

Q3/08 STATKRAFT AS

**INTERIM
REPORT**

Q3

Key figures

	Unit	Q3		Year to date		The year	
		2008	2007	2008	2007	2007	
Gross operating revenues	A	NOK mill.	4 778	3 117	16 723	10 975	17 619
Net operating revenues	B	NOK mill.	5 002	2 312	14 042	8 410	13 261
- of which unrealised changes in value	C	NOK mill.	1 191	-299	965	-604	-739
Underlying net operating revenues	B-C	NOK mill.	3 811	2 611	13 077	9 014	14 000
EBITDA	D	NOK mill.	3 697	1 401	10 265	5 396	8 881
Underlying EBITDA	D-C	NOK mill.	2 506	1 700	9 300	6 000	9 621
Operating profit	E	NOK mill.	3 256	1 005	8 922	4 234	7 242
Underlying operating profit	E-C	NOK mill.	2 065	1 304	7 957	4 839	7 981
Share of profit from associates and joint ventures	F	NOK mill.	164	448	902	1 903	2 613
- of which unrealised changes in value	G	NOK mill.	138	113	-846	314	279
- of which material non-recurring items	H	NOK mill.	0	0	-68	-309	-309
Underlying share of profit from associates and joint ventures	F-G-H	NOK mill.	26	335	1 816	1 898	2 643
Net financial items	I	NOK mill.	-820	238	-1 891	-259	-1 090
- of which unrealised changes in value	J	NOK mill.	-427	577	-536	679	227
Underlying net financial items	I-J	NOK mill.	-393	-339	-1 354	-938	-1 318
Profit before tax	K	NOK mill.	2 600	1 691	7 934	5 878	8 765
Underlying profit before tax	K-C-G-H-J	NOK mill.	1 698	1 300	8 419	5 799	9 307
Profit after tax	L	NOK mill.	1 381	1 047	4 599	4 103	6 632
Underlying taxes	M	NOK mill.	1 005	566	3 214	1 755	2 276
Underlying net profit	K-C-G-H-J-M	NOK mill.	693	734	5 205	4 044	7 031
Underlying EBITDA margin		%	52,4	54,5	55,6	54,7	54,6
Maintenance investments		NOK mill.	197	173	515	412	571
Investments in new generating capacity		NOK mill.	212	284	733	937	1 413
Investments in shareholdings		NOK mill.	158	789	464	1 695	1 800
Net changes in cash flow from operating activities		NOK mill.	2 354	1 797	9 037	5 886	7 720
Cash and cash equivalents		NOK mill.			4 582	3 461	3 150
Assets		NOK mill.			116 878	108 255	110 112
Interest-bearing debt ratio		%			47,9	47,8	45,6
Average system price, Nord Pool		EUR/MWh	55,5	19,8	42,7	23,0	27,9
Production, volume sold		TWh	10,4	8,8	38,0	30,0	44,9
- of which hydropower		TWh	9,1	8,3	33,4	29,2	42,7
- of which wind power		TWh	0,1	0,1	0,4	0,5	0,7
- of which gas power		TWh	1,2	0,3	4,2	0,3	1,5
Full-time jobs (equivalents)		No.			2 412	2 246	2 287

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Highlights

Q3 2008

(compared with Q3 2007)

▪ Gross operating revenues	+ 53%
▪ EBITDA	+ 47%
▪ Underlying profit before tax	+ 31%
▪ Underlying profit after tax	- 6%

"Statkraft posted an excellent result in the first three quarters of the year. This is attributable to higher electricity prices, increased production and excellent results from hedging activities, and a considerable effort from the company's employees," explained President and CEO Bård Mikkelsen.

"The company also entered into its largest industrial power agreement in ten years. This shows that Statkraft is now in a position to offer industry contracts on predictable, long-term and commercial terms," remarked Mikkelsen.

Important events and future prospects

On 24 July E.ON AG and Statkraft signed an agreement which will see Statkraft exchange its shareholding in E.ON Sverige for assets and shares in E.ON AG. The transaction is expected to be implemented at the end of 2008.

On 23 October Statkraft and Boliden Odda signed two long-term, commercial industrial power contracts for the period 2009 to 2030. The agreement for the supply of around 20 TWh is the largest industrial agreement Statkraft has entered into since 1998, and confirms the company's status as the largest and most important supplier of power to power-intensive industry in Norway. As part of the agreement Statkraft will acquire the shares in AS Tyssefaldene held by Boliden Odda.

Year to date

(compared with corresponding period last year)

▪ Gross operating revenues	+ 52%
▪ EBITDA	+ 55%
▪ Underlying profit before tax	+ 45%
▪ Underlying profit after tax	+ 29%

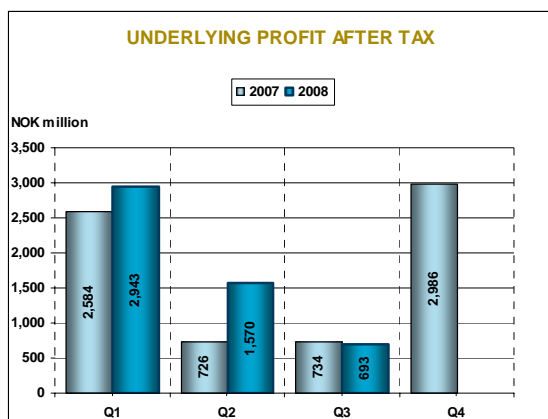
On 15 August Statkraft and Agder Energi entered into an agreement to establish the company Statkraft Agder Energi Vind DA. The two parties will use the newly established company to implement a joint initiative on onshore wind power in Norway.

High reservoir levels at the start of the year and higher than normal precipitation levels have resulted in a robust resource situation. The system price was significantly higher during the first three quarters of the year than in the corresponding period the previous year, and forward prices also indicate that prices will remain higher during the remainder of the year than in 2007. Together with the increase in generating capacity facilitated by the new gas-fired power plants, this will form the basis for a relatively high level of power production during 2008 along with increases in revenues from ongoing power sales. However, uncertainty attaches to the further development of power prices and the hydrological resource situation. Moreover, the financial crisis has now reached global proportions and is affecting the market economy. The crisis has had a significant impact on commodity prices such as coal, oil and gas, and prices and demand for power are expected to fall in the short and medium-term. The long-term consequences are more uncertain as a result of uncertainties regarding the actual long-term effects on the market economy.

Financial performance¹

In order to facilitate better understanding of Statkraft's underlying operations, unrealised changes in value and material non-recurring items in the Group and associates are excluded from the financial review of the Group and the segments. Further information on these items can be found in the section "Items excluded from the underlying result" later in the report.

Quarterly results



In the third quarter of 2008 the Group posted an underlying profit before tax of NOK 1,698 million (NOK 1,300 million) and an underlying profit after tax of NOK 693 million (NOK 734 million). The result for the period was strongly impacted by significantly higher electricity prices and production than in the corresponding prior-year period. However, an increase in the effective tax rate resulted in a slight reduction in the profit after tax.

Result for the year to date

The profit before tax for the first three quarters of the year totalled NOK 8,419 million (NOK 5,799 million), while the profit after tax for the same period amounted to NOK 5,205 million (NOK 4,044 million). The improvement in results is primarily attributable to higher electricity prices and production.

Return on investment

The Group achieved a return on average capital employed (ROACE) before tax of 24.0% over the previous 12 months. The corresponding figure for the 2007 calendar year was 17.7%.

The return on equity after tax for the last 12 months was 18.4%. The total return on capital after tax was 9.6%, compared with 8.3% for the 2007 calendar year.

Operating revenues

The Group posted gross sales of NOK 4,778 million in the third quarter of the year (NOK 3,117 million). Gross operating revenues for the first nine months of the year amounted to NOK 16,723 million (NOK 10,975 million). This represents an increase of 52%.

The average system price on Nord Pool for the first three quarters of the year was 42.7 EUR/MWh (23.0 EUR/MWh), while the Group generated power of 38.0 TWh (30.0 TWh). Gas-fired power production in Germany contributed 3.9 TWh to the overall increase in output of 8.0 TWh, while the remainder of the increase came from hydropower in the Nordic region. Higher prices and increased levels of production generated an increase in net physical spot sales of NOK 4,946 million, which represents an increase of 173% compared with the first nine months of 2007. Hedging activities followed up on the historically strong results from 2007 and contributed NOK 1,134 million during the period.

OPERATING REVENUES			
STATKRAFT AS GROUP	Year to date		The year
Figures in NOK million	2008	2007	2007
Net physical spot sales, incl. green certificates	7,804	2,858	5,469
Concessionary sales at statutory prices	202	149	213
Sales of electricity to industry at statutory prices	1,166	1,271	1,713
Long-term commercial contracts	1,357	1,192	1,582
Dynamic hedging	1,134	1,352	1,593
Trading and origination	520	454	623
Distribution grid	1,309	1,010	1,535
End-users	2,687	2,048	3,390
District heating	244	209	315
Other/eliminations	-331	-346	111
Sales revenues	16,093	10,197	16,544
Other operating revenues	630	778	1,075
Gross operating revenues	16,723	10,975	17,619

Underlying net operating revenues amounted to NOK 13,077 million (NOK 9,014 million).

Energy purchases amounted to NOK 2,851 million in the nine months ending 30 September 2008 (NOK 1,340 million). The increase is primarily attributable to the purchase of gas for the Group's gas-fired power plants.

Transmission costs associated with the transport of power totalled NOK 794 million (NOK 621 million). The increase is attributable to a rise in the variable portions of the transmission tariff as a result of higher transmission volumes and prices.

¹ Comparative figures for 2007 are shown in brackets.

Operating expenses

During the first three quarters of 2008 Group operating expenses totalled NOK 5,121 million (NOK 4,176 million), which represents an increase of 23%.

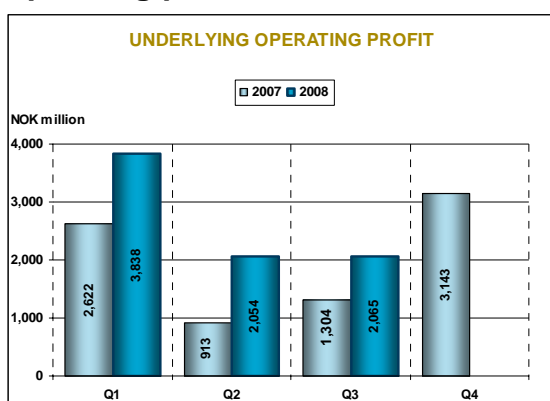
Salaries and payroll costs rose by NOK 179 million to NOK 1,300 million. The increase is primarily connected to increased activity levels, normal salary development and higher provisions for pension liabilities.

The increase in depreciation, amortisation and impairments of NOK 182 million primarily relates to the gas-fired power plant at Knapsack and additional depreciation of the stator at Svartisen in Norway. Total depreciation, amortisation and impairments for the year to date amounted to NOK 1,343 million.

Property tax and licence fees increased by NOK 48 million, primarily as a result of increased calculation basis for property tax in Norway and Sweden. In total property tax and licence fees amounted to NOK 782 million.

Other operating expenses totalled NOK 1,694 million. The increase of NOK 534 million is primarily attributable to the gas-fired power plants, other new business, project development and a general increase in activity levels.

Operating profit



The operating profit for the third quarter of the year totalled NOK 2,065 million (NOK 1,304 million) while the corresponding figure for the first nine months of the year was NOK 7,957 million (NOK 4,839 million). The majority (92%) of the operating profit is attributable to the Generation and markets segment.

Share of profit from associates

In the first nine months of the year the share of profit from the Group's associates totalled NOK 1,816 million (NOK 1,898 million).

The 44.6% shareholding in E.ON Sverige AB is recognised as held-for-sale in the financial statements. In its meeting of 18 June the board resolved to proceed with the swap agreement with E.ON AG, which was duly signed on 24 July. Shares of profit from E.ON Sverige AB are not recognised in the income statement in the period from 18 June to the time of implementation. The non-recognised share will be included in the profit that will be recognised in the income statement on the implementation of the sale as of 31 December 2008.

Financial items

Net financial items, excluding unrealised changes in the value of foreign currency and interest rates in the first three quarters of the year amounted to NOK -1,355 million (NOK -938 million).

Financial expenses increased by NOK 486 million in the first nine months of the year compared with the same period in 2007. The rise is primarily attributable to an increase of NOK 424 million in interest rate expenses on liabilities, which in turn is a result of both higher market interest rates and increased average liabilities.

Financial income increased by NOK 70 million compared with the first three quarters of the previous year. Average liquidity was lower than in 2007, while increased market interest rates generated a higher yield from the portfolio. Realised foreign currency profits also made a positive contribution.

The repayment of state-guaranteed loans in the third quarter resulted in a reduction in the guarantee premium payable to the Norwegian state. At the end of the first nine months of 2008 the overall portfolio of state-guaranteed loans totalled NOK 10.5 billion, compared with NOK 11.4 billion in the corresponding prior-year period.

The Group has three loan portfolios denoted in NOK, SEK and EUR respectively. The portfolios are exposed to both variable and fixed interest rates, where the exposure to variable interest rates amounts to 78%. The average current interest rates for the year to date on loans denoted in NOK, SEK and EUR have been 6.2%, 4.8% and 5.2% respectively.

Access to capital has been reduced as a result of the financial crisis, while liquidity availability has been limited through both the securities market and loans from banks. Statkraft has enjoyed good access to capital through the certificate market throughout the crisis, but has noted the extreme uncertainty dominating the market. During the course of the last year Statkraft has increased its drawdown facilities by NOK 3 billion

with the result that the company now has a total of NOK 8 billion in unused drawdown facilities.

Statkraft has entered into agreements with its financial counterparties regarding the settlement of changes in value of interest rate and foreign currencies which limit counterparty risk resulting from derivative contracts to one week's changes in value.

Major amounts are placed in the banks at times, particularly ahead of major payments. Counterparties are continually followed up to reduce the risk of potential losses.

Items not included in the underlying profit

ITEMS EXCLUDED FROM UNDERLYING OPERATIONS					
STATKRAFT AS GROUP	Year to date		Year to date		The
Figures in NOK million	2008	2007	2008	2007	2007
Unrealised changes in value energy contracts	1 191	-299	965	-604	-739
Unrealised changes, associates and joint ventures	138	113	-846	314	279
Unrealised changes in value currency and interest contracts	-427	577	-536	679	227
Unrealised changes	902	391	-417	389	-233
Material non-recurring items	0	0	-68	-309	-309
Unrealised changes and material non-recurring items after tax	688	313	-605	59	-399

Unrealised changes in the value of energy contracts, which represent changes in the fair value of energy derivatives, amounted to NOK 965 million in the first three quarters of the year (NOK -604 million). The Group's contracts are indexed against a number of items including various raw materials, foreign currencies and indexes. At the end of the third quarter unrealised changes in the value of contracts were in particular impacted by rising coal prices.

Unrealised changes in the value of foreign currency and interest rates, which relate to changes in the fair value of interest rate and foreign currency derivatives, amounted to NOK -536 million in the first nine months of the year (NOK 679 million). This change is attributable to both unrealised foreign currency effects on liabilities denoted in SEK and EUR and unrealised effects of currency hedging of future cash flows in EUR, which so far this year have amounted to losses of NOK 437 million, compared with larger gains recorded in the first nine months of 2007. This is due to the fact that the NOK has depreciated against the SEK and EUR by 0.9% and 4.7% respectively in 2008, while it appreciated against these currencies in 2007. However, the change in the value of interest rate derivatives made a positive contribution. So far this year derivative values have fallen significantly less than during the same period last year.

Unrealised changes in value for associates and joint ventures amounted to NOK -846 million in the first nine months of the year (NOK 314 million).

Year-to-date non-recurring items excluded from the calculation of the underlying profit amounted to NOK -68 million (NOK -309 million). Both items relate to the company E.ON Sverige and improvement costs following storms in January/February 2008 and January 2007.

Total unrealised changes in value and material non-recurring items after tax amounted to NOK -605 million in the first three quarters of the year (NOK 59 million).

Taxes

Taxes recognised in the financial statements totalled NOK 3,334 million in the first nine months of the year (NOK 1,776 million), resulting in an effective tax rate of 42.0% (30.3%). The effective tax rate for 2007 was 24.3%.

The tax expense on the underlying profit amounted to NOK 3,214 million in the first nine months of the year (NOK 1,755 million). The effect of unrealised changes in value and non-recurring items in the period was NOK 120 million (NOK 21 million).

The increase in the effective tax rate is primarily attributable to two factors – an increase in resource rent tax and a relative reduction in the share of income that is not taxed in the Group. The latter applies to the share of profit from associates. Resource rent tax for the first nine months of the year amounted to NOK 1,383 million (NOK 499 million), which equates to 41.5% of the Group's total tax expense (28.1%). Income not taxed in the Group comprised 11.4% of the Group's pre-tax profit (32.5%).

The increase in resource rent tax is attributable to a higher tax rate, increased production and higher average area prices.

Cash flow and capital structure

Operating activities generated a cash flow of NOK 6,003 million in the first nine months of the year (NOK 3,011 million). Changes in short-term and long-term tied capital generated a positive liquidity effect of NOK 550 million (NOK 1,483 million), while dividends from associates totalled NOK 2,484 million (NOK 1,392 million). Net cash flow from operating activities was thus NOK 9,037 million (NOK 5,886 million).

Investments amounted to NOK 2,132 million (NOK 3,201 million) and primarily related to maintenance, increased capacity and investments in other companies. The largest items related to capital payments into SN Power and Energy Future Invest AS of NOK 200 million and NOK 137 million respectively, investments of NOK 105 million in Leirfossene Power Plant and

purchases of shares worth NOK 73 million in the wind company Arise AB.

New borrowings totalled NOK 3,727 million, including NOK 3,400 million in certificate loans, while an amount of NOK 2,168 million was repaid in liabilities. A further NOK 7,033 million was paid in dividends and Group contributions during the third quarter.

CASH FLOW			
STATKRAFT AS GROUP	Year to date		The year
Figures in NOK million	2008	2007	2007
Net cash flow from operating activities	9,037	5,886	7,720
Net cash flow from investing activities	-2,132	-3,201	-4,002
Net cash flow from financing activities	-5,474	-979	-2,321
Net change in cash and cash equivalents	1,431	1,706	1,397
Currency effect on cash flows	1	-3	-5
Cash and cash equivalents 01.01.	3,150	1,758	1,758
Cash and cash equivalents 31.09. / 31.12.	4,582	3,461	3,150

During the first nine months of the year there was a positive change in net liquidity of NOK 1,431 million, and at the end of the period the Group's cash and cash equivalents totalled NOK 4,582 million, compared with NOK 3,150 million at the start of the year.

Interest-bearing debt totalled NOK 39,566 million at the end of the third quarter of the year, compared with NOK 37,284 million at the start of 2008. The interest-bearing debt ratio was 48.7%, as against 45.6% at the end of 2007. The share of debt denominated in EUR was increased in the third quarter, while the share of debt denominated in SEK was reduced by a corresponding amount. This was done to align the liabilities with increased EUR investments in connection with the swap agreement with E.ON AG.

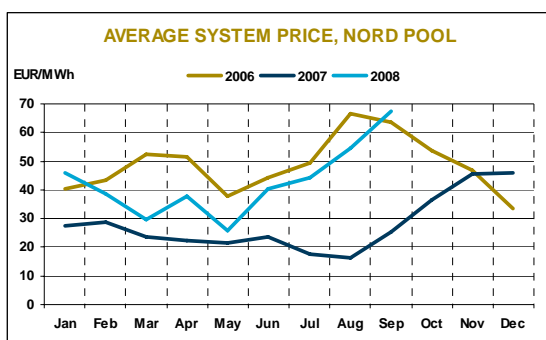
Current assets, excluding cash and cash equivalents, totalled NOK 19,427 million and short-term interest-free liabilities amounted to NOK 25,627 million. Of this amount, derivatives comprised NOK 12,996 million and NOK 15,990 million respectively, compared with NOK 8,326 million and NOK 12,454 million respectively at the beginning of the year.

At the end of the third quarter Statkraft had equity of NOK 41,684 million. This corresponds to 35.7% of total capital. The decrease of 4.6% compared with the start of the year is attributable to higher total equity and the payment of dividends.

Markets

The Nordic power market

The system price in the Nordic market was higher during the first three quarters of 2008 than during the same period last year. Prices in the first half of the year were impacted by a strong hydrological balance, while the hydrological balance weakened in the third quarter. Precipitation was higher than normal in Norway and consumption was also high, despite relatively warm weather. High coal prices have resulted in an increase in marginal costs of thermal power plants. The average system price in the first three quarters of the year was NOK 42.7 EUR/MWh. For purposes of comparison, the average system price was 23.0 EUR/MWh in the same period in 2007 and 49.9 EUR/MWh in 2006. September was the month with the highest average monthly price (67.5 EUR/MWh), whereas May was the month with the lowest price (25.8 EUR/MWh).



Source: Nord Pool

Although there have been major differences between the price areas in the Nordic market in 2008, these differences were smaller in September. The NO1 area (Southern Norway) was a low price area and was 3.4 EUR/MWh below the system price in September. The NO2 (Central Norway) and NO3 (Northern Norway) areas were above the system price by 6.4 EUR/MWh and 1.6 EUR/MWh respectively during the same period.

Year-to-date consumption in the Nordic region was lower, while consumption in Norway was higher, than in the first nine months of 2007. Total consumption in Norway increased by 2.0% against the corresponding prior-year period. This increase was mainly attributable to an increase in general consumption, higher demand from power-intensive industry and the use of electric boilers. General consumption in Norway was 61.4 TWh, an increase of 1.8% compared with the previous year. The weather was milder than normal, particularly in the first quarter, and temperature-adjusted general consumption was 64.7 TWh. This represents an increase of 2.9%

compared with the same period in 2007. The increase was higher than normal, while consumption developed in the opposite direction in the other Nordic countries. The increase was largest in Central Norway and was to a large extent attributable to the increase at Ormen Lange.

The Nordic power generation area produced 1.2 TWh (+0.4%) more electricity during the first nine months of the year than in the corresponding prior-year period. The Nordic region exported a net volume of 9.4 TWh to Germany, Poland and the Netherlands in the first nine months of the year, and imported a net amount of 7.5 TWh, primarily from Russia and Estonia.

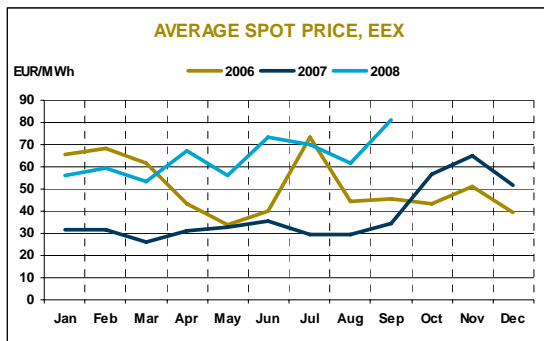
Norwegian power output was also higher during the first three quarters (102.8 TWh) compared with the same period last year (99.6 TWh). At the end of the third quarter, net Norwegian power exports amounted to 10.4 TWh (9.0 TWh). The high export levels are attributable to high reservoir levels, a mild winter with low consumption and significant inflows in the first half of the year, particularly in Southern Norway. However, exports have also been limited due to faults with connections to other countries. Breakdowns affecting cables over the Oslo fjord significantly restricted the export capacity to Sweden for significant parts of the year, while faults with the Norned cable delayed the start-up by six months.

POWER CONSUMPTION AND OUTPUT IN THE NORDIC AREA				
TWh	2008	2007	2006	Change 2008-2007
Nordic consumption	286.5	287.8	288.8	-0.5 %
Nordic output	288.4	287.2	280.0	0.4 %
Net Nordic imports (+) / exports (-)	-1.9	0.7	8.8	-
Norwegian consumption	92.4	90.6	89.4	2.0 %
Norwegian output	102.8	99.6	91.3	3.2 %
Norwegian imports (+) / exports (-)	-10.4	-9.0	-1.9	-

Sources: "Nord Pool Nordic electricity market information" for the weeks 39/2008, 39/2007 and 39/2006, and "Nord Pool Landsrapport Norge" (Nord Pool Country Report Norway) for the weeks 39/2008, 39/2007 and 39/2006.

At the end of September 2008 (Week 39) the water level in the Nordic region's reservoirs was 93.6% of normal levels (102.3 TWh) and 79.0% of maximum reservoir capacity (121.2 TWh).

The German power market



Source: European Energy Exchange (EEX)

The average spot price in Germany in July was 69.9 EUR/MWh, which represents an increase of 3.3 EUR/MWh compared with the previous month. This is 40.6 EUR/MWh higher than in July

2007. EEX prices were higher than Nordic prices during 92% of hours in July.

The average spot price in August was 61.8 EUR/MWh, 32.5 EUR/MWh higher than in August 2007. EEX prices were higher than Nordic prices during 72% of hours in August.

Power prices increased more than the market expected in September, and the average spot price was 88.3 EUR/MWh. EEX prices were higher than Nordic prices during 76% of hours in September. Insufficient wind power production during week 38 affected price developments. The delayed connection of Unterweser Nuclear Power Plant also contributed to the increase in prices, as the power plant was only able to run at half-capacity.

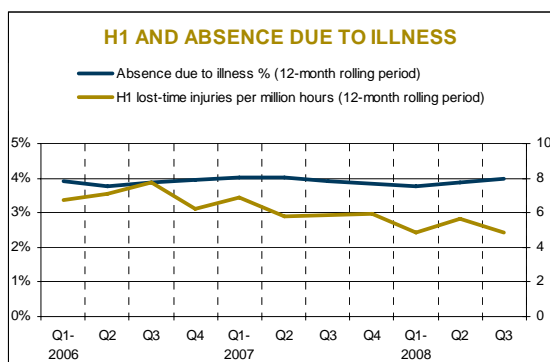
HSE and the workforce

At the end of the third quarter of 2008 the Group employed the equivalent of 2,412 full-time employees, which is 125 more than at the end of 2007.

KEY FIGURES, HSE			
STATKRAFT AS GROUP	Q3		
	2008	2007	2006
Full-time equivalents 30 September	2 412	2 246	2 035
H1 (lost-time injuries per million hours)	2,2	5,6	5,6
H2 (all injuries per million hours)	13,0	16,6	16,8
F (days lost through injury per million hours)	4,3	39,0	27,0
Absence due to illness (%)	3,9	3,7	3,9

The frequency and number of injuries in the Group decreased during the period under review. In the third quarter there were a total of two lost-time injuries in the Group, (one at Småkraft and one at Skagerak Energi), compared with six in the corresponding quarter in 2007. The H1 indicator for the third quarter was 2.2, which represents a clear improvement on the corresponding period in 2007 (5.6). There were a total of 12 injuries in the Group in the third quarter, compared with 16 in the corresponding prior-year period. This resulted in an H2 indicator (total number of injuries per million hours worked) of 13.0 in the third quarter (16.6). No lost-time injuries have been recorded among the Group's suppliers during the quarter. The Group has intensified its follow-up of suppliers in the Group.

The sickness absence rate for the third quarter was 3.9%, compared with 3.7% in the corresponding prior-year period. The Statkraft Group has set itself a target of achieving a sickness absence rate of less than 4%. Phase 2 of the health project "Energy for Life", which aims to stimulate physical activity and health-promoting measures throughout the Group, was launched during the third quarter.



There was one serious environmental incident in the third quarter as a result of stoppages in operations at Trollheim Power Plant. Water flow rates fell to 3 m³/sec downstream of the power plant against an established requirement of 15 m³/sec. The incident resulted in stranding and probably significant mortality among salmon smolt a few kilometres downstream of the power plant. The non-compliance was followed up locally, and a fishery fund was established to compensate for the damage. An external evaluation has been commissioned to evaluate the consequences of the incident. Statkraft had previously decided to install a bypass valve at Trollheim Power Plant from autumn 2009 in order to prevent a similar situation arising in the future. Statkraft is also working on environmental design plans for the Trollheim extension, where the formal part of the plan process is due to start at the end of the year.

Two less serious environmental incidents were registered involving the discovery of dead sea eagles – one at Smøla and one at Hitra. Statkraft is continuing its extensive research activities at Smøla, and technology that can prevent collisions is to be designed and if applicable tested during 2008 or 2009. There were nine further less serious environmental incidents, primarily relating to breaches of water flow requirements and minor oil leakages. The non-compliances were followed up locally.

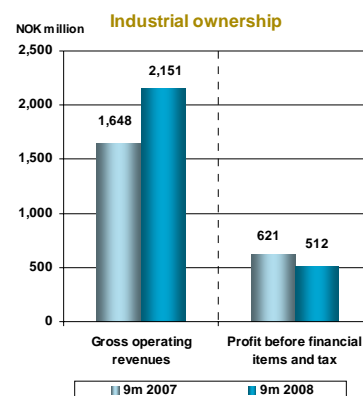
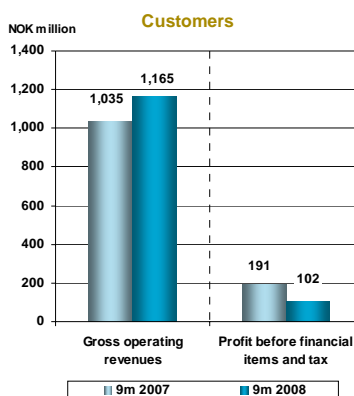
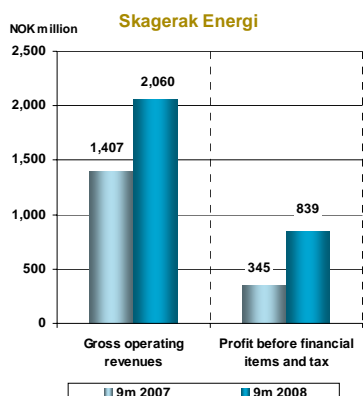
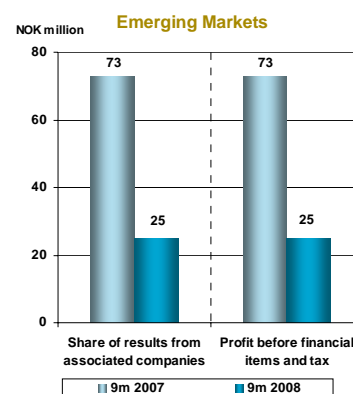
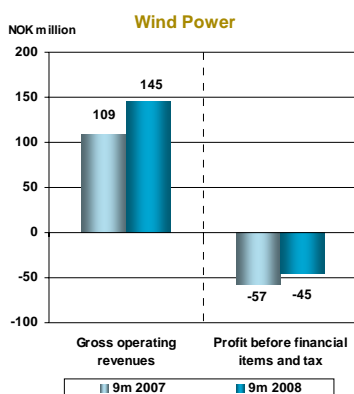
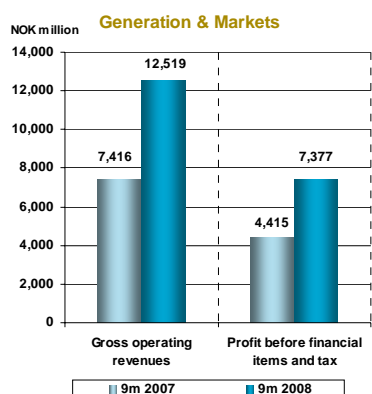
On 24 October there was a fatality in connection with the construction of the La Confluencia hydropower plant in Chile. One employee at the main contractor Constructora Hochtief-Tecsa lost his life on the way to hospital following injuries suffered when a concrete lorry overturned. The case is currently being reviewed. Statkraft is involved in the project via SN Powers 50% joint venture collaboration with Pacific Hydro through the company Tinguiririca Energie. The board of SN Power has implemented concrete measures to improve the serious shortcomings in respect of HSE and is closely monitoring developments.

Development of the Group's HSE management system is in full swing and the collaboration with SN Power has been intensified.

Segments

In order to secure an efficient structure for continued growth and profitability, the Statkraft Group was reorganised with effect from 1 July 2008. In connection with the implementation of the new management structure Statkraft decided to implement IFRS 8 earlier than the mandatory deadline of 1 January 2009. IFRS 8 classifies the segments in accordance with the organisation of the business for internal management purposes, which is essentially based on the premise that the information used by management to make decisions internally should also be reflected in segment reporting.

Statkraft's business is now organised into six main segments – Generation and markets, Wind power, Emerging markets, Skagerak Energi, Customers and Industrial ownership, along with Other, which includes Southeast Europe hydro, Solar power, Small-scale hydro, Innovation and growth, and the investment in E.ON Sverige AS, Group functions and eliminations.



Generation and markets

KEY FIGURES - UNDERLYING OPERATIONS

GENERATION & MARKETS	Unit	Year to date		Change	The year 2007
		2008	2007		
Gross operating revenues	NOK mill.	12,519	7,416	5,103	12,150
Net operating revenues	NOK mill.	10,278	6,874	3,404	10,922
EBITDA	NOK mill.	8,109	5,057	3,053	8,382
Operating profit	NOK mill.	7,320	4,405	2,915	7,465
Share of profit from associates and joint ventures	NOK mill.	57	10	47	84
Profit before financial items and tax	NOK mill.	7,377	4,415	2,962	7,549
Maintenance investments	NOK mill.	281	240	41	316
Investments in new generating capacity	NOK mill.	366	668	-302	967
Investments in shareholdings	NOK mill.	27	356	-329	462

The Generation and markets segment is responsible for the operation and maintenance of hydropower plants in the Nordic region and the gas-fired power plants in Europe, and physical and financial energy trading across Europe. The production assets are generally flexible and include 127 wholly and partly owned hydropower plants in the Nordic region, one gas-fired power plant in Norway and two in Germany. The total installed capacities for hydropower and gas power are 9,228 MW and 1,210 MW respectively. The segment also includes 2/3 of the subsea cable (600 MW) between Sweden and Germany owned through the company Baltic Cable AB.

Highlights in the quarter

The activities of Trondheim Energi Kraft AS have been included in the Generation and markets segment since 1 July 2008. The hydropower portfolio has thus expanded by 20 power plants with a total installed capacity of 819 MW.

Baltic Cable AB and the European Market Coupling Company (EMCC) have entered into an agreement to introduce market coupling of the Baltic Cable power cable. One of the consequences of the agreement will be the abolition of variable charges for power exchange in Sweden, which will ensure optimal flow for the cable. EMCC is a joint venture that will help manage bottlenecks through market coupling and thus contribute to increased integration in the European power market. Market coupling is expected to start from the new year.

Under the terms of the agreement with E.ON AG, the segment will take over 53 hydropower plants in Sweden, Germany and Wales, together with one pump power plant, two gas-fired power plants and shares in two biomass plants in Germany from the end of the year. One hydropower plant in Sweden is being sold back to E.ON. The deal will generate an overall capacity increase of 2,190 MW. The business area will

also acquire a gas store and a VPP² contract. Preparations for the integration of these assets into existing activities and business processes have been in progress since the start of the year, and are proceeding according to plan. A total of 180 employees are expected to be taken over from E.ON. Staffing levels for existing business will also be increased in order to manage the growth.

On 16 October the Norwegian government proposed to change the carbon quota allocation for Kårstø for the period 2008-2012. The proposal has been sent for review with a three-week hearing period. The change will result in a quota allocation reduction of two thirds compared with the current volume. Based on the available estimates, the value of the investment in Naturkraft is expected to be significantly reduced. At the end of the third quarter the book value of the share in Naturkraft was NOK 1,100 million.

Financial performance

The segment's underlying profit before financial items and tax in the first three quarters of the year was NOK 7,377 million (NOK 4,415 million).

Gross operating revenues totalled NOK 12,519 million (NOK 7,416 million). The increase is primarily attributable to higher prices and production. The dynamic hedging of the Nordic hydropower portfolio has posted excellent results so far this year, and realised revenues of NOK 975 million. Dynamic hedging related to Baltic Cable and gas realised NOK 159 million in the same period. The Trading and origination portfolios have also achieved excellent results and realised year-to-date revenues totalling NOK 442 million.

Energy purchases totalled NOK 1,379 million (NOK 53 million). The increase is attributable to the fact that the gas-fired power plants had not

² VPP: Virtual Power Plant.

entered operation at the end of the third quarter of 2007. Transmission costs associated with the transport of power totalled NOK 862 million (NOK 489 million) as a result of higher production and prices.

Net operating revenues were thus NOK 10,278 million (NOK 6,874 million).

Operating expenses comprised NOK 2,958 million (NOK 2,469 million). The increase primarily relates to the three gas-fired power plants that entered operation in the fourth quarter of 2007.

The underlying operating profit for the first three quarters of the year amounted to NOK 7,320 million (NOK 4,405 million).

The share of profit from associates, adjusted for unrealised changes in value, was NOK 57 million (NOK 10 million).

Operations

The segment achieved stable operations and production during the first nine months of the year. At the end of the third quarter of 2008 saleable hydropower production totalled 28.6 TWh, and was thus 3.7 TWh higher than in the corresponding prior-year period. Saleable gas power production totalled a further 4.2 TWh at the end of the third quarter (Statkraft's share).

Production management of the power plants in Nea-/Nidelv were moved from Trondheim to Gaupne from 1 September. The takeover proceeded as planned and without operational delays.

Utility adjusted downtime amounted to 2.6% in the third quarter, and was thus slightly above the target of 2.1%. The share of non-planned downtime was higher than targeted. This is attributable to breakdowns at Sysima (fault with rotor blade wheel), Tokke (fault with transformer) and Øvre Røssåga (fault with vibration dampening). Svartisen Power Plant re-entered operation on 4 June with a new stator. The repairs were originally planned for completion by the end of July. The segment had previously decided to invest in an extra aggregate with an installed capacity of 250 MW at Svartisen Power Plant. The new aggregate will be ready for operation in 2010.

There was a serious environmental incident on 27 July following a stoppage in operations at Trollheim Power Plant. The water flow rate in Surna fell below minimum requirements for around three hours, despite the fact that Statkraft implemented measures to re-establish the water flow in the river downstream from the power station.

Statkraft Energi AS was fined NOK 100,000 for a breach of the Norwegian Act on the Supervision of Electrical Plants and Electrical Equipment. The fine was imposed after an employee received an electric shock while performing assembly work at Smøla wind farm in October 2006. Statkraft has accepted the fine.

The sickness absence rate in the third quarter was 3.5%.

Wind power

KEY FIGURES - UNDERLYING OPERATIONS					
WIND POWER	Unit	Year to date		<i>Change</i>	The year
		2008	2007		2007
Gross operating revenues	NOK mill.	145	109	36	182
Net operating revenues	NOK mill.	131	100	30	169
EBITDA	NOK mill.	6	-7	13	36
Operating profit/loss	NOK mill.	-45	-56	12	-32
Share of profit from associates and joint ventures	NOK mill.	0	0	0	0
Profit before financial items and tax	NOK mill.	-45	-57	12	-32
Maintenance investments	NOK mill.	0	0	0	0
Investments in new generating capacity	NOK mill.	1	16	-15	16
Investments in shareholdings	NOK mill.	90	0	90	0

The Wind power segment is responsible for developing, constructing and following up the ownership of onshore and offshore wind farms in Norway and the rest of Europe, as well as developing and commercialising offshore wind power technology. Development and construction projects are currently being implemented in Norway, Sweden, Denmark, the United Kingdom and Germany. The segment has three wind farms in operation –Smøla, Hitra and Kjøllefjord. The total installed capacity for these plants is 245 MW.

Highlights in the quarter

On 15 August Statkraft and Agder Energi entered into an agreement to establish the company Statkraft Agder Energi Vind DA. The two parties will use the newly established company to implement a joint initiative for onshore wind power in Norway. The company will have its head office in Kristiansand, will be the leading player within Norwegian wind power, and has set itself a target of achieving an installed capacity of 1,500 MW by 2015. The collaboration covers all new projects relating to the development, construction, operation and maintenance of wind farms in Norway, and their related power sales. The wind farms that are currently in operation are not covered by the collaboration. At the time the agreement was entered into, the new company's project portfolio comprised 27 wind farms with an expected installed capacity of 3,765 MW.

On 20 August the Norwegian Ministry of Petroleum and Energy rejected the licence application for the construction of Skallhalsen wind farm. The rejection was justified on the premise that the wind farm would have a significant detrimental impact on the Norwegian Armed Forces' infrastructure and could have serious consequences for the latter's activities. The wind farm would have contributed to increased power access and business development in the area.

On 24 June the Norwegian Water Resources and Energy Directorate (NVE) rejected the licence application for Fræna wind farm. Based on an overall review of the situation, Statkraft has decided not to appeal this decision.

WindSea AS, which is a collaboration between Statkraft (shareholding 49%), FORCE Technology (shareholding 26%) and NLI Innovation (shareholding 25%), started development of the company's offshore wind concept in the third quarter. The concept differs from other offshore wind concepts in that it has a triangular-shaped floating platform along with three towers and three wind turbines. Model trials will be performed using wind tunnels and wave tanks in Denmark during the fourth quarter.

Financial performance

The segment's underlying loss before financial items and tax in the first three quarters of the year was NOK 45 million (loss of NOK 57 million). The wind farms that were in operation generated higher revenues and profits than in the corresponding prior-year period. However, increased project activity levels resulted in the segment posting an overall loss.

Gross operating revenues totalled NOK 145 million (NOK 109 million). The increase is attributable to generally higher prices in 2008, which compensated for slightly lower production levels.

Operating expenses totalled NOK 176 million (NOK 157 million). The increase is primarily attributable to increased project activity.

The segment posted an operating loss of NOK 45 million (loss of NOK 56 million).

Operations

The wind farms produced a total of 0.4 TWh (0.5 TWh) in the first nine months of the year.

Rolling production in the last 12 months was 0.6 TWh, compared with 0.7 TWh for the whole of 2007.

Following the signing of the agreement with SCA in Sweden, Statkraft has acquired the opportunity to develop around 2.6 TWh of wind power capacity at SCA's site in central Sweden. The results from the wind measurements have been positive. The final licence application will be submitted before the end of the fourth quarter of 2008.

Preparations for the construction and commissioning of Blaengwen wind farm in the United Kingdom are in full swing.

So far this year eight dead sea eagles have been found at Smøla following collisions with turbines, two of which occurred in the third quarter.

In the last quarter one incident classified as a near accident occurred when a capacitor was being replaced. The incident took place when a short circuit arose between a phase and earth in a capacitor where the voltage should have been discharged. The incident has been reviewed in all relevant forums and measures have been taken to avoid similar incidents in the future.

The sickness absence rate for the third quarter was 1.3%.

Emerging markets

KEY FIGURES - UNDERLYING OPERATIONS

EMERGING MARKETS	Unit	Year to date		Change	The year 2007
		2008	2007		
Share of profit from associates and joint ventures	NOK mill.	25	73	-48	158
Profit before financial items and tax	NOK mill.	25	73	-48	158
Investments in shareholdings	NOK mill.	200	1,200	-1,000	1,200

The Emerging markets segment is responsible for managing and further developing ownership positions outside Europe, and currently comprises shareholdings in SN Power (50% shareholding), which Statkraft owns together with Norfund. Theun Hinboun Power Company (THPC) (20% shareholding) is also managed on behalf of Statkraft SF, but is not included in the financial figures for the segment. SN Power currently has shareholdings in 14 hydropower plants and one gas-fired power plant in Latin America and Asia. The power plants have a combined installed capacity of 968 MW. Together with partners, SN Power is also constructing and refurbishing capacity of 686 MW in Latin America and Asia. THPC owns one hydropower plant in Laos with an installed capacity of 210 MW.

Highlights in the quarter

SN Power's acquisitions of the Binga and Ambuklao hydropower plants in the Philippines (both 50% shareholdings) were refinanced during the third quarter. The refurbishment of Ambuklao Power Plant, which will result in an expansion from 75 MW to 105 MW, has started and is expected to be completed during 2010.

In August SN Power signed a collaboration agreement with the Indian Tata Group regarding project development and construction of hydropower capacity in India, Nepal and Bhutan.

During the quarter THPC signed a revised licence agreement with the Laotian authorities concerning an expansion of the current plant from 210 MW to 500 MW. Despite the uneasy borrowing market, the loan agreements with the banks were signed on 8 October. Building is expected to start during the fourth quarter and the power plants will be completed during 2012.

Capital payments of NOK 200 million were made into SN Power during the period under the review.

Financial performance

Statkraft's share of SN Power's profit for the first three quarters of the year comprised NOK 25 million. This is NOK 48 million lower than in the

corresponding period in 2007, and the reduction is primarily attributable to delays in connection with the construction of two power plants.

The construction of La Higuera hydropower plant in Chile (50% shareholding) has been delayed by around one year. A loss provision and costs totalling NOK 40 million relating to power sales obligations connected to the construction have been recognised in connection with this delay.

The construction of La Confluencia hydropower plant in Chile (50% shareholding) has been delayed by some months due to the collapse of the plant road during extremely heavy rainfall in May.

Operations

With the exception of the power plants that are situated east of the Andes in Peru, all SN Power's plants recorded satisfactory production figures. However, transmission problems resulting from downtime in the distribution grid north of Manilla in the Philippines resulted in significantly lower revenues for the Magat (50% shareholding) and Binga hydropower plants. The distribution grid problems have now been solved.

On 24 October there was a fatality in connection with the construction of the La Confluencia hydropower plant in Chile. One employee at the main contractor Constructora Hochtief-Tecsa lost his life on the way to hospital following injuries suffered when a concrete lorry overturned. The case is currently being investigated. The board of SN Power has implemented concrete measures to improve the serious shortcomings in respect of HSE and is closely monitoring developments.

There have been a total of four fatalities in connection with the Allain-Duhangan hydropower project in India (43% shareholding) in 2008. SN Power is systematically working to raise HSE standards on the project. SN Power has initiated its own HSE audit, and this will form the basis for a systematic follow-up based on concrete action plans. The report has been sent to the International Finance Corporation which is participating in the financing of the project.

Skagerak Energi

KEY FIGURES - UNDERLYING OPERATIONS

SKAGERAK ENERGI	Unit	Year to date		Change	The year
		2008	2007		
Gross operating revenues	NOK mill.	2,060	1,407	652	2,209
Net operating revenues	NOK mill.	2,010	1,349	661	2,170
EBITDA	NOK mill.	1,300	741	559	1,302
Operating profit	NOK mill.	975	428	547	869
Share of profit from associates and joint ventures	NOK mill.	-136	-83	-53	-108
Profit before financial items and tax	NOK mill.	839	345	495	761
Maintenance investments	NOK mill.	133	123	10	207
Investments in new generating capacity	NOK mill.	103	110	-7	163
Investments in shareholdings	NOK mill.	9	121	-112	129

This segment comprises the company Skagerak Energi and the business focuses on production and sale of power, and distribution grid activities. Other business covers fibre and electrical contractor activities. The company is owned by Statkraft (66.6%) and the local authorities in Skien (15.2 %), Porsgrunn (14.8 %) and Bamble (3.4 %). The production assets cover 45 wholly and partly owned hydropower plants with a total installed capacity of 1,325 MW. The company has around 177,000 distribution grid customers.

Highlights in the quarter

In September the boards of Skagerak Energi and Trondheim Energi approved a merger of the companies Nota and Enita, which are owned by Skagerak Energi and Trondheim Energi respectively. Nota has specialist expertise in TWC (two-way communications) and services connected to the collection of measurement values, while Enita has extensive experience of service deliveries within energy processes. The merger underlines the owners' intention of bundling service supplies in the Statkraft Group. This new company will be a leading player within metering, settlement, invoicing and collection in the Nordic energy market. Nota is the acquiring company, and Skagerak Energi and Trondheim Energi will own respective shares of 60% and 40% in the merged company. The merger will have accounting effect from 1 January 2009. In the third quarter Nota won a contract with Skagerak Nett for the metering of 10,000 TWC (two-way communication) measuring points.

The new CEO of Skagerak Energi, Knut Barland, took up his position on 18 August.

Financial performance

The segment's underlying profit before financial items and tax in the first nine months of the year was NOK 839 million (NOK 345 million).

Gross operating revenues for the first three quarters of the year amounted to NOK 2,060 million (NOK 1,407 million). The increase is primarily attributable to higher electricity prices and production volume.

Operating expenses totalled NOK 1,035 million (NOK 921 million). The increase primarily relates to the fibre initiative.

The underlying operating profit for the period was NOK 975 million (NOK 428 million).

The share of profits from associates was NOK -136 million (NOK -83 million). The change is primarily attributable to Telenor Cinclus in which Skagerak Energi and Telenor hold respective shareholdings of 34% and 66%.

Operations

The power business achieved stable operations and production during the first nine months of the year. At the end of the third quarter output totalled 4.8 TWh, and was thus 0.6 TWh higher than in the corresponding prior-year period.

Distribution grid activities generally experienced normal operating conditions in the third quarter. However, thunderstorms on 13 August resulted in breakdowns at nine transformers and a series of security breaches in several other transformers. Nonetheless, the downtime per breakdown has improved on a year-to-date basis.

The sickness absence rate in the third quarter was 4.4%.

Customers

KEY FIGURES - UNDERLYING OPERATIONS					
CUSTOMERS	Unit	Year to date		<i>Change</i>	The year
		2008	2007		2007
Gross operating revenues	NOK mill.	1,165	1,035	129	1,467
Net operating revenues	NOK mill.	509	529	-19	678
EBITDA	NOK mill.	206	280	-74	205
Operating profit/loss	NOK mill.	90	176	-86	62
Share of profit from associates and joint ventures	NOK mill.	13	15	-3	7
Profit before financial items and tax	NOK mill.	102	191	-89	69
Maintenance investments	NOK mill.	52	49	3	48
Investments in new generating capacity	NOK mill.	74	108	-34	221
Investments in shareholdings	NOK mill.	0	0	0	8

The Customers segment comprises the Group's distribution grid, district heating and power sales activities that are owned by Trondheim Energi. The segment has around 94,000 distribution grid customers and 81,000 electricity customers. The district heating system in Trondheim and Klæbu has an installed capacity of 297 MW, and supplies 550 business customers and 6,000 households with district heating. The segment also covers property management and energy settlement for end-users. The end-user company Fjordkraft is included in the Industrial ownership segment.

Highlights in the quarter

The new Hesttrø transformer station in the Klæbu local authority entered operation on 27 August. The replacement will increase the capacity from 10 MW to 30 MW.

In order to be able to offer customers a better product the price strategy has been changed, with the result that the variable power price was replaced by the purchase price on 1 October.

In accordance with the agreement with E.ON AG, the segment will take over five district heating plants in Sweden with a combined installed capacity of 198 MW from the end of the year. Around 20 employees are expected to be transferred with the plants.

Financial performance

The segment's underlying profit before financial items and tax for the first three quarters of the year was NOK 102 million (NOK 191 million).

Gross operating revenues totalled NOK 1,165 million (NOK 1,035 million). The increase is primarily attributable to increased revenues from

power sales and district heating as a result of higher volumes and prices.

Energy purchases and transmission costs amounted to NOK 655 million (NOK 506 million). Distribution grid activities increased by NOK 25 million, primarily on the back of increased prices. Power sales increased by NOK 132 million due to a change in purchasing costs, while district heating activities fell by NOK 8 million due to the fact that the share of waste energy has increased following the commissioning of a new line.

Operating expenses comprised NOK 420 million (NOK 353 million). The increase is primarily attributable to increased depreciation, amortisation and impairments and expenses in connection with new district heating plants, and costs in connection with a court case relating to the construction of Heimdal heating centre.

The operating profit for the segment was NOK 90 million (NOK 176 million).

Operations

There were minor changes in the customer portfolio. The number of power sales customers fell from 82,000 to 81,000, while the total number of distribution grid customers rose from 94,000 to 94,500.

District heating operations were stable during the quarter, there was a high level of energy utilisation and the only energy source used was waste.

The district heating business is developing a range of projects and making preparations for the takeover of the district heating plants in Sweden.

At the end of the third quarter the sickness absence rate was 4.4%.

Industrial ownership

KEY FIGURES - UNDERLYING OPERATIONS

INDUSTRIAL OWNERSHIP	Unit	Year to date		Change	The year 2007
		2008	2007		
Gross operating revenues	NOK mill.	2 151	1 648	503	2 758
Net operating revenues	NOK mill.	151	217	-66	273
EBITDA	NOK mill.	-6	62	-68	58
Operating profit/loss	NOK mill.	-31	37	-68	11
Share of profit from associates and joint ventures	NOK mill.	543	584	-40	897
Profit before financial items and tax	NOK mill.	512	621	-109	907
Maintenance investments	NOK mill.	0	0	0	0
Investments in new generating capacity	NOK mill.	0	0	0	0
Investments in shareholdings	NOK mill.	0	0	0	0

The industrial ownership segment is responsible for managing and further developing Norwegian ownership positions where Statkraft has industrial ambitions. The segment comprises the companies Fjordkraft³, BKK (44.9% shareholding) and Agder Energi (45.5% shareholding). The former company is included in the consolidated financial statements, while the other two companies are reported as associates.

Statkraft shall be a good co-shareholder and exercise an active and industrial ownership. Statkraft will have clear ownership strategies for the individual companies, and in doing so seek to achieve a high degree of openness with a view to creating predictability for its employees, companies and co-shareholders.

Highlights in the quarter

Fjordkraft sells carbon quotas and electricity with hydropower-related certificates of origin. With the help of Fjordkraft, the Arendal local authority has become Norway's first climate-neutral local authority. We are collaborating with major customers and local authorities to help these to become climate-neutral by choosing products and services from Fjordkraft.

In September the Supreme Court ruled on a court case involving the interpretation of contract terms. Fjordkraft lost the case in the Supreme Court after the decision was upheld in favour of the customer in the District Court and Fjordkraft in the Court of Appeal. Fjordkraft must pay NOK 2.8 million together with legal costs.

Financial performance

The segment's underlying profit before financial items and tax adjusted for unrealised changes in value in the first three quarters of the year was NOK 512 million (NOK 621 million).

Operations

The operations of the companies connected to the segment have been largely stable in the third quarter.

BKK and Agder Energi have significant investments connected to the telecoms and broadband industries. Industrial ownership has implemented a project to review the telecoms initiative in the companies attached to the business unit in order to help ensure that further development in collaboration with Bredbåndssalliansen is implemented in a way that allows the investments to be developed in the best possible manner.

³ Fjordkraft is owned by Statkraft (3.15%), Skagerak Energi (48.0%) and BKK (48.85%).

Other

Other includes the business units Southeast Europe hydro, Solar power, Small-scale hydro, Innovation and growth, as well as the investment in E.ON Sverige AB (44.6% shareholding), Group functions and eliminations.

Southeast Europe hydro

The business unit is responsible for all hydro-power activities in Southeast Europe, which includes acquisitions, privatisation and refurbishment of existing assets, as well as through the development and construction of new hydropower projects.

Solar power

The business unit is responsible for Statkraft's initiatives within solar power and focuses on the development of solar power plants in Spain, Italy and Southeast Europe.

Small-scale hydro

The business unit is responsible for ownership follow-up of shareholdings and initiatives within the area of small-scale hydropower (hydropower plants with an installed capacity of between 1 and 10 MW).

Småkraft AS⁴ was awarded two new licences in the third quarter. A total of 12 projects are under construction and a further 12 projects have licences and are expected to be launched during 2008 and the first half of 2009. Småkraft has a further 43 projects with an expected annual output of 642 GWh currently being reviewed by the Norwegian Water Resources and Energy Directorate (NVE). At the end of the third quarter the company had eight power plants in operation.

Innovation and growth

The business unit is responsible for developing new results areas, products and services, and coordinating and initiating research and development activities.

As of the end of the third quarter, Statkraft had signed letters of intent with Eramet at Sauda, Fesil, Elkem Thamshavn and Peterson Ranheim to collaborate on the recycling of energy from existing industrial processes. In the case of the first three companies, the agreements relate to the use of residual heat from the smelting plants to produce electricity. The project that is being evaluated in collaboration with Peterson relates to a incineration plant that will supply heat to Ranheim.

Within osmotic power the prototype osmotic power plant at Tofte is under construction and all supplier contracts have been signed. In addition to the prototype, work is constantly ongoing to further develop membranes in collaboration with a number of external partners.

In the third quarter Statkraft signed a letter of intent to participate in the development of a tidal water site at Torr Head in Northern Ireland.

An issue in Energy Future Invest AS (EFI), where Statkraft has contributed NOK 137 million, was also implemented in the third quarter. NOK 25 million had previously been invested, bringing the total investment to NOK 162 million. The funds from the issue will go to Solibro GmbH, in which EFI owns an 11% stake, to construct a solar cell factory in Germany.

Financial performance

The Other segment's underlying profit before financial items and tax including the share of profits from E.ON Sverige, Group functions and eliminations in the first three quarters of the year was NOK 962 million (NOK 1,150 million). The reduction in profit is primarily attributable to higher staffing levels as a result of increased activities and project development.

⁴ Statkraft, Trondheim Energi, Skagerak Energi, BKK and Agder Energi each hold 20% shareholdings in Småkraft.

Outlook

High reservoir levels at the start of the year and higher than normal precipitation levels have resulted in a robust resource situation. The system price was significantly higher during the first nine months of the year than in the corresponding period last year, and forward prices also indicate that prices will remain higher during the remainder of the year than during 2007. Together with the increase in generating capacity facilitated by the new gas-fired power plants, this will form the basis for a relatively high level of power production during 2008 along with increases in revenues from ongoing power sales. However, uncertainty attaches to the further development of power prices and the hydrological resource situation. Moreover, the financial crisis has now reached global proportions and is affecting the market economy. The crisis has had a significant impact on commodity prices such as coal, oil and gas, and prices and demand for power are expected to fall in the short and medium-term. The long-term

consequences are more uncertain as a result of uncertainties regarding the actual long-term effects on the market economy.

The Norwegian government has proposed that the dividend it is to receive from Statkraft for 2008 be set at NOK 10 billion, which represents more than 100% of the company's estimated ordinary profit from underlying activities. In the last two years the dividend from Statkraft has been NOK 6.6 billion and NOK 5.9 billion, which corresponds to 98% of the total consolidated profit for these periods. The dividend level in the national Norwegian national budget for 2009 has been established after taking in to account the transaction Statkraft is currently implementing with the German company E.ON AG, where the recognised profit is estimated at around NOK 18 billion. The board is keen to augment the company's business opportunities, and a dividend of this magnitude is thus not consistent with the board's ambitions in this area.

Statkraft AS Group Interim Financial Statements

INCOME STATEMENT

Figures in NOK million	Q3		Year to date		The year 2007
	2008	2007	2008	2007	
Sales revenues	4 542	2 720	16 093	10 197	16 544
Other operating revenues	235	397	630	778	1 075
Gross operating revenues	4 778	3 117	16 723	10 975	17 619
Energy purchase	-774	-302	-2 851	-1 340	-2 680
Transmission costs	-193	-204	-794	-621	-939
Unrealised changes in value energy contracts	1 191	-299	965	-604	-739
Net operating revenues	5 002	2 312	14 042	8 410	13 261
Salaries and payroll costs	-488	-400	-1 300	-1 121	-1 604
Depreciation, amortisation and impairments	-441	-396	-1 343	-1 161	-1 639
Property tax and licence fees	-258	-244	-782	-734	-983
Other operating expenses	-560	-268	-1 694	-1 160	-1 793
Operating expenses	-1 747	-1 308	-5 121	-4 176	-6 019
Operating profit	3 256	1 004	8 922	4 234	7 242
Share of profit from associates and joint ventures	164	448	902	1 903	2 613
Financial income	132	58	353	283	400
Financial expenses	-525	-397	-1 707	-1 221	-1 717
Unrealised changes in value currency and interest contracts	-427	577	-536	679	227
Net financial items	-820	238	-1 891	-259	-1 090
Profit before tax	2 600	1 691	7 934	5 878	8 765
Taxes	-1 219	-643	-3 334	-1 776	-2 133
Net profit	1 381	1 048	4 599	4 103	6 632
Of which minority interest	9	-19	131	51	166
Of which majority interest	1 372	1 067	4 468	4 052	6 466

BALANCE SHEET

Figures in NOK million	30.09.08	30.09.07	31.12.07
ASSETS			
Intangible assets	2 322	1 813	1 589
Property, plant and equipment	56 321	55 851	56 228
Investments in associates and joint ventures	13 926	32 033	32 131
Other noncurrent financial assets	3 232	2 488	2 944
Noncurrent assets	75 800	92 185	92 892
Assets held for sale	17 069	-	-
Inventories	574	173	303
Receivables	5 495	4 574	5 094
Short-term financial investments	362	365	347
Derivatives	12 996	7 498	8 326
Cash and cash equivalents	4 582	3 461	3 150
Current assets	24 009	16 070	17 220
Total assets	116 878	108 255	110 112
EQUITY AND LIABILITIES			
Paid-in capital	31 569	31 569	31 569
Retained earnings	7 375	7 877	10 032
Minority interests	2 741	2 640	2 817
Equity	41 685	42 086	44 418
Provisions	10 001	10 430	10 831
Long-term interest-bearing liabilities	28 785	33 047	30 361
Long-term liabilities	38 785	43 477	41 192
Short-term interest-bearing liabilities	10 781	3 513	6 923
Taxes payable	2 981	2 041	1 583
Other interest-free liabilities	6 656	6 354	3 542
Derivatives	15 990	10 784	12 454
Current liabilities	36 408	22 692	24 502
Equity and liabilities	116 878	108 255	110 112

STATEMENT OF CHANGES IN EQUITY

Figures in NOK million	30.09.08	30.09.07	31.12.07
Paid-in capital 01.01	31 569	31 569	31 569
Paid-in capital 30.09 / 31.12	31 569	31 569	31 569
Retained earnings 01.01	9 628	10 053	10 053
Net profit for the period	4 469	4 052	6 465
Dividend and Group contribution	-6 432	-5 598	-5 598
Estimate deviation pensions	8	-26	-118
Change in translation differences	-262	-1 123	-815
Equity holdings in associates and joint ventures	-	-	-357
Change in Group contributions	-	404	404
Other	-36	115	-2
Retained earnings 30.09 / 31.12	7 375	7 877	10 032
Minority interests 01.01	2 817	2 943	2 943
Net profit for the period	131	51	166
Capital increase and dividends	-178	-406	-417
Estimate deviation pensions	-	-	-39
Change in translation differences	-29	-16	-21
Other	-	68	185
Minority interests 30.09 / 31.12	2 741	2 640	2 817
Total equity 30.09 / 31.12	41 685	42 086	44 418

CASH FLOW STATEMENT

Figures in NOK million	Year to date		The year
	2008	2007	2007
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax	7 934	5 878	8 765
Gain/ loss on sales of noncurrent assets	-5	-9	-9
Depreciation, amortisation and impairments	1 343	1 161	1 639
Share of profit from associates and joint ventures	-901	-1 903	-2 613
Unrealised changes in value contracts	-429	-75	512
Taxes	-1 939	-2 041	-2 301
Cash flow from operating activities	6 003	3 011	5 993
Changes in long-term items	83	-786	-370
Changes in current items	467	2 269	678
Dividend from associates	2 484	1 392	1 419
Net cash flow from operating activities	9 037	5 886	7 720
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment - maintena	-515	-412	-571
Investments in property, plant and equipment - capacity	-732	-937	-1 443
Proceeds from sales of noncurrent assets	14	16	25
Loans to third parties	-436	-174	-212
Investments in other companies	-464	-1 695	-1 800
Net cash flow from investing activities	-2 132	-3 202	-4 001
CASH FLOW FROM FINANCING ACTIVITIES			
New long-term debt	3 727	9 897	11 786
Repayment of long-term debt	-2 168	-4 613	-6 236
Capital increase	-	-	24
Dividend paid and Group contributions	-7 033	-6 263	-7 895
Net cash flow from financing activities	-5 474	-979	-2 321
Net change in cash and cash equivalents	1 431	1 705	1 398
Currency effect on cash flows	1	-3	-5
Cash and cash equivalents 01.01	3 150	1 758	1 758
Cash and cash equivalents 30.09 / 31.12	4 582	3 460	3 151
Unused committed credit lines	8 000	5 000	5 000
Unused overdraft facilities	400	400	400

Comments on the financial statements

Accounting framework and material accounting policies

The consolidated interim financial statements for the third quarter of 2008, the three months ending 30 September, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and include Statkraft AS, its subsidiaries and associates. The interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. As the information provided in interim financial statements is less comprehensive than that contained in the annual financial statements, these statements must therefore be read in the conjunction with the consolidated financial statements for 2007.

Unresolved issues relating to IFRSs – concessionary power sales contracts

The correct accounting treatment of concessionary power sales contracts with financial settlement is unclear. Statkraft has decided not to incorporate such concessionary power contracts in the financial statements until a solution as to the preferred accounting treatment has been established in accordance with IAS 39. For the year 2007 concessionary power sales contracts with financial settlement constituted a volume in the order of 500 GWh. The average price was 87 NOK/MWh.

Taxes

The tax expense is calculated by applying the estimated effective tax rate that is expected to be applied for the annual result. The tax expense was previously calculated on the basis of the taxable profits for the period.

Accounting judgements, estimates and assumptions

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

The most important assumptions regarding future events and other significant sources of uncertainty in relation to the estimates, and which may involve a significant risk of material changes to the amounts recognised in future financial

periods, are discussed in the annual financial statements for 2007.

In preparing the consolidated interim financial statements for the third quarter, Group management has exercised its judgement in relation to the same areas where such judgement has had material significance in regarding the figures included in the consolidated income statement and balance sheet. These areas are discussed in the annual financial statements for 2007.

Sale of shareholding in E.ON Sverige AB

The 44.6% shareholding in E.ON Sverige AB is recognised as held for sale in the nine-month interim financial statements. In its meeting of 18 June the board resolved to proceed with the swap agreement with E.ON, with a view to signing the agreement on 24 July 2008. Shares of profit from E.ON Sverige AB are not recognised in the income statement between the period in which the shareholding is reported as held for sale and the time of sale. The share of profit not recognised in the income statement will be included in the result that is reported on the implementation of the sale as of 31 December 2008.

The share in E.ON Sverige AB is shown in the Segments Note under Other.

Segment reporting

Statkraft has prepared its segment reporting in accordance with IFRS 8 since the third quarter of the year. The segments had previously been reported in accordance with IAS 14. Statkraft has implemented an internal reorganisation, in connection with which the company chose to implement IFRS 8 ahead of the mandatory application deadline of 1 January 2009. The figures for 2007 have been restated for comparative purposes.

Following the change, the Group now reports in line with the way in which Group management makes, follows up and evaluates its decisions, rather than the previously adopted segmentation. The operating segments have been identified on the basis of internal management information that is periodically reviewed by management and used for resource allocation and target achievement. The new segments are described in more detail in the respective sections of the interim financial report.

The new organisational structure was chosen to accommodate the major changes that will follow

in the wake of increased growth and internationalisation. The aim is to achieve a more flexible and dynamic organisation where new prioritisations and growth areas can be highlighted and made visible as separate business units with clear results responsibilities. At the same time the company is establishing a basis for an efficient management and control structure.

Generation and markets is the largest segment and is responsible for the operation and maintenance of hydropower plants in the Nordic region, gas-fired power plants in Europe, and physical and financial trading in Europe. These business units are organised into one segment due to the close integration between operations, maintenance and energy optimisation.

In particular initiatives relating to the development, construction and ownership follow-up of wind power, and development of new growth markets in areas outside Europe, will be followed up by management and be reported and displayed as separate segments in the respective Wind power and Emerging markets areas.

Activities in Skagerak Energi are followed up as a joint activity by management and reported as a separate segment.

The Customers segment covers distribution grid activities, power sales and district heating.

Industrial ownership includes the shareholdings in BKK, Agder Energi and Fjordkraft.

Statkraft AS Group Segment Overview

SEGMENTS

	Statkraft AS Group	Generation & markets	Wind power	Emerging markets	Skagerak Energi	Customers	Industrial ownership	Other
Figures in NOK million								
Third quarter 2008								
Operating revenue external	4 778	3 212	5	-	525	295	664	76
Operating revenue internal	-	340	47	-	239	13	-	-638
Gross operating revenues	4 778	3 552	52	-	764	308	664	-562
Operating profit	3 256	3 126	-51	-	386	-47	-75	-84
Share of profits from associates and joint ventures	164	331	0	39	-131	8	-82	-
Profit before financial items and tax	3 420	3 457	-51	38	255	-39	-157	-84
Year to date 2008								
Operating revenue external	16 723	11 837	7	-	1 428	1 134	2 150	167
Operating revenue internal	-	682	138	-	631	31	-	-1 482
Gross operating revenues	16 723	12 519	145	-	2 060	1 165	2 150	-1 316
Operating profit/ loss	8 922	8 298	-45	-	984	90	-42	-363
Share of profits from associates and joint ventures	902	-181	-	25	-136	13	286	895
Profit before financial items and tax	9 824	8 117	-45	25	848	103	244	532
Balance sheet 30.09.08								
Investment in associates and joint ventures	13 926	1 136	22	2 397	146	279	9 846	100
Assets held for sale	17 069	-	-	-	-	-	-	17 069
Other assets	85 883	53 903	1 371	200	14 816	6 915	929	7 749
Total assets	116 878	55 039	1 392	2 597	14 962	7 194	10 775	24 918
Depreciations, amortisation and impairments	-1 343	-789	-50	-	-325	-116	-25	-38
Maintenance investments	515	281	-	-	133	52	-	49
Investments in new generating capacity	733	366	1	-	103	74	-	189
Investments in shareholdings	464	27	90	200	9	-	-	138
Third quarter 2007								
Operating revenue external	3 117	2 271	9	-	255	216	326	39
Operating revenue internal	-	25	28	-	22	121	-	-196
Gross operating revenues	3 117	2 295	37	-	278	338	326	-157
Operating profit/ loss	1 004	1 012	-58	-	-11	28	28	4
Share of profits from associates and joint ventures	448	41	-	55	-23	-1	207	170
Profit before financial items and tax	1 452	1 053	-58	55	-34	27	235	174
Year to date 2007								
Operating revenue external	10 975	7 419	10	-	1 135	622	1 647	142
Operating revenue internal	-	-3	99	-	272	413	-	-781
Gross operating revenues	10 975	7 416	109	-	1 407	1 035	1 648	-639
Operating profit	4 234	3 813	-56	-	400	180	113	-216
Share of profits from associates and joint ventures	1 903	92	0	73	-83	15	684	1 123
Profit before financial items and tax	6 138	3 905	-57	73	317	195	797	907
Balance sheet 30.09.07								
Investment in associates and joint ventures	32 033	862	10	2 082	97	259	10 538	18 185
Other assets	76 222	45 509	1 296	-	14 462	5 918	478	8 558
Total assets	108 255	46 372	1 307	2 082	14 559	6 177	11 016	26 742
Depreciations, amortisations and impairments	-1 161	-652	-49	-	-314	-104	-25	-18
Maintenance investments	412	240	-	-	123	49	-	-
Investments in new generating capacity	937	668	16	-	110	108	-	35
Investments in shareholdings	1 695	356	-	1 200	121	-	-	18
The year 2007								
Operating revenue external	17 619	11 541	16	-	1 808	1 320	2 758	177
Operating revenue internal	-	608	166	-	402	147	-	-1 323
Gross operating revenues	17 619	12 150	182	-	2 209	1 467	2 758	-1 146
Operating profit/ loss	7 242	6 809	-32	-	827	62	77	-502
Share of profits from associates and joint ventures	2 613	451	-	158	-108	7	829	1 277
Profit before financial items and tax	9 855	7 260	-32	158	719	69	906	775
Balance sheet 31.12.07								
Investment in associates and joint ventures	32 131	1 318	11	2 173	84	293	10 338	17 915
Other assets	77 980	48 124	1 297	-	14 826	9 160	1 220	3 352
Total assets	110 112	49 442	1 308	2 173	14 910	9 453	11 559	21 267
Depreciations, amortisations and impairments	-1 639	-917	-68	-	-433	-143	-33	-44
Maintenance investments	571	316	-	-	207	48	-	-
Investments in new generating capacity	1 413	967	16	-	163	221	-	46
Investments in shareholdings	1 800	462	-	1 200	129	8	-	1

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