à-vis various stakeholders in Turkey and partake in future discussions concerning new guidelines for environmentally tailored rates of water flow in Turkey. The project was established in 2013 and continued in 2014.

In Albania, Statkraft collaborates with WWF International and WWF Norway in testing the IHA's (International Hydropower Association's) Hydropower Sustainability Assessment Protocol. The protocol was tested in 2013. In 2014, a dialogue process was conducted in order to facilitate continuation of the project.

Corporate responsibility in development projects

As a power producer Statkraft is involved in several development projects in different parts of the world. Most of these are in emerging markets, but there are also substantial developments in Northern Europe for different technologies. In the following sections we present examples of how we have addressed corporate responsibility in 2014.

Devoll Hydropower Project – Hydropower in Albania

The Devoll Hydropower Project (Devoll HPP) in Albania consists of a cascade of hydropower plants along the Devoll River with a planned installed capacity of 256 MW. Production is estimated at 729 GWh/year.

- Ownership: Statkraft 100%
- Capacity: 256 MW
- Development phase: Under construction

Village consultation in Dushk.

Improved systems for waste management is a central part of the on-going work.

Corporate responsibility challenges and measures

Security has, from the very beginning, figured prominently in the Devoll-project. The size of the project, with over 2000 people working in the construction phase - whereof many unskilled - as well as challenging terrain, means that the security risks are numerous and encompassed a variety of disciplines. Strict security requirements have therefore been put in place, and solid security expertise is emphasized on all levels. Everyone involved in the project is given both general and, if required, more targeted safety training. Safety inspections are conducted regularly. Unfortunately there was nevertheless a fatal accident in 2014. Three people were killed when they were hit by a landslide whilst securing the access road to one of the units.

The Devoll HPP currently has a team of approximately 30 on-site employees and consultants involved in managing environment and social affairs. The project prepared an Environmental and Social Management Plan in 2013 comprising all environmental and social mitigation measures and providing a general framework for resettlement, livelihood restoration, social development and environmental management as well as monitoring indicators. This plan is implemented through detailed Annual Implementation Plans.

The main social impacts relate to the loss of agricultural and horticultural land, and the loss of livelihood associated with this impact, and roads. The project carried out a range of initiatives in 2014 to compensate for these anticipated losses. The overall goal is to mitigate ahead of impacts, pre-empting any economic difficulties that could be faced by the local population at the time of inundation.

The main initiative is the implementation of the Livelihood Support and Development Program. The program provides various agricultural and livelihood inputs and technical assistance to households directly affected by the project. The focus is on providing in-kind support and technical assistance, for example, in the form of veterinarian services, fruit pruning, etc.

In addition to the support provided for each household directly impacted by the project, village level solutions were also implemented based on community requests for two of the villages affected by Banjë HPP. The village of Shushice e Vogel has been supported with the construction and rehabilitation of an irrigation scheme (300 ha command area). The village of Mazrek has received support in the form of improved road access.

In order to identify impacts on physical assets and income sources, Statkraft has complied a comprehensive inventory and socioeconomic survey for the hydropower project in the upper part of the valley.

The main environmental impacts of the Devoll HPP relate to the changes in the hydrology of the Devoll River and the creation of reservoirs. Water quality, currently being monitored on a regular basis, will be the focus of environmental mitigation efforts going forward, including improved urban waste management and sewage treatment for Gramsh town which is located at the tail end of the Banjë reservoir.

Statkraft is working closely with local government in order to establish a clear hand-over procedure and exit strategy for the sewage and waste water facilities, as well as ensure maintenance of the plant after the construction phase is completed.

Statkraft is committed to compensating for loss of natural resources due to inundation. Areas for reforestation have been identified. Approximately 250ha will be reforested in the Banjë area in 2015.

Hydrology, sediment, meteorology and water sampling have been performed throughout the year. The established time series will be used in the up-coming planning and transition into operation phase and future market forecasts. In addition, the collected data are used as part of a Statkraft-wide Research and Development Program on developing future sediment handling strategies. The R&D program aims to develop new technologies and methods for improving the accuracy and predictions of sediment amounts and characteristics.

Kargı Hydropower Project – Hydropower in Turkey

Located in central Turkey, the Kargı Hydropower Project (Kargı HPP) is currently under its final stages of construction. Upon completion the plant will have an installed capacity of 102 MW.

Kargı HPP will have an annual maximum delivery of 470 GWh.

- Ownership: Statkraft 100%
- Capacity: 102 MW (from two hydropower plants)
- Development phase: Under construction. Scheduled to start operation in April 2015

Around 300 people are currently working on the plant construction.

One of the local bee farmers is looking after his bees.

Corporate responsibility challenges and measures

In 2014, Kargı HPP continued to carry out a close dialogue with its stakeholders through individual and community level consultations at the Osmançik community relations office and throughout project affected villages. Providing a consistent message and being visible to project affected people greatly contribute to maintaining trust and cooperation.

Information sharing about project developments and facilitation of ongoing legal processes for land access and promotion of new livelihood initiatives continued to be the main content of the dialogue for communities impacted by inundation of fields upstream of the dam. In downstream areas, the focus has been on ensuring irrigation systems are improved and rice production can continue during operation.

In 2014 the project's livelihood restoration initiative emphasized support of apiculture. Currently a total of 17 bee farmers are receiving support for the managing their 258 beehives. Additional activities carried out by the corporate responsibility unit in Kargi include renovation of a school in Osmançik and improvement of drinking water facilities at one affected village.

In preparation for operation in 2015 an Environmental and Social Management Plan for Operation is being developed. The plan provides a framework to mitigate and control environmental and social impacts resulting from planned operation.

Cheves Hydropower Project – Hydropower in Peru

In 2011, SN Power started construction of Cheves hydropower plant (Cheves HPP) in Peru, the company's ninth hydropower plant in the country. As part of the 2014 "Magnet process" all SN Power Peru's assets were transferred to Statkraft.

- Ownership: Statkraft 100%
- Capacity: 168 MW
- Development phase: Under construction, scheduled to start operation in 2015

Local fruit farmer inspecting his crop.

Corporate responsibility challenges and measures

The main corporate responsibility focus for the project has been to ensure a social license to operate by maintaining good relations with local government and surrounding communities.

In 2014, Statkraft established a cooperation framework with the communities directly influenced by the project. This includes agreements with the Huacho and Andajes communities which were previously opposed to the project. Moreover, 10 sustainable rural development projects were successfully implemented this year, which benefited approximately 2500 villagers. This includes projects aimed at improving the production and management capabilities of fruit producers in the Huara River Basin.

In compliance with IFC performance standards, an Environmental Flow Management Plan was completed for the operation phase. The plan outlines all the monitoring and mitigation plans for water quality and environmental monitoring, and was approved by the IFC in September 2014.

An Emergency Preparedness Plan, incuding an early warning system, was completed for the Checras dam. Safety drills were performed as part of training initiatives aimed at the surrounding villages.

Çetin Hydropower Project – Hydropower in Turkey

In 2014, Statkraft continued construction of the Çetin hydropower plant (Çetin HPP), the company's third hydropower project in Turkey.

With a total output of 517 MW, Çetin HPP will be Statkraft's largest hydropower plant outside of Norway and will have an annual maximum delivery of 1.4 TWh.

- Ownership: SN Power 100%
- Capacity: 517 MW (from two hydropower plants)
- Development phase: Under construction

At most, close to 1500 people will be working on the plant during the construction period.

Local village consultation taking place at Mukhtar village.

Irrigation work close to the Cetin plant.

Corporate responsibility challenges and measures

In 2014 developing local infrastructure and providing consistent information to the project affected villages were key priorities. The project also finalized an entitlement matrix, providing a clear and consistent approach to stakeholder management and compensation.

Village Consultations

Providing a consistent message and being accessible for project affected people remain as key success factors. In addition to operating community relations offices at the project site and at Pervari district center, local village consultations continue for project construction areas and for the future reservoir. The purpose of such consultations is to disseminate information about the project and its impacts, to explain entitlements and compensation, and to present recruitment procedures and grievance mechanisms. A crucial aspect of the consultation meetings is that information is shared in a consistent manner to all stakeholders. Consultations were initiated towards the end of 2014 as the new contractor was mobilizing. Establishment of good relations with the local population is also considered an important part of Statkraft's approach to security.

Infrastructure Improvements

Through improvements in local infrastructure and services, Statkraft is contributing to regional development in project affected areas. In 2014 such activities included village road construction, irrigation piping and restoration of several water sources for animals.

Human rights

Statkraft is present in parts of the world where human rights conformance can be challenging. This is something the Group takes seriously.

Our commitment

Our duty to actively promote respect for human rights and labour rights is clearly described in the company's basic principle document, Statkraft's Code of Conduct. The guidelines in the UN's Guiding Principles on Business and Human Rights have been taken into consideration in Statkraft's management system and project management tools.

Ongoing dispute concerning development of wind power in Sweden

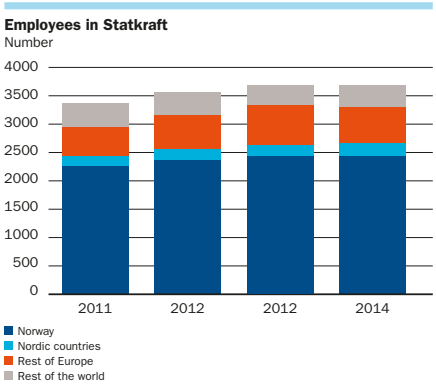
In 2012, a complaint was lodged against Statkraft before the OECD's Norwegian and Swedish contact points for multinational companies in connection with the development of wind power in Jämtland and Västernorrland counties in Sweden. Statkraft owns 60% of the company building the wind farm - Statkraft SCA Vind AB. Jijnjevaerie Sami Cooperative claims it has not been sufficiently consulted on the parts of the project that affect the Cooperative's reindeer herding, and that Statkraft is therefore in violation of the principles in the guidelines. The Sami Cooperative has therefore requested that the contact points facilitate a dialogue with Statkraft. Multiple Swedish courts have approved the project and project execution, including the consultations with parties affected by the project, which have been ongoing since 2007. The contact points carried out mediation between Jijnevaerie Sami Cooperative and Statkraft in 2014. This mediation was concluded without agreement.

Statkraft's employees

Statkraft is an attractive employer, and surveys show that the employees in the Group are among the most highly motivated in the industry. Statkraft works intently to maintain this position in the future.

Statkraft's employees

At the end of 2014, Statkraft had 3731 employees, and 34% of them worked outside Norway. Statkraft has employees in 19 countries, representing 45 nationalities.



We seek diversity when employing as this will strengthen the international development of the Group by bringing in the necessary competence on national legislation and administrative processes, language and local culture.

Statkraft strives to attain an even gender distribution in the Group, and more women in managerial positions.

Percentage of female employees	24%
Percentage of female managers	22%
Percentage of female new employees	25%
Percentage of women on Statkraft's board of directors	44%

Average service time in Statkraft is 12 years, while turnover in 2014 was 4.0%.

An attractive employer

We recruit in a focused and systematic manner, and Statkraft is an attractive employer both among recent graduates and experienced employees.

The Universum Student Survey is Norway's largest career, working life and future expectations survey among students. In the 2014 survey, engineering students ranked Statkraft seventh, while economics students ranked Statkraft as the 48th most attractive employer.

Statkraft has established a two-year trainee programme which is very popular among graduates. At the end of 2014, 14 trainees were employeed within different business areas of the Group, both in Norway and abroad. Statkraft also has a trainee programme for skilled workers.

Statkraft also has a trainee programme for skilled workers. Apprenticeships have been established in all parts of the Group for different types of trade certificates. By the end of 2014, 75 apprentices were working for Statkraft.

Leasdership development

Statkraft has its own corporate programmes for manager development. Leadership in Statkraft (LIS) is a basic course, while NEXT and Expand are aimed at experienced managers. In 2014, 42 managers participated in the Group's management programmes, 28 in LIS and 14 in NEXT. The programmes are undergoing continuous development and adaptation to new challenges, not least those created by the Group's international growth. Statkraft also has its own training programme for project managers, and 179 employees participated in these programmes in 2014. Expertise development is followed up through appraisal interviews, and employees are, in addition to courses and further education, encouraged to seek internal rotation.

Employee survey

An annual employee survey is held in Statkraft where all employees are asked to evaluate the Group's organisation and management. The survey covered topics such as leadership, cooperation, working conditions and personal development. The purpose of the survey was to compare ourselves with other companies in the industry and make Statkraft a better place to work. As in previous years, the results of the 2014 survey were very good. As regards the indicator "Job satisfaction", Statkraft's score was 74, well above the Norwegian industry index (70).

Cooperation with trade unions

Statkraft aims for a close and structured cooperation with all represented trade unions. In addition, Statkraft has established a European works council (Statkraft European Works Council, SEWC), with employee representatives from Norway, Sweden, Germany and the UK. SEWC is an important cooperation forum for coordinating and implementing principles and guidelines as regards labour issues and labour rights in Statkraft.
The Group recognises the ILO Convention on labour rights and relevant EU directives have been included in the SEWC agreement with EPSU (European Federation of Public Service Unions), the federation for European unions within the energy industry.

Corporate responsibility statement

Statkraft's corporate responsibility statement presents the results for health, safety and environment, employees, ethics and contributions to society.

Scope of statement

Statkraft reports relevant topics associated with corporate responsibility regularly. The reporting mainly follows the Group's accounting principles for treatment of subsidiaries, partly-owned power plants and associated companies.

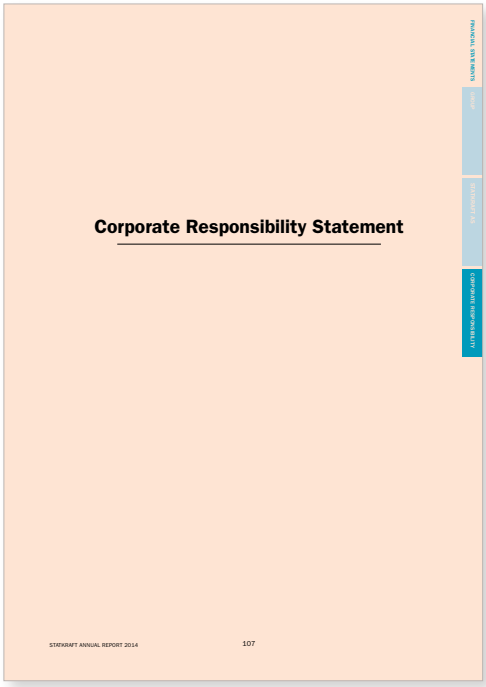
This means that data are collected from all companies where Statkraft is the majority owner and included in the statement in their entirety. However, data relating to health and safety are collected from all companies where Statkraft owns 20% or more.

The presented data should cover the entire Group, but this has not been possible for some indicators. Where this is the case, the issue is explained in the associated note in the accounts. The notes also clarify some terms, explain major changes and describe any changes in calculation methods.

Statkraft's corporate responsibility statement

Download and read Statkraft`s Corporate Responsibility Statement by clicking on the following link:

Statkraft's corporate responsibility statement 2014



Auditor's statement

Deloitte.

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To the management of Statkraft AS

Independent Auditor's Report on the Statkraft Corporate Responsibility Report 2014

We have reviewed certain aspects of Statkraft Corporate Responsibility Report 2014 ("the Report") and related management systems and procedures. The Report is part of the Statkraft Annual Report 2014 on the Internet (www.annualreport2014.statkraft.com). The Report includes the Corporate Responsibility Statement published also in the printed Statkraft Annual Report 2014. The Report is the responsibility of and has been approved by the management of Statkraft AS ("the Company"). Our responsibility is to draw a conclusion based on our review.

We have based our work on the international standard ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. The objective and scope of the engagement were agreed with the management of the Company and included those subject matters on which we have concluded below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters. We have performed interviews with management responsible for corporate responsibility aspects at corporate and at selected reporting units represented by District Heating (head-office in Trondheim, Norway), Power Generation – Region Mid-Norway (head-office in Gaupne, Norway) and Trading and Origination.

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed.

Conclusions

Based on our review, nothing has come to our attention causing us not to believe that:

- Statkraft has established management processes and systems to manage material aspects related to corporate responsibility, as described in the Report.
- Statkraft has applied procedures to identify, collect, compile and validate information for 2014 to be included in the Report, as described in the Report. Information presented for 2014 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- The management systems referred to above have been implemented and locally adopted as necessary at the reporting units that we have visited, as specified above. Information for 2014 from these units has been reported according to the procedures noted above and is consistent with source documentation presented to us.
- Statkraft applies a reporting practice for its corporate responsibility reporting aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (version 3.1) reporting principles and the reporting fulfils Application Level B+ according to the GRI guidelines. The GRI Index presented in the Report appropriately reflects where information on each of the elements and indicators of the GRIs guidelines is to be found within the Statkraft Annual Report 2014 on the Internet.

Oslo, 4 March 2015
Deloitte AS

Ingebret G. Hisdal
State Authorized Public Accountant (Norway)

Frank Dahl
Deloitte Sustainability

Global Reporting Initiative (GRI)

Global Reporting Initiative (GRI) is an independent organisation that, over the past 15 years, has worked to establish a standard for corporate reporting of social responsibility and sustainable development.

Since 2002, Statkraft has issued systematic information in its annual report about strategy and performance in connection with corporate responsibility. From 2004, the reporting has been based on GRI's guidelines and from 2010, on GRI's guidelines prepared specifically for the energy industry.

About GRI

GRI develops industry-adapted guidelines for corporate reporting of sustainability and corporate responsibility. The guidelines define both reporting principles and general and industry-specific indicators.

GRI develops reporting tools

Global Reporting Initiative (GRI) is an independent organisation which, since it was established in 1997, has worked to create a more standardised format for corporate responsibility and sustainability reporting. The most recent main version of GRI's sustainability reporting guidelines (G4) was published in 2013, but the last version (G3) can also be used in a transitional period (up to 1 January 2016). In 2009, the guidelines prepared especially for the energy industry (Electric Utilities Sector Supplement) were approved.

GRI G3 defines ten reporting principles. Four of these deal with establishing the scope and content of the report, while the other six address the quality of the information presented.

GRI G3 covers both general and industry-specific indicators, divided between core and supplementary indicators, for enterprise profile, economy, environment, working conditions, human rights, corporate citizenship and product responsibility. For all areas, companies must describe the governance and follow-up mechanisms that have been implemented.

Different reporting levels

GRI G 3 has three corporate reporting levels – A, B and C – where A is the highest level. In addition, the reporting level is marked with a "+" if the reporting has been verified by an external third party.

Statkraft's GRI Index

Statkraft's corporate responsibility reporting is based on guidance and recommendations given in the GRI's Energy Utilities Sector Supplement.

Statkraft's corporate responsibility reporting has been verified by an external auditor. The auditor's conclusion is presented in the Auditor's report:

"Statkraft applies a reporting practice for its corporate responsibility reporting aligned with the GRI Sustainability Reporting Guidelines (version 3.1) reporting principles and the reporting fulfills application level B+ according to the GRI guidelines."

Explanations
Reported = The indicator is reported.
Partly reported = The indicator is reported partly.
Missing = The indicator is not reported.
Not material = The indicator has been considered as not material at the Group level.
* = Additional indicator in GRI's Energy Utilities Sector Supplement.
EU = Indicator numbers starting with EU mean that the indicator is specific for the energy utilities sector.

PROFILE > Strategy and analysis

INDICATOR		REFERENCE	RESPONSE	STATUS
1.1	Statement from the CEO	President and CEO		Reported
1.2	Description of key impacts, risks, and opportunities	President and CEO Board of directors report Risk management Corporate governance Corporate responsibility in Statkraft		Reported

PROFILE > Organisational profile

INDICATOR		REFERENCE	RESPONSE	STATUS
2.1	Name of the organisation		Statkraft AS	Reported
2.2	Primary brands, products, and/or services	Statkraft in facts and figures Board of directors report		Reported
2.3	Operational structure of the organisation	Organisation		Reported
2.4	Location of organisation's headquarters		Oslo, Norway	Reported
2.5	Countries where the organisation operates	Statkraft in facts and figures		Reported
2.6	Nature of ownership and legal form		Stateowned limited company	Reported
2.7	Markets served	Statkraft in facts and figures Board of directors report		Reported
2.8	Scale of the reporting organisation	Statkraft in facts and figures Financial key figures Non-financial key figures		Reported
2.9	Significant changes regarding size, structure, or ownership	Board of directors report Note 3 Events since the balance sheet date Note 5 Acquisitions and business combinations		Reported
2.10	Awards received in the reporting period		Reference to note 1.	Reported
EU1	Installed capacity	Corporate responsibility statement: Installed capacity		Reported
EU2	Net energy output	Corporate responsibility statement: Power generation and district heating production		Reported
EU3	Number of different customer accounts		The mother company has approx. 6000 district heating customers. In addition, Skagerak Energi (www.skagerak-energi.no) has grid and district heating customers and Fjordkraft (www.fjordkraft.no) has electricity customers.	Reported

The table contiunues on the next page ▸▸

PROFILE > Organisational profile

INDICATOR		REFERENCE	RESPONSE	STATUS
EU4	Length of above and underground transmission and distribution lines	Corporate responsibility statement: Distribution grid and cables		Reported
EU5	Allocation of CO_2 emissions allowances or equivalent	Corporate responsibility statement: Allocated CO_2-quotas		Reported

NOTE 1:

Statkraft Peru was awarded the Sustainable Development Award by the National Society of Mining, Oil and Energy for the capacity building project to improve fruit production in the peasant community of Cahua.

PROFILE > Reporting parameters

INDICATOR		REFERENCE	RESPONSE	STATUS
3.1	Reporting period		2014	Reported
3.2	Date of most recent previous report		Annual report 2013	Reported
3.3	Reporting cycle		Annual	Reported
3.4	Contact point for questions regarding the report		info@statkraft.com	Reported
3.5	Process for defining report content	Corporate responsibility reporting		Reported
3.6	Boundary of the report (organisational)	Corporate responsibility statement		Reported
3.7	Limitations on the scope or boundary of the report	Corporate responsibility reporting Corporate responsibility statement		Reported
3.8	Basis for reporting on joint ventures, subsidiaries etc.	Corporate responsibility statement		Reported
3.9	Data measurement techniques and the basis of calculations	Corporate responsibility statement		Reported
3.10	Explanation of the effect of any re-statements	Corporate responsibility statement		Reported
3.11	Significant changes from previous reporting periods	Corporate responsibility statement		Reported
3.12	Overview of reported indicators	Statkraft's GRI index		Reported
3.13	Practice for external assurance for the report	Corporate responsibility reporting Auditor's statement		Reported

PROFILE > Governance, commitments, and engagement

INDICATOR		REFERENCE	RESPONSE	STATUS
4.1	Governance structure of the organisation	Corporate governance		Reported
4.2	Whether the Chair of the board also is an executive officer	Corporate governance		Reported
4.3	Independent and/or non-executive members of the board	Corporate governance		Reported
4.4	Mechanisms to provide recommendations or direction to the board	Corporate governance Business ethics		Reported
4.5	Linkage between compensation and performance	Corporate governance Note 37 Benefits paid to executive management and the board		Reported
4.6	Board processes to ensure that conflicts of interest are avoided	Corporate governance		Reported
4.7	Process for determining the qualifications of the board members	Corporate governance		Reported
4.8	Internally developed mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance	Vision and values Corporate governance Corporate responsibility in Statkraft Management of corporate responsibility		Reported
4.9	Board procedures for overseeing the organisation's identification and management of economic, environmental, and social performance	Corporate governance Board of directors report		Reported
4.10	Processes for evaluating the board's own performance	Corporate governance		Reported
4.11	Precautionary approach	Management of corporate responsibility		Reported
4.12	Externally developed charters, principles, or other initiatives to which the organisation subscribes or endorses	Corporate governance Management of corporate responsibility		Reported
4.13	Memberships of associations	Stakeholder dialogue Stakeholder engagement Health and safety work in Statkraft		Reported
4.14	Stakeholder groups engaged by the organisation	Stakeholder dialogue Stakeholder engagement Strategic collaborations		Reported

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PROFILE > Governance, commitments, and engagement

INDICATOR		REFERENCE	RESPONSE	STATUS
4.15	Identification and selection of stakeholders	Stakeholder dialogue Stakeholder engagement Strategic collaborations		Reported
4.16	Approaches to stakeholder engagement	Stakeholder dialogue Stakeholder engagement Strategic collaborations		Reported
4.17	Key topics and concerns raised through stakeholder engagement	Environmental activities in Statkraft Stakeholder engagement Strategic collaborations Corporate responsibility in development projects		Reported

PERFORMANCE INDICATORS AND MANAGEMENT APPROACH > Economic

INDICATOR		REFERENCE	RESPONSE	STATUS
	Disclosure on management approach	Board of directors repport Corporate governance Risk management		Reported
EU6	Short and long-term electricity availability and reliability	Board of directors report		Reported
EU7	Demand-side management programs			Not reported
EU8	Research and development activity and expenditure	Board of directors report Innovation		Reported
EU9	Provisions for decommissioning of nuclear power sites			Not material
EC1	Direct economic value generated and distributed	Economic value creation Corporate responsibility statement: Value creation, Distribution of value created		Reported
EC2	Financial implications, risks, and opportunities due to climate change	President and CEO Board of directors report Risk management Statkraft and climate		Reported
EC3	Coverage of the organisation's defined benefit plan obligations	Note 16 Pensions		Reported
EC4	Financial assistance received from government			Not reported
EC6	Spending on locally-based suppliers			Not reported
EC7	Procedures for, and proportion of senior management from the local community			Not reported
EC8	Development and impact of infrastructure investments	Corporate responsibility in development projects		Partly reported
EU10	Planned capacity against projected electricity demand over the long term	Board of directors report		Reported
EU11	Average generation efficiency of thermal plants	Corporate responsibility statement: Energy efficiency		Reported
EU12	Transmission and distribution losses	Corporate responsibility statement: Consumption		Reported

PERFORMANCE INDICATORS AND MANAGEMENT APPROACH > Environmental

INDICATOR		REFERENCE	RESPONSE	STATUS
	Disclosure on management approach	Board of directors report Corporate responsibility in Statkraft Management of corporate responsibility Environmental management in Statkraft		Reported
EN1	Materials used			Not reported
EN2	Percentage of recycled materials			Not material
EN3	Direct energy consumption by primary energy source	Corporate responsibility statement: Consumption		Reported
EN4	Indirect energy consumption by primary source	Corporate responsibility statement: Consumption		Reported
EN5 *	Energy saved due to conservation and efficiency improvements	Consumption, emissions and waste		Partly reported
EN8	Total water withdrawal by source	Corporate responsibility statement: Consumption		Reported
EN11	Locations in, or adjacent to, protected areas and areas of high biodiversity value	Corporate responsibility statement: Impact on water courses		Not reported
EN12	Significant biodiversity impacts	Environmental activities in Statkraft Corporate responsibility statement: Impact on water courses		Partly reported
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas			Not reported
EN14 *	Strategies, current actions, and future plans for managing impacts on biodiversity	Environmental activities in Statkraft		Partly reported
EN16	Direct and indirect greenhouse gas emissions	Statkraft and climate Corporate responsibility statement: Greenhouse gas emissions		Partly reported
EN17	Other relevant indirect greenhouse gas emissions	Statkraft and climate Corporate responsibility statement: Greenhouse gas emissions		Reported
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved			Not reported
EN19	Emissions of ozone-depleting substances			Not material

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PERFORMANCE INDICATORS AND MANAGEMENT APPROACH > Environmental

INDICATOR		REFERENCE	RESPONSE	STATUS
EN20	NO_X, SO_X and other significant air emissions	Consumption, emissions and waste Corporate responsibility statement: Emissions to air		Reported
EN21	Total water discharge	Consumption, emissions and waste		Reported
EN22	Total weight of waste by type and disposal method	Consumption, emissions and waste Corporate responsibility statement: Waste		Reported
EN23	Significant spills	Consumption, emissions and waste Corporate responsibility statement: Environmental incidents and issues		Reported
EN26	Mitigation of environmental impacts of products			Not material
EN27	Products and packaging materials that are reclaimed			Not material
EN28	Fines and sanctions related to environmental issues	Corporate responsibility statement: Penal sanctions, environment		Reported

PERFORMANCE INDICATORS AND MANAGEMENT APPROACH > Labour practices and decent work

INDICATOR		REFERENCE	RESPONSE	STATUS
	Disclosure on management approach	Board of directors report Corporate responsibility in Statkraft Management of corporate responsibility		Reported
EU14	Programs and processes to ensure the availability of a skilled workforce	Management of corporate responsibility Organisation and management		Reported
EU15	Percentage of employees eligible to retire in the next 5 and 10 years			Not reported
EU16	Policies and requirements regarding health and safety training	Preventive health and safety work		Reported
LA1	Workforce	Corporate responsibility statement: Employees		Reported
LA2	Employee turnover and new employee hires	Corporate responsibility statement: Employees		Reported
EU17	Days worked by contractor and subcontractor employees			Not reported
EU18	Percentage of contractor/ subcontractor employees that have undergone relevant health and safety training	Preventive health and safety work		Partly reported
LA4	Employees covered by collective bargaining agreements	Human rights		Partly reported
LA5	Minimum notice period(s) regarding significant operational changes			Not reported
LA7	Injuries and occupational diseases	Accidents Corporate responsibility statement: Injuries, Sickness absence		Reported
LA8	Assistance programs regarding serious diseases			Not reported
LA10	Average training hours per employee			Not reported
LA11	Skills management and lifelong learning	Management of corporate responsibility Employees		Reported
LA12	Performance and career development reviews	Corporate responsibility statement: Statkraft as employer		Reported
LA13	Governance bodies and employees diversity	Employees Corporate responsibility statement: Gender equality		Reported
LA14	Ratio of basic salary of men to women	Corporate responsibility statement: Equal salary		Reported
LA15	Return to work and retention rates after parental leave			Not reported

PERFORMANCE INDICATORS AND MANAGEMENT APPROACH > Human rights

INDICATOR		REFERENCE	RESPONSE	STATUS
	Disclosure on management approach	Board of directors report Corporate responsibility in Statkraft Management of corporate responsibility		Reported
HR1	Percentage and total number of significant investment agreements with human rights clauses or screening	Corporate responsibility in Statkraft		Partly reported
HR2	Percentage of significant suppliers and contractors with screening on human rights	The Statkraft Way Supplier follow-up		Partly reported
HR3	Total hours of employee training on human rights aspects			Not reported
HR4	Incidents of discrimination and actions taken			Not reported
HR5	Risk identification on freedom of association and collective bargaining	Supplier follow-up Human rights		Partly reported
HR6	Risk identification on child labour	Supplier follow-up Human rights		Partly reported
HR7	Risk identification on forced or compulsory labour	Supplier follow-up Human rights		Partly reported
HR10	Share of operations that have been subject to human rights reviews and/or impact assessments	The Statkraft Way		Not reported
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	Human rights		Reported

PERFORMANCE INDICATORS AND MANAGEMENT APPROACH > Society

INDICATOR		REFERENCE	RESPONSE	STATUS
	Disclosure on management approach	Board of directors report Corporate responsibility in Statkraft Management of corporate responsibility		Reported
EU19	Stakeholder participation in energy planning and infrastructure development processes	Management of corporate responsibility Corporate responsibility in development projects		Reported
EU20	Approach to managing the impacts of displacement	Management of corporate responsibility Corporate responsibility in development projects		Reported
EU21	Contingency planning measures and training programs	Management of corporate responsibility Security		Reported
SO1	Share of operations with implemented programs for local community impact management	Management of corporate responsibility Corporate responsibility in development projects		Reported
EU22	Number of people displaced	Corporate responsibility in development projects		Not reported
SO2	Part of business units analysed for risks related to corruption	Management of corporate responsibility Business ethics		Partly reported
SO3	Percentage of employees trained in anti-corruption policies and procedures	Management of corporate responsibility Business ethics		Partly reported
SO4	Actions taken in response to incidents of corruption			Not reported
SO5	Participation in public policy development and lobbying	Stakeholder dialogue Climate impacts		Reported
SO8	Significant fines and non-monetary sanctions for non-compliance with laws and regulations related to corruption, discrimination, accounting fraud etc		No incidents recorded in 2014.	Reported
SO9	Operations with significant potential or actual negative impacts on local communities.	Management of corporate responsibility Corporate responsibility in development projects		Reported
SO10	Measures implemented to in operations to mitigate significant potential or actual negative impacts on local communities	Management of corporate responsibility Corporate responsibility in development projects		Reported

PERFORMANCE INDICATORS AND MANAGEMENT APPROACH > Product responsibility

INDICATOR		REFERENCE	RESPONSE	STATUS
	Disclosure on management approach	Board of directors report Corporate responsibility in Statkraft Management of corporate responsibility		Reported
EU23	Programs to improve or maintain access to electricity and customer support services			Not reported
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services			Not reported
PR1	Health and safety impact assessments in the life-cycle of products and services	Preventive health and safety work at Statkraft Security		Reported
EU25	Injuries and fatalities to the public involving company assets	Accidents Corporate responsibility statement: Fatalities, Injuries		Reported
EU26	Percentage of population unserved in licensed distribution or service areas			Not material
EU27	Number of residential disconnections for non-payment			Not reported
EU28	Power outage frequency	Corporate responsibility statement: Power outage		Reported
EU29	Average power outage duration	Corporate responsibility statement: Power outage		Reported
EU30	Average plant availability factor			Not reported
PR3	Product and service information required by procedures			Not reported
PR6	Adherence to laws, standards etc. related to marketing			Not reported
PR9	Fines for non-compliance concerning the provision and use of products and services			Not reported

UN Global Compact

Global Compact is a UN initiative which encourages businesses to commit to sustainable development.

About Global Compact

UN Global Compact encourages businesses to promote activities and partnerships that contribute to meeting the UN's goal of sustainable development.

Global Compact comprises ten fundamental principles relating to employee rights, human rights, protection of the environment and combating corruption. Companies that endorse Global Compact commit to supporting and respecting the ten principles and report their performance in the various areas annually. In 2011, Global Compact introduced a scheme where all members are classified in three categories; Learning Platform, Active level and Advanced level.

Global Compact is now the world's largest initiative to promote corporate responsibility and has more than 10 000 members, including 7000 companies from 145 countries.

Statkraft's Global Compact Index

UN Global Compact encourages businesses to promote activities and partnerships that contribute to meeting the UN's goal of sustainable development.

Since 2010 Statkraft has been a member of the UN Global Compact. We believe that Global Compact's 10 principles are integrated into Statkraft's strategy and daily operations and that the company's corporate responsibility reporting satisfies the requirements to the category Active level. In the table below, references are given to Statkraft's reporting on Global Compact's 10 principles.

HUMAN RIGHTS

PRINCIPLE		REFERENCE	CORRESPONDING GRI INDICATORS*
1	Business should support and respect the protection of internationally proclaimed human rights within there sphere of influence, and	Board of directors report Corporate responsibility in Statkraft Management of corporate responsibility Human Rights	EC 5, LA 4, LA 6-9, LA 13-14, HR 1-9, SO 5, PR 1-2, PR 8
2	make sure that they are not complicit in human rights abuses.	Management of corporate responsibility Corporate responsibility in development projects Human rights	HR 1-9, SO 5

LABOUR

PRINCIPLE		REFERENCE	CORRESPONDING GRI INDICATORS*
3	Business should uphold the freedom association and the effective recognition of the right to collective bargaining,	Management of corporate responsibility Corporate responsibility in development projects Human rights Statkraft's employees	LA 4-5, HR 1-3, HR 5, SO 5
4	the elimination of all forms of forced and compulsory labour,		HR 1-3, HR 7, SO 5
5	the effective abolition of child labour, and		HR 1-3, HR 6, SO 5
6	the elimination of discrimination in respect of employment and occupation.		EC 7, LA 2, LA 13-14, HR 1-4, SO 5

ENVIRONMENT

PRINCIPLE		REFERENCE	CORRESPONDING GRI INDICATORS*
7	Business should support a precautionary approach to environmental challenges,	Board of directors report Management of corporate responsibility Environmental impact Corporate responsibility in development projects	EC 2, EN 18, EN 26, EN 30, SO 5
8	undertake initiatives to promote greater environmental responsibility, and	Statkraft offers renewable and sustainable energy solutions Environmental activities in Statkraft Statkraft and climate Corporate responsibility in development projects	EN 1-30, SO 5, PR 3-4
9	encourage the development and diffusion of environmental friendly technologies.	Statkraft offers renewable and sustainable energy solutions Innovation	EN 2, EN 5-7, EN 10, EN 18, EN 26-27, EN 30, SO 5

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ANTI-CORRUPTION

PRINCIPLE		REFERENCE	CORRESPONDING GRI INDICATORS*
10	Business should work against all forms of corruption, including extortion and bribery.	Board of directors report Management of corporate responsibility Business ethics	SO 2-6

*Source: Making the connection, The GRI Guidelines and the UNGC Communication on Progress (2007)

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