STATKRAFT AS
INTERIM REPORT Q1/11

Q1

Key figures

	Unit of measurment	Q1 2011	2010	The year 2010
From income statement				
Gross operating revenues	NOK mill.	**7 553**	10 507	29 252
Net operating revenues	NOK mill.	**7 661**	7 823	23 176
EBITDA	NOK mill.	**5 831**	5 922	15 955
Operating profit	NOK mill.	**5 251**	5 283	12 750
Share of profit from associated companies and joint ventures	NOK mill.	**395**	643	766
Net financial items	NOK mill.	**-760**	1 566	-917
Profit before tax	NOK mill.	**4 885**	7 493	12 599
Profit after tax	NOK mill.	**2 809**	4 533	7 451
Underlying result				
Gross operating revenues, underlying	NOK mill.	**7 416**	10 286	28 990
Net operating revenues, underlying	NOK mill.	**6 080**	7 813	22 721
EBITDA, underlying	NOK mill.	**4 249**	5 912	15 161
Operating profit, underlying	NOK mill.	**3 670**	5 273	12 618
EBITDA margin, underlying	%	**57.3 %**	57.5 %	52.3 %
ROACE - last 12 months	%	**17.3 %**	16.4 %	19.7 %
Items excluded from underlying result				
Unrealised changes in the value of energy contracts	NOK mill.	**1 581**	10	63
- of which unrealised value changes of Trading and origination	NOK mill.	***-137***	*-221*	131
Non-recurring items	NOK mill.	**-**	-	70
Balance sheet and investments				
Total assets, consolidated operations	NOK mill.	**159 358**	148 197	155 967
Maintenance investments	NOK mill.	**126**	231	1 000
Investments in new capacity	NOK mill.	**311**	221	1 852
Investments in shareholdings	NOK mill.	**868**	50	888
Cash Flow				
Net changes in cash flow from operating activities	NOK mill.	**3 598**	6 222	13 577
Cash and cash equivalents	NOK mill.	**22 950**	11 950	20 052
Production and price				
Total volume sold (TWh)	TWh	**14.9**	18.3	57.4
- of which hydropower (TWh)	TWh	**13.1**	15.9	50.1
- of which wind power (TWh)	TWh	**0.3**	0.2	0.6
- of which gas power (TWh)	TWh	**1.5**	2.2	6.6
- of which bio power (TWh)	TWh	**0.0**	0.0	0.0
Average systemprice, Nord Pool (EUR/MWh)	EUR/MWh	**66.2**	59.8	53.1
Average spotprice (base), EEX (EUR/MWh)	EUR/MWh	**51.8**	41.1	44.6
Average spotprice (peak), EEX (EUR/MWh)	EUR/MWh	**62.0**	50.9	55.0
Average gasprice , TTF (EUR/MWh)	EUR/MWh	**22.2**	13.4	17.4
Staff				
Full-time equivalents (no.)	Number	**3 292**	3 282	3 301
Net operating revenues, underlying per segment				
Nordic hydropower	NOK mill.	**4 145**	5 516	15 662
Continental energy and trading	NOK mill.	**238**	627	1 957
International hydropower	NOK mill.	**191**	156	679
Wind power	NOK mill.	**114**	69	261
District heating	NOK mill.	**115**	96	359
Industrial ownership	NOK mill.	**1 169**	1 162	3 550
Other activities	NOK mill.	**169**	314	842
Eliminations	NOK mill.	**-60**	-127	-589
Statkraft Group	NOK mill.	**6 080**	7 813	22 721
EBITDA, underlying per segment				
Nordic hydropower	NOK mill.	**3 440**	4 747	12 665
Continental energy and trading	NOK mill.	**-12**	372	610
International hydropower	NOK mill.	**62**	17	120
Wind power	NOK mill.	**26**	5	-66
District heating	NOK mill.	**68**	43	154
Industrial ownership	NOK mill.	**792**	785	2 055
Other activities	NOK mill.	**-111**	-83	-430
Eliminations	NOK mill.	**-14**	25	52
Statkraft Group	NOK mill.	**4 249**	5 912	15 161

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Highlights

The first quarter of 2011

	NOK million	Against 2010
▪ Gross operating revenues, underlying	7416	-28 %
▪ EBITDA, underlying	4249	-28 %
▪ Pre-tax profit	4885	-35 %
▪ Net profit	2809	-38 %

The first quarter

The profit for the underlying operations in the first quarter was driven by lower Nordic hydropower production as a result of the tight resource situation.

In total, the Group produced 14.9 TWh, 3.4 TWh less than in the same quarter last year. The decline has primarily affected the volume sold in the spot market, and the Group has therefore not been able to fully realise the effect of higher spot prices.

Important events in the quarter

HSE

There were three fatal accidents in connection with associated operations in the first quarter. Two contractor employees died in connection with a development project in Theun Hinboun Power Company in Laos where Statkraft SF owns 20 per cent. In addition, one employee died at the Istad Group in Norway, where Statkraft owns 49 per cent. The latter accident is under investigation by Istad, while the investigations of the accidents in Laos have been completed. Measures have been implemented to avoid similar incidents both in Laos and elsewhere.

Hydropower

Turkish authorities approved the design of Cetin, which is wholly owned by Statkraft. The tender process has started and an investment decision could be made later this year. The development is located in southern Turkey and will consist of two hydropower plants totalling 517 MW in combination with a regulation reservoir.

At Svartisen power plant, both the new and the old generator are out of operation. The unit was scheduled for test operation in December 2010, but problems during test runs and the need for structural reinforcements resulted in the test operation being postponed to 1 June 2011. Due to a fault, the transformer on the old unit failed on 27 January. The transformer is under repair and a back-up transformer has been transported to Svartisen and is expected to be in operation by 1 July 2011. No water loss is expected to result from the production interruption.

Wind power

Statkraft SCA Vind in Sweden received three licenses in the first quarter. The three wind farms will have a total installed capacity of about 250 MW.

Power sales agreements

Four new long-term power sales contracts were entered into in the quarter, with deliveries starting 1 May 2011. Statkraft has also entered into long-term industrial contracts in the second quarter, and the Group's long-term contract volume is now about 20 TWh per year. These are agreements entered into with Nordic industry, mainly Norwegian companies. Most of the contract volume comes from agreements in the Statkraft AS Group, but the volume also includes lease agreements that Statkraft SF has with power-intensive industry.

District heating

Statkraft won the tender process for development of 45 GWh of district heating in Ås.

Financial performance[1]

The Group posted a profit before tax of NOK 4885 million in the first quarter (NOK 7492 million) and NOK 2809 million after tax (NOK 4532 million).

High power production in the second half of 2010 resulted in lower power production in the year's first quarter as the resource situation has been strained. Gross operating revenues therefore declined by NOK 2954 million (28 per cent), but lower energy purchase and transmission costs as well as a positive development in unrealised changes in value of energy contracts reduced the net operating revenues by just NOK 161 million (2 per cent), to NOK 7661 million. The operating costs have been reduced by about 5 per cent and the accounting operating profit overall is NOK 5251 million, on a par with last year.

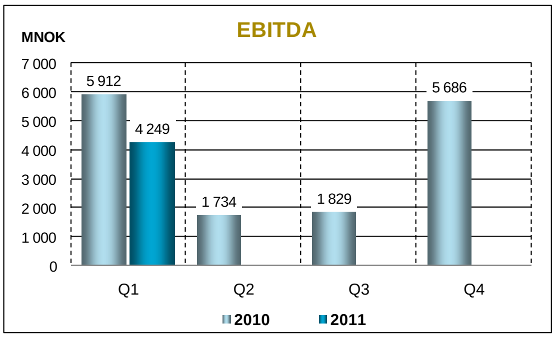
Lower unrealised changes in value related to gas purchase contracts and lower profit share from Agder Energi are the main reasons for the reduction in the profit shares from the Group's associated companies by NOK 248 million to NOK 395 million. Net financial items are NOK 2327 million lower, at NOK -760 million, as a result of major changes in unrealised changes in value, mainly related to internal loans without cash effect. The tax expense has been reduced, mainly as a result of a lower pre-tax profit and lower unrealised value loss on financial assets.

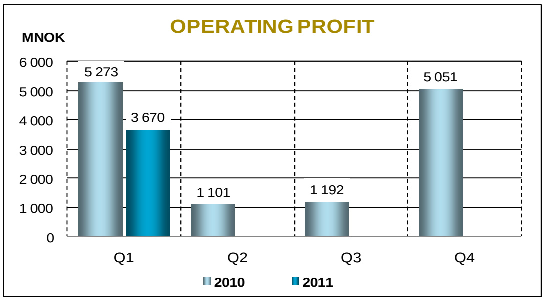
Changed principles for calculation of underlying result

As of 2011, the underlying result includes operating result adjusted for significant non-recurring items and unrealised changes in value. Contracts that are part of the trading and origination portfolio are managed on the basis of fair value, and unrealised changes in value are included in the underlying operating result. Unrealised changes in value related to other energy contracts and significant non-recurring items are shown in a separate table. The comparative figures for 2010 have been converted in accordance with the same principles.

EBITDA and operating result - underlying

The underlying operations were 28 per cent lower as regards EBITDA and 30 per cent lower as regards operating result in the first quarter compared with the same period in 2010, mainly as a result of lower Nordic hydropower production.





Operating revenues - underlying

The Group's gross operating revenues were NOK 7416 million in the first quarter (NOK 10 286 million), a decline of 28 per cent.

The Group has only been able to exploit higher spot prices to a limited extent, as the contracted volumes share of the total production was higher than in the first quarter of 2010.

The Group produced a total of 14.9 TWh in the quarter (18.3 TWh). The hydropower production fell by 2.8 TWh, while the gas power production was 0.7 TWh lower.

[1] *The report shows comparable figures for the corresponding period in 2010 in parentheses.*

NET OPERATING REVENUE

Beløp i mill. kr	Q1 2011	2010	The year 2010
Net physical sales, including green sertificates	3 221	5 785	13 887
Concessionary power sales at statutory prices	93	89	308
Statutory priced industrial contracts	75	405	1 535
Long term contracts	1 063	802	3 054
Nordic and Continental dynamic asset management	-188	-76	308
Trading and origination	206	253	732
Distribution grid	360	534	1 421
End-users	2 190	2 060	5 986
District heating	229	213	634
Other	-12	-33	45
Sales revenues	**7 236**	**10 032**	**27 911**
Other operating revenues	180	254	1 080
Gross operating revenues	**7 416**	**10 286**	**28 990**
Energy purchases	-982	-1 954	-4 674
Transmission costs	-354	-520	-1 595
Net operating revenue	**6 080**	**7 813**	**22 721**

Lower production in the Nordic region resulted in lower income from net physical spot sales than in the first quarter of 2010. Fjordkraft started buying power internally within the Group in the second quarter of 2010. This is eliminated in the overall Group revenues and explains some of the decline in physical spot sales.

The decline in industrial power at statutory prices is due to the fact that many of these contracts expired at the end of 2010. The volume delivered under long term commercial industry contracts has, however, increased, resulting in higher revenues from these contracts.

The high Nordic power prices resulted in a loss in the Nordic portfolio management of NOK 235 million, but the Continental portfolio management contributed NOK 47 million in income.

Realised and unrealised gains from trading and origination were lower compared with the same period in 2010.

Grid revenues fell as a result of the divestment of Trondheim Energi Nett at the end of the second quarter of 2010, while revenues from the end-user activities increased as a result of higher Nordic power prices.

Energy purchases amounted to NOK 982 million in the quarter (NOK 1954 million). The decline is related to higher internal energy purchases in Fjordkraft. This was partly offset by higher costs related to purchase of gas for energy production.

Transmission costs associated with the transport of power totalled NOK 354 million (NOK 520 million). The decline is mainly due to the lease fees for Baltic Cable AB being recorded as transmission costs in the first quarter of 2010.

Net operating revenues amounted to NOK 6080 million (NOK 7813 million).

Operating expenses - underlying

Operating expenses amounted to NOK 2410 million in the first quarter (NOK 2522 million).

OPERATING EXPENSES

MNOK	Q1 2011	2010	The year 2010
Salaries and payroll costs	693	678	2 726
Depreciations, amortisations and impairments	580	639	2 544
Property tax and licence fees	297	322	1 236
Other operating expenses	840	901	3 598
Operating expenses	**2 410**	**2 538**	**10 104**

Salaries and payroll costs increased by NOK 15 million to NOK 693 million compared with the first quarter of 2010. The increase comes from increased activity related to development, insourcing in the operation of Swedish hydropower and general wage growth. The increase is offset somewhat by the fact that the 2010 figures include costs related to Trondheim Energi Nett, which was sold at the end of the second quarter last year.

The decline in depreciation of NOK 59 million is due to lower basis of depreciation as a result of write-downs in 2010. In addition, depreciation is lower as a result of the sale of the grid activities.

Property tax and license fees have been reduced by NOK 26 million to NOK 297 million.

Other operating expenses fell by NOK 61 million to NOK 840 million, primarily as a result of the sale of the grid activities and Skagerak Fibernett in 2010. The latter was sold at the end of last year.

Items excluded from the underlying result

ITEMS EXCLUDED FROM UNDERLYING RESULT	Q1 2011	Q1 2010	The year 2010
Unrealised value changes energy contracts (excl. Trading and origination)	**1 581**	10	62
Non-recurring items	**-**	-	70
- gain on sale of Trondheim Energi Nett AS			*393*
- pension commitment			*339*
- impairments			*-662*

Total unrealised changes in value for energy contracts and material non-recurring items amounted to NOK 1581 million in the first quarter (NOK 10 million).

Unrealised changes in value on energy contracts

Unrealised changes in value on energy contracts amounted to NOK 1581 million (NOK 10 million) in the first quarter. The Group's contracts are indexed against various commodities, currencies and indices. It was primarily the higher commodities prices (gas, coal and aluminium) that affected unrealised changes in value positively in the first quarter.

Non-recurring items

There were no non-recurring items in the first quarter of 2011 or in the first quarter of 2010.

Non-recurring items for 2010 as a whole amounted to NOK 70 million and consist of gains on the sale of Trondheim Energi Nett AS (NOK 393 million), reduced pension liabilities as a result of the pension reform for public plans in Norway (NOK 339 million) and write-downs on assets in gas power, wind power, district heating and within parts of SN Power's activities (NOK -662 million).

Share of profit from associates

The share of profit from associates amounted to NOK 395 million in the first quarter (NOK 643 million). The decline is mainly related to lower unrealised gain from gas purchase agreements (NOK 148 million), as well as reduced result contribution from Agder Energi related to production decline and unrealised decline in value for energy and financial contracts. The decline is offset somewhat by increased contribution from the Philippines associated with increased production and delivery of supplementary services.

Financial items

Net financial items amounted to NOK -760 million in the first quarter (NOK 1566 million).

Financial income amounted to NOK 295 million in the first quarter (NOK 77 million). This was an increase of NOK 218 million compared with the same period last year. The Group has recognised a gain of NOK 114 million from sale of shares in the income statement.

Statkraft places significant amounts in banks and securities at times, particularly ahead of major payments. The return on placements was NOK 76 million higher in the first quarter compared with corresponding period last year. The increase is due to both higher market interest rates and higher average placed amounts.

Financial costs amounted to NOK 489 million in the first quarter (NOK 434 million). The increase is mainly due to increased hedging transaction losses and currency losses on bank deposits in foreign currency. Interest costs fell marginally, as rising market interest rates are more than offset by lower average debt.

The Group has four loan portfolios in NOK, SEK, EUR and USD, respectively. The portfolios have both variable and fixed interest rates, with the share of variable interest rates amounting to 64 per cent. The average current interest rate for loans denoted in NOK was 4.8 per cent in the first quarter, 2.5 per cent for loans in SEK, 3.6 per cent for loans in EUR and 3.7 per cent for loans in USD. Debt in USD is in relation to project financing in SN Power.

Statkraft has entered into agreements with its financial counterparties for the settlement of interest and currency rate changes in value, limiting counterparty risk resulting from derivative contracts to one week's changes in value (cash collateral).

Unrealised changes in value for financial items amounted to NOK -567 million in the first quarter of 2011, and are mainly explained by write-down of the E.ON shares as well as currency losses on internal loans.

The value of the E.ON AG shares fell further in the first quarter and resulted in a write-down. The write-down has been recognised as an unrealised loss of NOK 794 million in the income statement in the first quarter.

Currency losses on internal loans amounted to NOK 241 million of the unrealised changes in value for financial items. The loss has mainly arisen as a result of the EUR becoming stronger compared with NOK and GBP. The gain has no cash effect and will have a counterpart entry in comprehensive income under translation differences.

Taxes

The accounting tax cost of NOK 2076 million was NOK 883 million lower than in the first quarter of 2010. The decline is mainly related to lower pre-tax result, where the tax effect amounts to NOK 730 million. The effective tax rate in the first quarter of 2011 was 42.5 per cent (39.4 per cent). The increase in effective tax rate is primarily due to a higher resource rent tax percentage.

Calculated resource rent tax payable shows a decline of NOK 55 million. This is primarily due to lower production, which was partly offset by higher prices on spot contracts and long-term contracts.

Other decline in tax costs is primarily due to lower unrealised changes in value of financial assets.

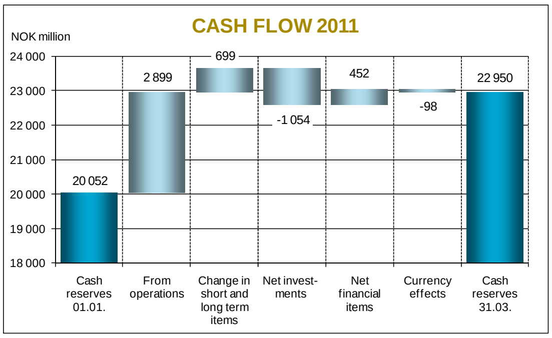
Return

Measured as ROACE – return on average capital employed - the Group achieved a return of 17.3 per cent over the last 12 months, compared with 19.7 per cent for the year 2010. The decline of 2.4 percentage points is due to the lower operating result. Average capital employed remains largely unchanged.

Based on the accounting result, the return on equity was 9.1 per cent after tax, compared with 11.8 per cent in 2010, and the return on total capital after tax was 4.9 per cent, compared with 6.0 per cent for the year 2010. The decline is due to a somewhat lower result. Average equity and total equity increased somewhat as a result of the equity injection from the owner in December 2010.

Cash flow and capital structure

The operating activities generated a cash flow of NOK 2899 million in the first quarter (NOK 4182 million). Long and short-term items had a net positive change of NOK 699 million (NOK 2040 million). The net change in liquidity from the activities was thus NOK 3598 million (NOK 6222 million).



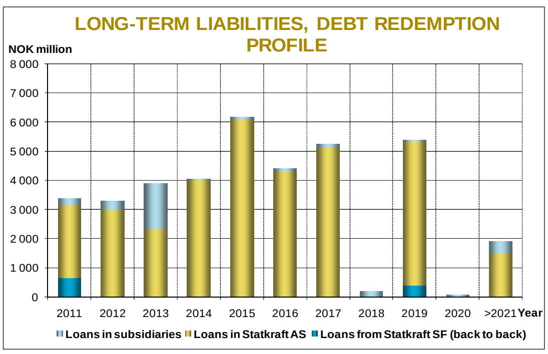
The net change in liquidity from investments was NOK -1054 million in the quarter (NOK -461 million). In addition to maintenance investments, the largest investment items were increased shareholding in Baltic Cable AB and in land-based wind power, as well as the hydropower plants Cheves in Peru and Kargi in Turkey.

Total new debt raised amounted to NOK 937 million, and consists of short-term external debt in subsidiaries. Repayment of debt amounted to NOK 553 million.

CASH FLOW

	Q1		Year
Figures in NOK million	2011	2010	2010
Net cash flow from operating activities	3 598	6 222	13 577
Net cash flow from investing activities	-1 054	-461	-2 297
Net cash flow from financing activities	452	-493	2 092
Net change in cash and cash equivalents	**2 996**	**5 269**	**13 372**
Currency effect on cash flows	-98	19	17
Cash and cash equivalents 01.01.	20 052	6 663	6 663
Cash and cash equivalents	**22 950**	**11 950**	**20 052**

The net liquidity change was NOK 2997 million in the first quarter (NOK 5269 million). Statkraft's equity totalled NOK 22 950 million, compared with NOK 20 052 million at the beginning of the year.



Interest-bearing debt amounted to NOK 40 332 million at the end of the first quarter, compared with NOK 40 486 million at the beginning of the year. The interest-bearing debt-to-equity ratio was 34.3 per cent, compared with 35.0 per cent at year-end 2010. The decline is primarily due to increased equity.

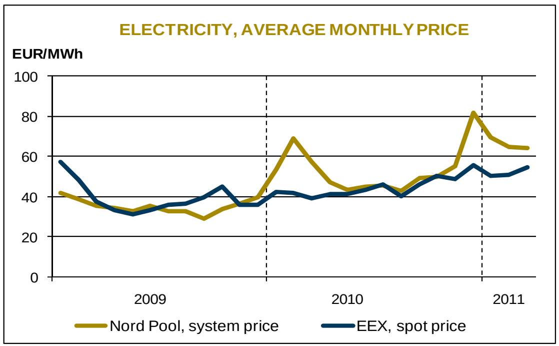
Loans from Statkraft SF to Statkraft AS amounted to NOK 1.1 billion at the end of the quarter.

The Group has improved its financial situation through the equity injection in 2010, which reduced the need for borrowing in the short term. Statkraft seeks to achieve a steady maturity profile when borrowing.

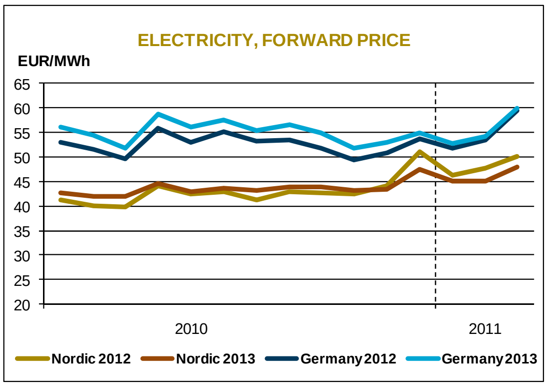
At the end of the quarter, current assets, except cash and cash equivalents, totalled NOK 17 771 million and short-term interest-free debt amounted to NOK 18 173 million. Energy and financial derivatives amounted to NOK 7044 million of the current assets and NOK 6025 million of the short-term interest-free debt, respectively.

At the end of the first quarter, Statkraft's equity totalled NOK 77 137 million, compared with NOK 75 302 million at the beginning of the year. The increase is mainly due to NOK 2465 million added from operations.

The power market



The majority of Statkraft's output is generated in the Nordic region and Germany. The Group is also exposed in markets outside Europe through its subsidiary SN Power. Power prices are influenced by hydrological conditions and the commodity prices for thermal power plants. Gas is also an input factor in Statkraft's own power production.

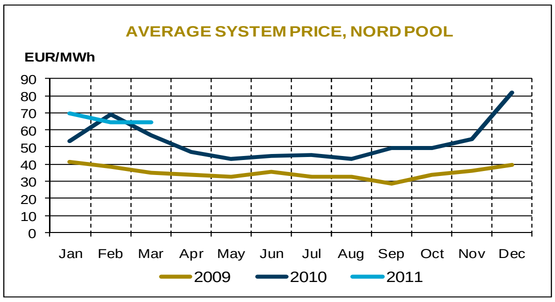


Forward prices in the Nordic region and Germany fell somewhat at the beginning of the first quarter, but increased again in the second half of the period.

The price increase in Germany was primarily driven by the political decision to close seven nuclear power plants as a result of the nuclear disaster in Japan. The price increase in Germany also affected Nordic forward prices. In addition, prices in the Nordic region were driven by low reservoir water levels.

The power market in the Nordic region

The Nordic power prices were high also in the first quarter, and the average system price ended at 66.2 EUR/MWh in the quarter (59.8 EUR/MWh), an increase of 10.7 per cent compared with the same period in 2010.



Source: Nord Pool

The high prices are primarily driven by the low reservoir water levels. Relatively high and stable Nordic nuclear power production balanced the price situation to some extent.

POWER CONSUMPTION AND OUTPUT IN THE NORDIC AREA

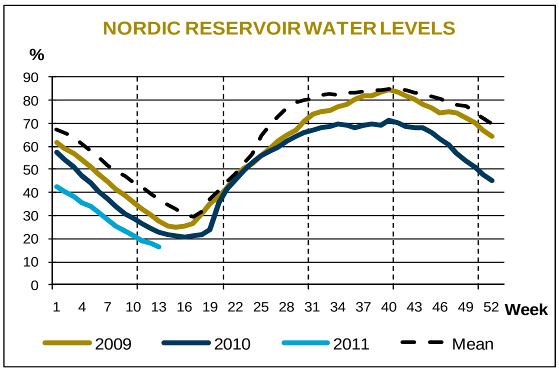
TWh	2011	2010	2009	Change 2011-2010
Nordic consumption	**114.3**	117.9	111.3	-3.1 %
Nordic output	**107.3**	111.2	110.9	-3.5 %
Net Nordic imports (+)/ exports (-)	**7.0**	6.7	0.5	-
Norwegian consumption	**38.2**	40.0	37.8	-4.6 %
Norwegian output	**31.8**	37.9	38.8	-16.2 %
Norwegian imports (+)/ exports (-)	**6.4**	2.1	-1.0	-

Sources: "Nord Pool Nordic electricity market information" and "Nord Pool Landsrapport Norge" (Nord Pool Country Report)

The Norwegian hydropower production was relatively low during the quarter, while the availability for Swedish nuclear power was good. As a result, the Nordic power production was 3.5 per cent lower in the first quarter than during the same period in 2010. Net imports to the Nordic region were 7.0 TWh in the quarter (6.7 TWh).

Consumption in the Nordic region was 3.1 per cent lower in the first quarter compared with the same quarter in the preceding year. Consumption in Norway fell by 4.6 per cent.

Norwegian power production was 16.2 per cent lower in the first quarter compared with 2010. Net imports to Norway were 6.4 TWh in the quarter, compared to a net import of 2.1 TWh in the first quarter of 2010.

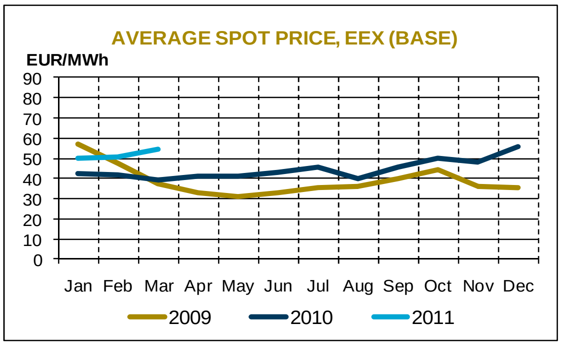


At the end of March, the overall water level in the Nordic region's reservoirs was 45.0 per cent of normal, corresponding to 19.9 TWh. The water level was 16.5 per cent of maximum capacity, which is 121.2 TWh (23.0 per cent).

Due to rapid snow melting in April, the reservoir water level had increased to 25.5 per cent (21.3 per cent) in the week ending May 1.

The power market in Germany

The average spot price in the German market was 26 per cent higher in the first quarter than in the corresponding period in 2010, and ended at 51.8 EUR/MWh (41.1 EUR/MWh).

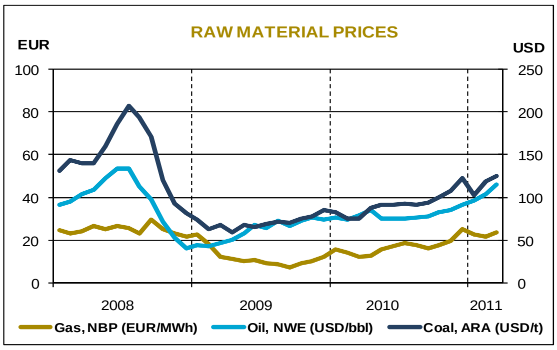


Source: European Energy Exchange (EEX)

The prices held relatively stable in the first half of the quarter, but rose somewhat in the second half as a result of the shutdown of nuclear power plants in reaction to the nuclear disaster in Japan.

Commodity prices

Commodity prices affect Statkraft directly as input factors in own production (gas), through financial trading with the products and as a result of the Group's contracts being indexed against various commodities. In addition, Statkraft is influenced directly as a result of the commodities' influence on power prices.



Oil prices rose in the first quarter as a result of political instability in Northern Africa and the Middle East. At the end of the quarter, the oil price was slightly less than USD 120 per barrel.

The gas price fell some at the beginning of the first quarter as a result of warmer weather on the Continent. However, the situation in Northern Africa and the Middle East resulted in a price increase towards the end of the quarter.

Coal prices also fell somewhat at the beginning of the first quarter. However, demand increased towards the end of the quarter as a result of reduced German nuclear power production, and the coal price was about USD 130 per tonne at the end of the quarter.

CO_2 prices rose in the first quarter – from about EUR 14.5 per tonnes at the beginning of the quarter to more than EUR 17 per tonnes at the end of the quarter. The price was primarily driven by expectations of higher coal and gas production due to lower availability for German nuclear power, resulting in increased demand for CO_2 quotas.

Staff and HSE

Full-time equivalents

At the end of the first quarter, the Group had 3292 full-time equivalents, nine less than at the end of 2010.

HSE

KEY FIGURES, HSE

	Q1 2011	Q1 2010	The year 2010
LTI (lost-time injuries per million hours)*	**5.4**	3.2	3.4
TRI (total recordable injuries per million hours)*	**10.8**	5.3	6.8
F (days lost through injury per million hours)*	**59.0**	12.2	31.7
Absence due to illness (%)	**3.7**	4.0	3.4

** Data for 2011 include employees in all businesses where Statkraft owns 20 per cent or more. Earlier data include only consolidated businesses.*

Three people died in connection with associated operations in the first quarter. Two contractor employees died in connection with the development project THXP in Theun Hinboun Power Company in Laos, where Statkraft SF owns 20 per cent. In addition, one employee died at the Istad Group in Norway, where Statkraft owns 49 per cent.

In January, a worker at the THXP project died from internal injuries sustained in a crushing accident in connection with supplementary work in the tunnel. Another worker died in March from electrocution when a crane came into contact with a live 22 kV power line. Both accidents have been investigated and measures implemented to avoid similar incidents both in Laos and elsewhere.

The accident in Istad took place in February during moving of high-voltage lines at Gjemnesstranda in connection with the construction of a new route for the E39 highway. Istad will prepare its own conclusion report when the Norwegian Labour Inspection Authority has presented its conclusions.

There were 33 injuries in total in the first quarter, of which 15 were lost-time injuries. There were seven lost-time injuries during the same period in 2010. The H1 rate was 5.4 (3.2) and the H2 rate was 10.8 (5.3). In total, 196 days were lost, resulting in an F rate of 59.0 (12.2). The increase in the various values is primarily due to the fact that the data from 1 January 2011 include injuries among employees in all businesses where Statkraft owns 20 per cent or more. Earlier data included consolidated businesses only.

For contractors in operational activities, there were five injuries in the first quarter, of which four were lost-time injuries. For contractors in project activities, there were 17 injuries in the first quarter, of which nine were lost-time injuries. Follow-up of suppliers in consolidated and associated companies has been intensified and will be continued in 2011.

Absence due to illness in the first quarter was 3.7 per cent (4.0 per cent), which is within Statkraft's goal of an absence due to illness of less than 4 per cent. In those parts of the Group where absence is higher than 4 per cent, this is primarily due to long-term absence related to chronic conditions that are not work-related. Work is underway to provide those absent on sick leave with closer follow up in cooperation with the occupational health service and the Inclusive Working Life scheme in order to reduce absence due to illness. In addition, individual plans have been formulated to help employees on long-term sick leave to return to work.

The Group has not had any serious environmental incidents in the first quarter. 52 less serious environmental incidents and 27 undesirable environmental conditions were recorded. Most of the less serious environmental incidents were minor and short-term breaches of the river management regulations, minor chemical spills and a higher-than-permitted emission of carbon monoxide at Heimdal district heating plant (breach of license terms). The incident is considered to have had little or no negative impact on the environment. None of the incidents or conditions are considered to have a high environmental risk or high reputation risk.

Segments

As a result of a change in the Group's strategy, Statkraft was reorganised in 2010. This reorganisation will be finalised with implementation of new segments effective 1 January 2011. The segment structure is presented on the basis of the internal management information which the management periodically reviews and uses for resource allocation and goal attainment. The segments that are implemented effective 1 January 2011 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.

Nordic Hydropower is the largest segment and includes all hydropower plants in the Nordic region. The production assets are mainly flexible and include 169 hydropower plants in Norway (106), Sweden (59) and Finland (4), with a total installed capacity of more than 10 500 MW. The segment's revenues come mainly from sale of power in the spot market as well as long-term contracts, the latter mostly with 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.

Continental energy and trading includes gas power plants in Germany and Norway, hydropower plants in Germany and the UK and biobased power plants in Germany, as well as Baltic Cable AB, the subsea cable between Sweden and Germany. Total installed capacity for the segment's 21 power plants is slightly less than 2500 MW, while Baltic Cable AB has a capacity of 600 MW. The power production is optimised in relation to the prices on input factors (fuel, CO_2 and hydrology) and the sales prices (power and green certificates). The segment includes trading and origination, as well as income optimisation and risk mitigation related to both the Continental and Nordic production. In this manner, the Group can exploit its overall market expertise in the best possible manner. The trading involves extensive use of standardised and structured power contracts, gas, coal, oil and CO_2.

International hydropower operates in emerging economies with expected high growth and substantial need for energy. Statkraft focuses on selected markets where the Group's hydropower expertise can be applied. The activities include the shareholding of 60 per cent in SN Power as well as the Group's hydropower activities in Southeast Europe with emphasis on Turkey and Albania. SN Power owns 18 hydropower plants in South America and Asia, as well as one wind farm and one thermal power plant in South America. These power plants have a total installed capacity of 842 MW (SN Power's percentage). In addition, SN Power owns three power plants totalling 280 MW (SN Power's percentage) under construction and rehabilitation. In Turkey, a 20 MW hydropower plant is in operation, while a 102 MW hydropower plant is under construction. Investments are often made in partnership with local partners or international investors. The segment's revenues come mainly from a combination of long-term power contracts and sales in the markets. The project development costs are relatively high, and will continue to limit the segment's profitability.

Wind power includes Statkraft's investments in land-based and offshore wind power. The segment has five land-based wind farms in operation in Norway, Sweden and the UK, with a total installed capacity of 277 MW. The revenues come mainly from sale of power at spot prices as well as green certificates. In Norway and Sweden, the segment has a large project portfolio within land-based wind. The first priority is to obtain final licenses so that construction can start. Offshore wind concentrates on the UK market. Statkraft and Statoil own the offshore wind farm Sheringham Shoal 50-50. The wind farm will have an installed capacity of 315 MW and is scheduled for completion in 2012. Together with three partners, projects at Dogger Bank are being developed towards obtaining the necessary licenses. The project development costs are relatively high and will for a period continue to reduce the segment's profitability.

District heating operates in Norway and Sweden. Further growth will primarily take place in Norway where Statkraft is one of the two largest suppliers of district heating. The total installed capacity is 297 MW in Norway and 211 MW in Sweden. In Norway, about 640 commercial customers and about 8000 households are supplied with district heating, while about 1500 customers in Sweden receive district heating. The revenues are influenced by power prices, grid tariffs and taxes, and the price to customers is adjusted monthly or quarterly. Waste, biomass, oil and gas are important input factors in the production of district heating. In Norway, the customer basis is being strengthened through mandatory connection.

Industrial ownership includes management and development of Norwegian shareholdings. The segment comprises the companies Skagerak Energi, Fjordkraft, BKK (49.9 per cent shareholding), Istad (49 per cent) and Agder Energi (45.5 per cent). The two former companies are included in the consolidated financial statements, while the other three companies are reported as associates. Skagerak Energi's activities are concentrated around the production of power, district heating operations, distribution grid operations, electrical entrepreneur activities and natural gas distribution. The production assets comprise 45 wholly and partly-owned hydropower plants with a total installed capacity of 1314 MW, and the company has about 181 000 grid customers. Fjordkraft's activities are concentrated around the sale of electricity to households and companies, and the company had about 400 000 customers at the end of 2010.

Other activities includes Small-scale hydropower, the shareholding of 4.17 per cent in E.ON AG, real estate management in Trondheim, Innovation, group functions and eliminations. The pro forma figures for 2010 also include Trondheim Energi Nett and the solar energy activities, which were divested in 2010.

Nordic hydropower

KEY FIGURES

NOK mill.	Q1 2011	Q1 2010	*Change*	Year 2010
Gross operating revenues, underlying	4 314	5 866	*-1 552*	16 632
Net operating revenue, underlying	4 145	5 516	*-1 371*	15 662
EBITDA, underlying	3 440	4 747	*-1 307*	12 665
Operating profit, underlying	**3 161**	**4 477**	***-1 316***	**11 555**
Unrealised changes in the value of energy contracts	501	312	*189*	-16
Non-recurring items	-	-	-	80
Operating profit	3 662	4 789	*-1 127*	11 619
Share of profit from associates and joint ventures	**-**	**3**	***-3***	**5**
Maintenance investments	49	52	*-3*	437
Investments in new capacity	126	74	*52*	584
Investments in shareholdings	-	-	-	-

Highlights in the quarter

High power production in the second half of 2010 resulted in lower power production in the year's first quarter as the resource situation has been strained. The hydrological balance has improved during Q1, but is still weak and the likelihood of a strained power situation next winter is still significant. Rapid snow melting in April has improved reservoir water levels.

Four new long-term power sales contracts were entered into in the quarter, with deliveries starting 1 May 2011. The agreements with Södra Cell Folla, Washington Mills and Fesil Rana Metall run until the end of 2018 and comprise a total annual delivery of 1.1 TWh. The agreement with Hunton Fiber has an annual delivery volume of 0.2 TWh and runs until the end of 2021.

Troms Kraft Produksjon AS' lease agreement for the waterfall rights at Bardufoss expired 1 May 2010. The parties disagree on the rights and obligations under the agreement and Statkraft has chosen to submit these matters to Arbitration. The arbitration proceedings will take place in Tromsø and Oslo in May/early June 2011. The Bardufoss power plant has an annual generation of about 225 GWh.

Financial performance

The segment's underlying operating profit was NOK 3161 million in the quarter (NOK 4477 million). Production declined by 2.6 TWh to 10.9 TWh, and this is the main cause of the decline in net operating revenues by NOK 1371 million to NOK 4145 million. Operations were stable, and with the exception of problems at Svartisen power station, the power stations had high availability.

Higher Nordic power prices and lower contract volumes at statutory prices offset some of the lower production. 6.1 TWh was delivered to spot sales (8.7 TWh), a decline of 30 per cent, while the total contract volume was unchanged at 4.8 TWh. The composition of the contract portfolio has changed through a transition from statutory contracts to industrial contracts. The final statutory contract expires in July this year. Lower energy taxes in Norway and lower production have reduced transmission costs. In 2010, the Norwegian energy taxes were higher than normal due to high volatility in the market.

Operations

From 2011, Statkraft will handle maintenance on Swedish power plants internally. These services were previously outsourced, and Statkraft has hired 44 employees from the former contractor. In addition, there will be some strengthening of the power plant groups and staffs. Extra costs for establishing offices, training and other start-up costs will accrue in 2011.

At Svartisen power plant both the new and the old generator are out of operation. The installed capacity will increase from 350 MW to 600 MW through installation of a new unit of 250 MW. The unit was scheduled for test operation in December 2010, but problems during test runs and the need for structural reinforcements resulted in the test operation being postponed to 1 June. Due to a fault, the old unit failed on 27 January. The transformer is under repair and a back-up transformer has been transported to Svartisen and is expected to be in operation by 1 July. The failure has been reported to Nord Pool. No water loss is expected.

Investments

Investments in new capacity are mainly related to the power plants Svartisen, Eriksdal and Makkoren.

Continental energy and trading

KEY FIGURES

NOK mill.	Q1 2011	Q1 2010	*Change*	Year 2010
Gross operating revenues, underlying	1 222	1 700	*-478*	5 530
Net operating revenue, underlying	238	627	*-389*	1 957
EBITDA, underlying	-12	372	*-385*	610
Operating profit, underlying	**-111**	**249**	***-359***	**159**
Unrealised changes in the value of energy contracts	1 064	-383	*1 447*	-60
- of which unrealised value changes of Trading and origination	*-137*	*-221*	*84*	*131*
Non-recurring items	-	-	-	-367
Operating profit	953	-134	*1 088*	-273
Share of profit from associates and joint ventures	**124**	**273**	***-148***	**196**
Maintenance investments	6	72	*-65*	161
Investments in new capacity	13	1	*11*	119
Investments in shareholdings	579	-	*579*	-

Highlights in the quarter

Baltic Cable became wholly owned from 1 January through acquisition of the remaining shares in the company. This explains the investment of NOK 579 million in shareholdings in the quarter. The underlying operating result will not be affected as the company was consolidated also in 2010.

A two-year agreement was signed with DONG for the purchase of a total of 2.7 TWh from their wind farms in the UK. Statkraft will resell the power and gain valuable experience with the optimisation of wind power.

Financial performance

The underlying operating result before depreciation of NOK -12 million was NOK 385 million lower than in the first quarter of 2010. All parts of the operation have seen lower results, but the deficit before depreciation can be ascribed to a loss on the Nordic management portfolio (NOK -235 million).

Operating costs were on a par with 2010, with the exception of depreciation which was lower as result of write-downs on fixed assets and assets in 2010. The explanation for the underlying operating loss of NOK 111 million was thus lower income.

Power production fell by 35 per cent to 1.5 TWh. This was partially a result of scheduled maintenance at gas power plants in Germany and partially a result of production interruptions due to low spark spread on gas power (margin between the prices on gas and power). Energy purchases increased by NOK 94 million to NOK 845 million in the first quarter due to higher commodity prices, despite lower production figures.

Baltic Cable experienced reduced operating revenues in the quarter, mainly due to lower price differences between Sweden and Germany this year than in Q1 last year. This resulted in lower northbound flow on the cable.

The income from the Continental management portfolio was NOK 47 million in the quarter, while income from trading and origination was NOK 202 million.

The lower result from associated operations by NOK 148 million to NOK 124 million is related to valuations of the power purchase agreement for the Herdecke gas power plant. The market price development since the beginning of 2010 has reduced the unrealised change in value compared with the first quarter of 2010, although it has increased from 31 December 2010.

Operations

All four generators at Erzhausen pumped storage hydropower plant were stopped for an unscheduled inspection on 1 March. The plant is expected to be back operating at 50 per cent of capacity from June, but it is uncertain when operation at full capacity can resume.

The Knapsack gas power plant was closed for scheduled maintenance in March.

Baltic Cable went down unexpectedly on 10 April 2011. The cable has been repaired and tested, and is expected to return in operation 27 May.

The engineering work of the capacity expansion at Knapsack continues, but the projected return on the investment remains low.

International hydropower

KEY FIGURES

NOK mill.	Q1 2011	Q1 2010	*Change*	Year 2010
Gross operating revenues, underlying	203	166	*36*	727
Net operating revenue, underlying	191	156	*35*	679
EBITDA, underlying	62	17	*44*	120
Operating profit, underlying	**40**	**-14**	***55***	**-41**
Unrealised changes in the value of energy contracts	-	-	-	-
Non-recurring items	-	-	-	-143
Operating profit	40	-14	*55*	-184
Share of profit from associates and joint ventures	**32**	**64**	***-32***	**185**
Maintenance investments	6	45	*-40*	103
Investments in new capacity	70	25	*45*	272
Investments in shareholdings	-	15	*-15*	325

Highlights in the quarter

There were two fatal accidents in the first quarter in the expansion project of the Laotian company Theun Hinboun Power Company where Statkraft SF owns 20 per cent. The shareholding is followed up by the International hydropower segment. A worker died from internal injuries sustained in a crushing accident in connection with supplementary work in the tunnel. Another worker died from electrocution when a crane came into contact with a live 22 kV power line. Both accidents have been investigated and measures implemented to avoid similar incidents both in Laos and elsewhere.

Turkish authorities approved the design of Cetin, which is wholly owned by Statkraft. The tender process has started and an investment decision may be made later this year. The development project is situated in south-eastern Turkey and will consist of two hydropower plants totalling 517 MW in combination with a regulation reservoir.

The groundbreaking ceremony for the Cheves power plant in Peru took place on 23 March, with President Alan Garcia attending. The construction of the 168 MW power plant is expected to take about three years.

Financial performance

The consolidated operations in Turkey, Peru and Nepal, the wind farm in Chile and Statkraft's and SN Power's country and regional offices achieved an operating result that was NOK 55 million better than for the corresponding period in 2010. Associates and joint ventures, mainly with operations in India and on the Philippines, achieved a result that was NOK 32 million weaker than in the corresponding period in 2010.

The gross operating revenues in the consolidated activities were NOK 203 million in the quarter (NOK 166 million). The increase of NOK 36 million was due to partially higher production at the plants in Peru, higher power prices in Chile and in Peru and the Cakit power plant in Turkey coming online. Net operating revenues amounted to NOK 191 million (NOK 156 million).

Operating expenses amounted to NOK 151 million in the first quarter (NOK 171 million). The reduction is due to reversal of earlier provisions, increased capitalisation in connection with projects under development and construction and the fact that costs of NOK 10 million was accrued in the first quarter of 2010 in connection with the reorganisation of the activities in Peru.

The operating profit for the segment was NOK 40 million in the first quarter (NOK -14 million).

The profit shares from associated companies amounted to NOK 32 million in the quarter (NOK 64 million). The result relates to hydropower plants and development projects in India, on the Philippines, in Chile and in Albania, where shareholdings vary between 49 per cent and 50 per cent. Compared with the first quarter of 2010, the hydropower plants in the Philippines have achieved higher production, prices and sales of supplementary services in 2011. Lower profit shares are due to write-downs related to the hydropower rights in India as well as financial costs.

Operations

SN Power's relative share of the production in wholly and partially owned power and district heating plants was 0.8 TWh (0.5 TWh) in the first quarter. The increase relates to phasing in of new capacity in Chile, India and Turkey as well as significantly higher production at the plants on the Philippines and a more moderate increase in Peru. The availability of the power plants in Peru, India, Nepal, Sri Lanka and on the Philippines was generally good, while the plants in Chile achieved less production than expected due to drought and some start-up problems.

The development projects in Turkey, Peru and Laos are proceeding according to plan. An uncommonly long winter in the Himalayas will make it demanding to complete the Duhangan part of the Allain Duhangan plant in India in 2011. In Chile, one of two units broke down during testing at La Higuera (50 per cent shareholding), resulting in the formal take-over of the plant being postponed to the second quarter of 2011 at the earliest. There is uncertainty as regards the final settlement with the main contractor for both for La Higuera and La Confluencia.

Investments

Investments amounted to NOK 76 million in the first quarter. The maintenance investments of NOK 6 million relate primarily to Peru and Nepal, while the investment in increased capacity mainly relates to the hydropower plants Cheves in Peru (168 MW) and Kargi in Turkey (102 MW). Both are wholly owned.

Wind power

KEY FIGURES

NOK mill.	Q1 2011	Q1 2010	*Change*	Year 2010
Gross operating revenues, underlying	126	76	*50*	289
Net operating revenue, underlying	114	69	*45*	261
EBITDA, underlying	26	5	*20*	-66
Operating profit, underlying	**-0**	**-20**	***20***	**-173**
Unrealised changes in the value of energy contracts	-	-	-	-
Non-recurring items	-	-	-	-106
Operating profit	-0	-20	*20*	-280
Share of profit from associates and joint ventures	**-22**	**-5**	***-17***	**-35**
Maintenance investments	-	1	*-1*	3
Investments in new capacity	-	15	*-15*	130
Investments in shareholdings	270	15	*255*	559

Highlights in the quarter

Statkraft's first wind farm in Sweden, Em Vindpark, came online in January 2011. The wind farm has an installed capacity of 9.2 MW.

Statkraft SCA Vind in Sweden received three licenses in the period: The Mörttjärnberget wind farm lies in Bräcke Municipality and has 40 wind turbines. The Stamåsen wind farm lies in the municipalities of Strömsund and Sollefteå, and has received a license for 50 wind turbines. Raftsjöhöjden in Strömsund municipality has received a license for 10 wind turbines. The three wind farms will have a total installed capacity of about 250 MW.

Financial performance

The underlying operating profit before depreciation was NOK 26 million (NOK 5 million). The underlying operating result was in balance in the first quarter (NOK -20 million in 2010[3]).

The underlying operating profit for wind farms in operation was NOK 92 million before depreciation and NOK 66 million after depreciation. The activity related to business development and projects charged the operations with NOK 66 million in the quarter.

Gross operating revenues amounted to NOK 126 million in the first quarter (NOK 76 million). Higher production caused an increase in the revenues from the Norwegian wind farms. The segment has also received increased operating revenues from the Em wind farm in Sweden.

The transmission costs follow the production revenues and amounted to NOK 12 million (NOK 7 million). Net operating revenues rose by NOK 45 million to NOK 114 million.

Operating costs amounted to NOK 87 million (NOK 63 million). The increase relates mainly to increased activity in the UK, more employees and generally more activity in connection with development of new capacity.

Share of profits for associated companies and joint ventures was NOK -22 million in the quarter (NOK -5 million). The increase in costs is mainly due to increased activity in the UK.

Operations

Total production for wind farms was 246 GWh in the quarter (150 GWh). Natural variations in wind conditions, as well as good availability, had a positive effect.

One dead eagle was found after a collision with a wind turbine in the first quarter of 2011. Statkraft and the Research Council of Norway have submitted an application with other participants to continue the project with focus on collision prevention measures.

NOK 270 million was invested in land-based wind power in the quarter.

[3] *The revenues and the result for the wind farms were too high in the fourth quarter of 2009. A Group income correction was made in the first quarter of 2010 that resulted in a revenue and result reduction totalling NOK 22 million in the first quarter of 2010.*

District heating

KEY FIGURES

		Q1		Year
NOK mill.	2011	2010	*Change*	2010
Gross operating revenues, underlying	217	205	*12*	612
Net operating revenue, underlying	115	96	*19*	359
EBITDA, underlying	68	43	*25*	154
Operating profit, underlying	**44**	**19**	***25***	**59**
Unrealised changes in the value of energy contracts	-	-	-	-
Non-recurring items	-	-	-	-6
Operating profit	44	19	*25*	54
Share of profit from associates and joint ventures	**-**	**-1**	***1***	**-2**
Maintenance investments	1	-	*1*	3
Investments in new capacity	67	14	*54*	191
Investments in shareholdings	-	-	-	-

Highlights in the quarter

In January, the groundwork started on the lot for the new district heating plant in Harstad. This, combined with the ongoing development of the district heating grid, generates a lot of activity in the project. The plant is scheduled to be ready for customer deliveries in January 2012.

The construction of a new 25 MW gas boiler at Nidarvoll district heating plant is underway. The plant will be completed in December 2011. This will increase delivery reliability in Trondheim.

Statkraft's Norwegian district heating unit won the tender process for development of 45 GWh of district heating in Ås. An investment decision has been made and a license application has been submitted.

Financial performance

The segment's underlying operating profit was NOK 44 million in the first quarter (NOK 19 million).

Gross operating revenues amounted to NOK 217 million (NOK 205 million). The increase in revenues is mainly from the Norwegian operations. Higher temperatures reduced production, but the prices were higher.

Energy purchase costs fell by NOK 8 million to NOK 102 million. The reduction is due to lower volume and thus lower energy purchases due to reduced peak loads.

The operating costs were NOK 71 million (NOK 77 million). The reduction is due to reclassification of electricity costs (moved to energy purchases in 2011).

Operations

The plants had good availability in the first quarter.

In the first quarter, bio oil was used as top load fuel in the plants at Kungsbacka and Alingsås. This has worked well and will, if possible, also be continued at other corresponding plants.

The new oil boiler in Åmål was completed in the quarter while the operations building will be completed in the second quarter. A new oil boiler will also be built in Kungsbacka, and is scheduled for completion in the fourth quarter. In Trosa, the new plant will come online in the third quarter. A decision has been made to build a new bio boiler in Vagnhärad. The investments in new capacity therefore amounted to NOK 67 million.

Several projects which may give increased heating development in Norway are being pursued actively. Statkraft Varme has a national main focus and wants to develop district heating to households and industry all over Norway.

The implemented and initiated upgrade and development projects generate environmental and financial gains through reduced emissions, increased renewable percentage and lower production costs.

A total of 372 GWh was produced in the first quarter (409 GWh).

Industrial ownership

KEY FIGURES

NOK mill.	Q1 2011	Q1 2010	*Change*	Year 2010
Gross operating revenues, underlying	3 262	2 691	*572*	8 764
Net operating revenue, underlying	1 169	1 162	*6*	3 550
EBITDA, underlying	792	785	*6*	2 055
Operating profit, underlying	**674**	**660**	***14***	**1 557**
Unrealised changes in the value of energy contracts	16	19	*-3*	26
Non-recurring items	-	-	-	185
Operating profit	691	679	*11*	1 768
Share of profit from associates and joint ventures	**258**	**329**	***-71***	**468**
Maintenance investments	29	31	*-2*	235
Investments in new capacity	35	35	*-0*	356
Investments in shareholdings	19	-	*19*	-

Highlights in the quarter

The water resource situation in the first quarter was strained, and power production was therefore low both for consolidated and associated companies.

There was a fatal accident in the associated company Istad in Norway in February. The accident took place during moving of high-voltage lines at Gjemnesstranda in connection with the construction of a new route for the E39 highway. Istad has initiated an investigation of the accident.

Financial performance

The segment's underlying operating profit was NOK 674 million in first the quarter of 2011 (NOK 660 million). Skagerak Energi does not hedge its power sales revenues, and has been able to exploit the higher power prices. The increase offset the somewhat lower production.

Fjordkraft has seen a positive development in the first quarter and contributed to result improvements.

Gross operating revenues have increased in the segment, mainly due to reduced internal power trading. This results in a corresponding reduction in internal power purchases.

In accordance with the option agreement from July 2010, the shares in Skagerak Fibernett were transferred to Lyse Fiberinvest on 1 January 2011 for NOK 272 million. The agreement enables Skagerak Energi to recoup almost the entire investment cost. In the accounting year 2010, the company achieved sales of NOK 116 million with an operating loss of NOK 35 million.

The contribution from associated companies was NOK 258 million (NOK 329 million). BKK has increased its result from the weak performance in the first quarter of 2010 as a result of higher prices and lower losses on power contract hedging. Agder Energi's result is lower due to lower production and lower unrealised changes in value than in the first quarter of 2010.

Operations

The power production in the consolidated businesses takes place in Skagerak Energi, and amounts to 1.6 TWh, 0.3 TWh lower than in the same period last year. Operations were stable in the quarter and the achieved power price was higher.

Operations were also stable in grid activities and natural gas.

Skagerak Varme’s waste heat plant at Herøya has been down in parts of the period. The plant has now resumed normal operations after a major maintenance shutdown at Yara and Skagerak Varme. Modifications have been carried out at both plants to prevent similar incidents in the future.

Other activities

Small-scale hydropower

The activities in small-scale hydropower in Norway are handled through the company Småkraft AS.

At the end of the first quarter, Småkraft AS had 24 power plants in operation with an expected annual production totalling 285 GWh, while ten power plants were under construction, which will give a production capacity of 114 GWh when completed. In the first quarter, the company received legally binding licenses for the construction of two new power plants, and it now has 11 licenses with a total capacity of 106 GWh. At the end of the first quarter, Småkraft had 105 license applications with a total potential of 1111 GWh up for processing with the NVE. An additional 25 projects totalling about 251 GWh are being prepared for processing by the NVE. To date, Småkraft has entered into waterfall rights agreements which could yield an annual production of 2.4 TWh when the projects are completed.

Innovation

The business unit is responsible for coordinating and initiating research and development activities, and monitoring and analysing relevant technologies.

The E.ON AG shareholding

The Group owns 4.17 per cent of E.ON AG. The dividend on the shares for 2010 amounts to EUR 125 million (EUR 1.5 per share), and will be recognised as income in the second quarter of 2011. The shares have been classified as a financial asset, available for sale (see comment to the accounts, Note 5).

Financial performance

The underlying operating loss for Other activities, including group functions and eliminations, was NOK 125 million in the first quarter (loss of NOK 122 million).

Outlook

The resource situation remains tight and the Group maintains an expectation of lower hydropower production in 2011 compared with 2010. Forward prices indicate continued relatively high power prices both in the Nordic region and in Germany. In a situation with low water reservoir levels and considerable production volumes tied up in contracts, Statkraft will not benefit fully from high spot prices.

Following the injection of new equity in December 2010, the board and management now concentrate on developing new profitable power projects both in Norway and in international markets. In accordance with the Group's strategy, the project activity level is high, especially as regards wind and hydropower, but focus is maintained on ensuring sound operations in all parts of the organisation.

The Group's investments in Norway and Sweden are influenced by the introduction of a green certificate market in the Nordic region.

On a global basis, demand for renewable energy is growing. The consequences of the nuclear disaster in Japan contribute to this development, and may reinforce the trend in a long-term perspective.

Oslo, 18 May 2011
The Board of Directors of Statkraft AS

Statkraft AS Group Interim Financial Statements

COMPREHENSIVE INCOME

Figures in NOK million	1st Quarter 2011	1st Quarter 2010	The year 2010
PROFIT AND LOSS			
Sales revenues	7 373	10 253	27 780
Other operating revenues	180	254	1 473
Gross operating revenues	**7 553**	10 507	29 252
Energy purchase	-982	-1 954	-4 674
Transmission costs	-354	-520	-1 595
Unrealised changes in the value of energy contracts	1 444	-211	193
Net operating revenues	**7 661**	7 822	23 176
Salaries and payroll costs	-693	-678	-2 387
Depreciation, amortisation and impairments	-580	-640	-3 205
Property tax and licence fees	-297	-322	-1 236
Other operating expenses	-840	-900	-3 598
Operating expenses	**-2 410**	-2 540	-10 426
Operating profit	**5 251**	5 282	12 750
Share of profit from associates and joint ventures	**395**	643	766
Financial income	295	77	2 060
Financial expenses	-489	-434	-1 607
Unrealised changes in the value of currency and interest contracts	-567	1 924	-1 369
Net financial items	**-760**	1 567	-917
Profit before tax	**4 885**	7 492	12 599
Tax expense	-2 076	-2 960	-5 148
Net profit	**2 809**	4 532	7 451
Of which non-controlling interest	145	206	357
Of which majority interest	2 664	4 326	7 094
OTHER COMPREHENSIVE INCOME			
Changes in fair value of financial instruments	-16	-1 181	-4 107
Reversed changes is fair value of financial instruments, recognised as loss under financial items	-	-	3 625
Estimate deviation pensions	-	-	-274
Translation differences	-328	-1 526	-2 583
Other comprehensive income	**-344**	-2 707	-3 339
Comprehensive income	**2 465**	1 825	4 112
Of which non-controlling interest	-40	170	243
Of which majority interest	2 505	1 655	3 869

STATEMENT OF FINANCIAL POSITION

Figures in NOK million	**31.03.2011**	**31.03.2010**	31.12.2010
ASSETS			
Intangible assets	4 623	2 175	2 981
Property, plant and equipment	77 420	78 184	77 791
Investments in associates and joint ventures	16 941	17 352	17 090
Other non-current financial assets	15 807	20 018	16 382
Derivatives	3 845	3 650	3 842
Non-current assets	**118 637**	121 379	118 085
Inventories	308	544	1 013
Receivables	9 980	9 502	10 748
Short-term financial investments	438	433	424
Derivatives	7 044	4 388	5 645
Cash and cash equivalents	22 950	11 950	20 052
Current assets	**40 721**	26 817	37 882
Assets	**159 358**	148 197	155 967
EQUITY AND LIABILITIES			
Paid-in capital	45 569	31 569	45 569
Retained earnings	24 637	27 730	22 449
Non-controlling interest	6 931	7 595	7 284
Equity	**77 137**	66 894	75 302
Provisions	21 456	13 925	15 758
Long-term interest-bearing liabilities	33 698	35 659	34 251
Derivatives	2 261	3 971	2 494
Long-term liabilities	**57 414**	53 555	52 502
Short-term interest-bearing liabilities	6 634	9 624	6 235
Taxes payable	3 884	3 344	3 458
Other interest-free liabilities	8 264	10 927	11 609
Derivatives	6 025	3 853	6 861
Current liabilities	**24 807**	27 748	28 163
Equity and liabilities	**159 358**	148 197	155 967

STATEMENT OF CHANGES IN EQUITY

Figures in NOK million	**Paid-in capital**	Other equity	Accumulated translation differences	**Retained earnings**	**Total majority**	Non-controlling interests	**Total equity**
Balance as of 01.01.2010	31 569	31 091	-5 026	**26 065**	57 634	7 267	64 901
Total comprehensive income for the period	-	3 143	-1 488	**1 655**	1 655	170	1 825
Equity holdings in associates and joint ventures	-	10	-	**10**	10	-	10
Capital increase	-	-	-	**-**	-	158	158
Balance as of 31.03.2010	**31 569**	**34 244**	**-6 514**	**27 730**	**59 299**	**7 595**	**66 894**
Balance as of 01.01.2010	31 569	31 091	-5 026	**26 065**	57 634	7 267	64 901
Total comprehensive income for the period	-	6 435	-2 566	**3 869**	3 869	243	4 112
Dividend and Group contribution paid	-	-7 420	-	**-7 420**	-7 420	-101	-7 521
Equity holdings in associates and joint ventures	-	-79	-	**-79**	-79	-	-79
Transactions with non-controlling interests	-	14	-	**14**	14	-32	-18
Capital increase	14 000	-	-	**-**	14 000	241	14 241
Capital decrease	-	-	-	**-**	-	-334	-334
Balance as of 31.12.2010	**45 569**	**30 041**	**-7 592**	**22 449**	**68 018**	**7 284**	**75 302**
Total comprehensive income for the period	-	2 639	-134	**2 505**	2 505	-40	2 465
Transactions with non-controlling interests	-	-317		**-317**	-317	-381	-698
Capital increase	-	-	-	**-**	-	68	68
Balance as of 31.03.2011	**45 569**	**32 363**	**-7 726**	**24 637**	**70 206**	**6 931**	**77 137**

STATEMENT OF CASH FLOW

Figures in NOK million		1st Quarter 2011	2010	The year 2010
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax		4 885	7 492	12 599
Profit/loss on sale of non current assets		-	-4	26
Depreciation, amortisation and impairments		580	640	3 205
Profit from the sale of activities		-	-	-371
Share of profit from associates and joint ventures		-395	-643	-766
Unrealised changes in value		-877	-1 713	1 176
Taxes		-1 294	-1 590	-2 562
Cash flow from operating activities		**2 899**	4 182	13 307
Changes in long term items		-316	-38	252
Changes in short term items		1 015	2 078	-1 128
Dividend from associates		-	-	1 146
Net cash flow operating activites	**A**	**3 598**	6 222	13 577
CASH FLOW FROM INVESTING ACTIVITIES				
Investments in property, plant and equipment, maintanance		-126	-231	-1 000
Investments in property, plant and equipment, new capacity		-311	-221	-1 852
Sale of property, plant and equipment		19	38	67
Capital reduction in associates and joint ventures		-	-	46
Business divestments, net liquidity accuring to the Group		-	-	1 358
Loans to third parties		124	-12	-222
Repayment of loans		-64	16	194
Investments in other companies		-696	-51	-888
Net cash flow from investing activities	**B**	**-1 054**	-461	-2 297
CASH FLOW FROM FINANCING ACTIVITIES				
New debt		937	571	4 431
Repayment of debt		-553	-1 222	-8 282
Capital increase		-	-	14 000
Reduction of capital to non-controlling interests		-	-	-334
Dividend and group contribution paid		-	-	-7 964
Share issue in subsidiary to non-controlling interests		68	158	241
Net cash flow from financing activities	**C**	**452**	-493	2 092
Net change in cash and cash equivalents	**A+B+C**	**2 996**	5 268	13 372
Currency exchange rate effects on cash and cash equivalents		-98	19	17
Cash and cash equivalents 01.01		20 052	6 663	6 663
Cash and cash equivalents 31.03/31.12		22 950	11 950	20 052
Unused commited credit lines		12 000	8 052	8 000
Unused overdraft facilities		1 330	550	1 074

SEGMENTS

Figures in NOK million	Statkraft AS Group	Nordic Hydropower	Continentail Energy & Trading	International Hydropower	Wind Power	District Heating	Industrial Ownership	Other
1st Quarter 2011								
Operating revenue external	7 553	2 381	1 486	202	2	217	3 248	17
Operating revenue internal	-	1 932	-127	1	123	-	14	-1 945
Gross operating revenues	7 553	4 314	1 359	203	126	217	3 262	-1 928
Operating profit/loss	5 251	3 662	953	40	-	44	691	-139
Share of profit from associates and joint ventures	395	-	124	32	-22	-	258	1
Profit before financial items and tax	5 646	3 662	1 078	72	-22	44	949	-138
Balance sheet 31.03.2011								
Investment in associates and joint ventures	16 941	-	748	5 354	1 043	1	9 704	91
Other assets	142 417	48 373	5 435	7 073	2 254	2 222	14 081	62 979
Total assets	159 358	48 373	6 183	12 427	3 297	2 223	23 785	63 070
Depreciations, amortisation and impairments	-580	-279	-98	-21	-26	-24	-117	-14
Maintenance investments	126	49	6	6	-	1	29	36
Investments in new generating capacity	311	126	13	70	-	67	35	-
Investments in shares	868	-	579	-	270	-	19	-
1st Quarter 2010								
Operating revenue external	10 507	5 257	1 935	166	-7	204	2 665	287
Operating revenue internal	-	609	-14	-	83	1	26	-705
Gross operating revenues	10 507	5 866	1 921	166	76	205	2 691	-418
Operating profit/loss	5 283	4 789	-134	-14	-20	19	679	-35
Share of profit from associates and joint ventures	643	-	273	64	-5	-1	329	-17
Profit before financial items and tax	5 926	4 789	138	49	-25	18	1 009	-53
Balance sheet 31.03.2010								
Investment in associates and joint ventures	17 352	-	581	5 493	573	-	10 602	103
Other assets	130 846	47 062	6 140	6 902	1 894	2 040	14 415	52 391
Total assets	148 197	47 062	6 721	12 395	2 467	2 040	25 017	52 494
Depreciations, amortisation and impairments	-639	-270	-124	-32	-25	-24	-125	-39
Maintenance investments	231	52	72	45	1	-	31	30
Investments in new generating capacity	221	74	1	25	15	14	35	56
Investments in shares	50	-	-	15	15	-	-	20
The Year 2010								
Operating revenue external	29 252	12 173	6 122	726	-21	609	8 699	944
Operating revenue internal	-	4 459	-723	1	310	3	65	-4 115
Gross operating revenues	29 252	16 632	5 399	727	289	612	8 764	-3 171
Operating profit/loss	12 750	11 619	-273	-184	-280	54	1 768	46
Share of profit from associates and joint ventures	766	-	196	185	-35	-2	468	-46
Profit before financial items and tax	13 516	11 619	-77	1	-315	51	2 237	-
Balance sheet 31.12.2010								
Investment in associates and joint ventures	17 090	-	667	5 730	1 086	-	9 570	37
Other assets	138 877	47 985	5 889	6 994	1 807	2 173	14 583	59 446
Total assets	155 967	47 985	6 556	12 724	2 893	2 173	24 154	59 483
Depreciations, amortisation and impairments	-3 205	-1 111	-842	-305	-221	-107	-498	-121
Maintenance investments	1 000	437	161	103	3	3	235	59
Investments in new generating capacity	1 852	584	119	272	130	191	356	200
Investments in shares	888	-	-	325	559	-	-	4

Comments to the financial statements

1. Frameworks and significant accounting principles

The consolidated accounts for the first quarter of 2011, closed on 31 March 2011, have been prepared in accordance with the accounting principles in International Financial Reporting Standards (IFRS) and consist of Statkraft AS and its subsidiaries and associates. The interim accounts are prepared in accordance with IAS 34 Interim Financial Reporting. The interim accounts do not provide information to the same extent as annual reports and must therefore be seen in the context of the Group's annual reports for 2010. The same accounting principles are applied in the quarterly report as in the annual reports.

2. Presentation of financial accounts

The presentation of the interim report has been prepared in accordance with the requirements in IAS 34. The schedules comply with the requirements in IAS 1.

3. Accounting judgements, estimates and assumptions

The management has exercised judgment and used estimates and assumptions that affect the amounts recognised in the income statement and balance sheet during the preparation of the interim accounts and the application of the Group's accounting principles.

The most important assumptions regarding future events and other significant sources of uncertainty in relation to the estimates at the balance sheet date that can have a significant risk of material changes to the amounts recognised in future accounting periods are discussed in the annual reports for 2010.

In the preparation of the consolidated accounts for the first quarter, judgement has been exercised in the same areas, where this has been of material importance with regard to the amounts that have been recognised in the consolidated income statement and balance sheet, as described in the annual reports for 2010.

4. Segment reporting

Statkraft's segment reporting is in accordance with IFRS 8. The Group reports operating segments in accordance with how the corporate 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.

Statkraft changed its segment organisation on 1 January 2011. The financial information in this report has been reclassified in accordance with the new segment structure.

5. Other financial assets

Other financial assets in the balance sheet include the E.ON AG shareholding with NOK 14 073 million. Shares are classified as assets available for sale and recognised in the accounts at fair value with changes in value recorded in other comprehensive income. Negative changes in value exceeding the value written down are recorded as loss on shares under financial items in the income statement. The decline in value in the first quarter of NOK 794 million has been recorded as a loss under unrealised changes in value.

6. Currency effects on internal loans

Currency effects on internal loans amounted to NOK -241 million of the unrealised changes in value for financial items so far in 2011. The gain arose mainly as a result of the weaker NOK and GBP compared with EUR. Statkraft Treasury Centre (STC) provides loans to the Group's companies, mainly in the companies' local currency. STC prepares its accounts in EUR and reports currency effects of lending in the income statement. Subsidiaries with borrowings in EUR, but with a different reporting currency, report currency effects in their income statements. Currency gains and losses of this type will not be offset by corresponding effects in the Group's income statement. The accounts of foreign subsidiaries are converted to NOK upon consolidation and the currency effects of internal loans are reported directly in equity. This equalises currency gains and losses added to the equity through the income statement.

7. Hedge accounting

Statkraft has used hedge accounting in 2011 that has reduced the volatility in the income statement. A major share of the debt in EUR has been hedged against market rate changes.

From 1 January, Statkraft has established hedging for accounting purposes of the net investment in STC in EUR. The effect of this is that NOK 47 million will not be recognised in the income statement, but recognised in other comprehensive income.

8 Business combinations

One acquisition took place in the quarter, with a purchase amount of NOK 270 million. As of the first quarter, a preliminary allocation of the purchase amount has been carried out, where intangible assets in the order of NOK 340 million have been recorded in the accounts, corresponding to a shareholding of 100 per cent. The final allocation of the purchase amount will be finalised by the twelve-month deadline.

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