



Statkraft

STATKRAFT AS

(a limited company registered under number 987 059 699 with the Norwegian Register of Business Enterprises)

€3,000,000,000

EURO MEDIUM TERM NOTE PROGRAMME

Under this €3,000,000,000 Euro Medium Term Note Programme (the **Programme**), Statkraft AS (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed €3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein. A description of the restrictions applicable at the date of this Offering Circular relating to the maturity of certain Notes is set out on page 6.

The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 6 and any additional Dealer appointed under the Programme from time to time (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

Notes may be issued in bearer form (**Bearer Notes**), registered form (**Registered Notes**) or uncertificated book entry form cleared through the Norwegian Central Securities Depository, the *Verdipapirsentralen* (**VPS Notes** and the **VPS**, respectively).

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for Notes issued under the Programme (other than VPS Notes) during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market.

References in this Offering Circular to Notes being **listed** (and all related references) shall mean, in the case of Notes other than VPS Notes, that such Notes have been admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market and have been admitted to the Official List, and in the case of VPS Notes, that such Notes have been admitted to listing on the Oslo Stock Exchange. The London Stock Exchange's Gilt Edged and Fixed Interest Market is a regulated market for the purposes of Directive 93/22/EEC (the Investment Services Directive).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "**Terms and Conditions of the Notes**") of Notes will be set out in a final terms supplement (the **Final Terms**) which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes of each Tranche will initially be represented by either a Temporary Global Note, a Permanent Global Note, a Regulation S Global Note, a Restricted Global Note and/or Definitive Registered Notes (each as defined below) as indicated in the applicable Final Terms. See "**Form of the Notes**" below.

The Issuer may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger
ABN AMRO

Dealers

ABN AMRO
Citigroup
Deutsche Bank
JPMorgan Cazenove
SEB Merchant Banking

Barclays Capital
Danske Bank
DNB Nor Bank
Nordea

Société Générale Corporate & Investment Banking

This Offering Circular comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**).

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts as at the date of this Offering Circular and does not omit anything likely to affect the import of such information.

Copies of the Final Terms will be available from the registered office of the Issuer and from the specified office set out below of each of the Paying Agents (as defined below).

This Offering Circular is to be read in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Offering Circular shall be read and construed on the basis that such documents are incorporated into and form part of this Offering Circular.

Neither the Dealers nor the Trustee have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme or the Notes or their distribution. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Programme. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the Programme.

No person is or has been authorised by the Issuer or the Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Issuer, any of the Dealers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Trustee which would permit a public offering of any Notes outside the UK or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any

jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and Norway) and Japan (see “*Subscription and Sale*” below).

The Notes have not been nor will be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)). See “*Subscription and Sale*” below.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes in reliance upon Regulation S outside the United States to non-U.S. persons and, with respect to Notes in registered form only, within the United States (1) in reliance upon Rule 144A under the Securities Act (**Rule 144A**) to qualified institutional buyers within the meaning of Rule 144A (**QIBs**) or (2) to institutional accredited investors (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) (**Institutional Accredited Investors**) pursuant to Section 4(2) of the Securities Act or in transactions otherwise exempt from registration. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuer has undertaken in the Trust Deed (as defined below) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act, if at the time of the request, the Issuer is neither a reporting company under Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

Unless otherwise provided with respect to a particular Series of Registered Notes, Registered Notes of each Tranche of such Series sold outside the United States in reliance on Regulation S will be represented by a permanent global note in registered form, without interest coupons (a **Regulation S Global Note**), deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (**DTC**). With respect to all offers or sales by a Dealer of an unsold allotment or subscription and in any case prior to expiry of the period that ends 40 days after the later of the date of issue and completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue (the **Distribution Compliance Period**), beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person (save as otherwise provided in Condition 2) and may be held only through Euroclear Bank S.A./N.V. as operator of the Euroclear system (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Registered Notes of each Tranche

sold in private transactions to QIBs pursuant to Rule 144A will be represented by a restricted permanent global note in registered form, without interest coupons (a **Restricted Global Note** and, together with a Regulation S Global Note, **Registered Global Notes**), deposited with a custodian for, and registered in the name of a nominee of, DTC. Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive registered form (**Definitive Registered Notes**), registered in the name of the holder thereof. Definitive Registered Notes will, at the request of the holder (save to the extent otherwise indicated in the applicable Final Terms), be issued in exchange for interests in a Registered Global Note upon compliance with the procedures for exchange as described in “*Form of the Notes*” below.

Each Tranche of Bearer Notes will initially be represented by a temporary global Note (a **Temporary Global Note**) or a permanent global Note (a **Permanent Global Note**) as specified in the applicable Final Terms, which will be deposited on the issue date thereof with a common depositary on behalf of Euroclear and Clearstream, Luxembourg and/or any other agreed clearance system. Beneficial interests in a Temporary Global Note will be exchangeable for either beneficial interests in a Permanent Global Note or definitive Bearer Notes upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a Permanent Global Note either (i) is exchangeable (in whole but not in part) for definitive Notes upon not less than 60 days’ notice or (ii) is only exchangeable (in whole but not in part) for definitive Bearer Notes following the occurrence of an Exchange Event (as defined in “*Form of the Notes*” below), all as further described in “*Form of the Notes*” below. For further details of clearing and settlement of the Notes issued under the Programme see “*Book-Entry Clearance Systems*” below.

Each Tranche of VPS Notes will be issued in uncertificated book entry form, as more fully described under “*Form of the Notes*” below. On or before the issue date of each Tranche of VPS Notes entries may be made with the VPS to evidence the debt represented by such VPS Notes to accountholders with the VPS. VPS Notes will be issued in accordance with the laws and regulations applicable to VPS Notes from time to time.

All references in this document to **U.S. dollars** and **U.S.\$** refer to the currency of the United States of America, references to **NOK** or **Norwegian Kroner** are to the lawful currency of the Kingdom of Norway, those to **Japanese Yen** and **Yen** refer to the currency of Japan and those to **Sterling** and **£** refer to the currency of the United Kingdom. In addition, references to **euro** and **€** refer to the currency introduced at the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

TABLE OF CONTENTS

	<i>Page</i>
DESCRIPTION OF THE PROGRAMME	6
RISK FACTORS	11
DOCUMENTS INCORPORATED BY REFERENCE	18
FORM OF THE NOTES	19
APPLICABLE FINAL TERMS	22
TERMS AND CONDITIONS OF THE NOTES	32
USE OF PROCEEDS	57
DESCRIPTION OF THE GROUP	58
BOOK-ENTRY CLEARANCE SYSTEMS	72
SUMMARY OF PROVISIONS RELATING TO DEFINITIVE REGISTERED NOTES ..	76
NOTICE TO PURCHASERS AND HOLDERS OF RESTRICTED NOTES AND TRANSFER RESTRICTIONS	77
TAXATION.. .. .	80
SUBSCRIPTION AND SALE	81
GENERAL INFORMATION	84
FINANCIAL INFORMATION	F-1

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes (provided that, in the case of any Tranche of Notes to be admitted to trading on a regulated market in the European Economic Area, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

DESCRIPTION OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this summary.

Issuer:	Statkraft AS
Description:	Euro Medium Term Note Programme
Arranger:	ABN AMRO Bank N.V.
Dealers:	ABN AMRO Bank N.V. Barclays Bank PLC Citigroup Global Markets Limited Danske Bank A/S Deutsche Bank AG, London Branch DnB NOR Bank ASA J.P. Morgan Securities Ltd. Nordea Bank Danmark A/S Skandinaviska Enskilda Banken AB (publ) Société Générale and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale</i> " below), including the following restrictions applicable at the date of this Offering Circular. Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see " <i>Subscription and Sale</i> " below).
Trustee:	Citicorp Trustee Company Limited
Issuing and Principal Paying Agent:	Citibank, N.A.
Exchange Agent and Transfer Agent:	Citibank, N.A.
Registrar:	Citigroup Global Markets Deutschland AG & Co. KGaA
VPS Account Manager:	DnB NOR Bank ASA, Verdipapirservice
Size:	Up to €3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Issuer and the relevant Dealer, including, without limitation, Australian dollars, Canadian dollars, Czech koruna, Danish kroner, euro, Hong Kong dollars, Japanese Yen, New Zealand dollars, Norwegian kroner, Sterling,

South African Rand, Swedish kronor, Swiss francs and United States dollars (as indicated in the applicable Final Terms).

Redenomination:

If so specified in the applicable Final Terms, the Issuer may redenominate Notes issued in the currency of a country that subsequently participates in the third stage of European economic and monetary union, or otherwise participates in European economic and monetary union in a manner with similar effect to such third stage, into euro. The provisions relating to any such redenomination will be contained in the applicable Final Terms.

Maturities:

The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price:

Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes:

Notes may be issued in bearer form, registered form or, in the case of VPS Notes, uncertificated book entry form, as specified in the applicable Final Terms. Notes in bearer form will not be exchangeable for Notes in registered form, and Notes in registered form will not be exchangeable for Notes in bearer form. VPS Notes will not be evidenced by any physical note or document of title. Entitlements to VPS Notes will be evidenced by the crediting of VPS Notes to accounts with the VPS. See "*Form of the Notes*" below.

Each Tranche of Bearer Notes will initially be represented by a Temporary Global Note or a Permanent Global Note (as indicated in the applicable Final Terms) which will be deposited on the relevant Issue Date with a common depositary for Euroclear and Clearstream, Luxembourg and/or any other agreed clearance system and which will be exchangeable, upon request as described therein, for either a Permanent Global Note or definitive Bearer Notes (as indicated in the applicable Final Terms) and subject, in each case, to such restrictions as are contained in the relevant Global Note and summarised below. Temporary Global Notes will be exchanged not earlier than 40 days after their issue only upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a Permanent Global Note either (i) is exchangeable (in whole but not in part) for definitive Notes upon not less than 60 days' notice or (ii) is only exchangeable (in whole but not in part) for definitive Notes upon the occurrence of an Exchange Event, as described in "*Form of the Notes*" below. Any interest in a Temporary Global Note or a Permanent Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or any other agreed clearance system, as appropriate.

Each Tranche of Registered Notes which is sold outside the United States in reliance on Regulation S will, unless otherwise specified in the applicable Final Terms, be represented by a Regulation S Global Note which will be deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date for the accounts of Euroclear and Clearstream, Luxembourg. With respect to all offers or sales by a Dealer of an unsold allotment or subscription and in any case prior to the expiry of the Restricted Period beneficial interests in a Regulation S Global Note of such Tranche may be held only through Clearstream, Luxembourg or Euroclear. After the expiry of

the Distribution Compliance Period (as defined in Condition 1), beneficial interests in a Regulation S Global Note may be held through DTC directly by a participant in DTC or indirectly through a participant in DTC. Regulation S Global Notes will be exchangeable for Definitive Registered Notes only in the limited circumstances as more fully described in Condition 2.

Registered Notes of any Series sold in private transactions to QIBs and subject to the transfer restrictions described in “*Notice to Purchasers and Holders of Restricted Notes and Transfer Restrictions*” will, unless otherwise specified in the applicable Final Terms, be represented by a Restricted Global Note which will be deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date.

Notes represented by the Registered Global Notes will trade in DTC’s same day fund settlement system and secondary market trading activity in such Notes will therefore settle in immediately available funds. Beneficial interests in a Regulation S Global Note and a Restricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct or indirect participants, including Clearstream, Luxembourg and Euroclear. See “*Book-Entry Clearance Systems*” below.

Notes initially offered and sold in the United States to Institutional Accredited Investors pursuant to Section 4(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act and subject to the transfer restrictions described in “*Notice to Purchasers and Holders of Restricted Notes and Transfer Restrictions*”, will be issued only in definitive registered form and will not be represented by a global Note or Notes. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described in Condition 2, to receive physical delivery of Definitive Registered Notes

Fixed Rate Notes:

Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Final Terms) and on redemption and will be calculated on the basis of such Fixed Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series; or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer,

as indicated in the applicable Final Terms.

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as the Issuer and the relevant Dealer may agree (as indicated in the applicable Final Terms) or to changes in the prices of securities or commodities or to such other factors.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Final Terms). Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as selected prior to issue by the Issuer and the relevant Dealer, will be payable on the Interest Payment Dates specified in, or determined pursuant to, the applicable Final Terms and will be calculated on the basis of the relevant Floating Day Count Fraction unless otherwise indicated in the applicable Final Terms.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree (as indicated in the applicable Final Terms).
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment.
Redemption:	The Final Terms relating to each Tranche of Notes will indicate either that the Notes of such Tranche cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving not less than 30 nor more than 60 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms. The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "<i>Certain Restrictions – Notes having a maturity of less than one year</i>" above.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency at the time of issue of such Notes). Notes in registered form sold pursuant to Rule 144A shall be issued in denominations of U.S.\$100,000 (or its equivalent in any other

currency) and higher integral multiples of U.S.\$10,000 (or its equivalent as aforesaid). Definitive Registered Notes sold in the United States to Institutional Accredited Investors pursuant to Section 4(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act shall be issued in minimum denominations of U.S.\$500,000 (or its equivalent in any other currency) and higher integral multiples of U.S.\$1,000 (or its equivalent as aforesaid).

Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within the Kingdom of Norway, subject as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default:	The terms of the Notes will contain a cross-default provision as further described in Condition 10.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Listing and admission to trading:	Application has been made to the UK Listing Authority for Notes issued under the Programme (other than VPS Notes) to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. Applications may be made to list VPS Notes on the Oslo Stock Exchange. Any such applications will be in accordance with applicable laws and regulations governing the listing of VPS Notes on the Oslo Stock Exchange from time to time. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets
Governing Law:	The Notes will be governed by, and construed in accordance with, English law. VPS Notes must comply with the Norwegian Securities Register Act of 5th July, 2002 no. 64, as amended from time to time, and the holders of VPS Notes will be entitled to the rights and are subject to the obligations and liabilities which arise under this Act and any related regulations and legislation.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and Norway) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See " <i>Subscription and Sale</i> " and " <i>Notice to Purchasers and Holders of Restricted Notes and Transfer Restrictions</i> " below.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Generation

Hydrological balance

Nearly all the current electricity generation capacity of Statkraft and its subsidiaries (the **Group**) comes from hydropower plants situated in Norway. The hydro reservoir levels can vary considerably from year to year, and the hydrological balance may affect both the price of electricity and the capacity available. Even if Statkraft seeks to mitigate the potential volatility by, *inter alia*, using hedging contracts and maintaining multi-year reservoirs (water reservoirs which are capable of storing water accounting for more than one year's worth of production) together with systems for managing the related risks, the hydrological balance can significantly impact upon Statkraft's results.

Generation asset downtime and Third Party Liability

Operational irregularities or failure to keep hydro generation or other production assets running (whether due to accident or otherwise) may cause a drop in generation revenues, which may not be recoverable through applicable insurance cover or otherwise.

Potential dam-break flooding following damage to Statkraft's water reservoirs and appurtenant structures represents a potential hazard to third parties. Accidents related to other parts of Statkraft's operations and products may also cause damage to third party property or persons. Such claims may not be recoverable through applicable insurance cover or otherwise.

Substitute energy sources

Different energy sources are substitutes for each other and can be correlated in a manner which may influence Statkraft's revenues and/or profitability. Coal, gas and oil are the main drivers for electricity prices in Europe, and the price level in Europe influences the electricity prices in Norway and the Nordic region. New technologies and new generation methods may also influence the future price development and hence the competitiveness of hydro power generators.

Gas fired generation facilities

The gas fired generation facilities planned by Statkraft will account for a substantial portion of Statkraft's total generation capacity once they go into production. Statkraft has entered into long term gas purchase agreements, but through these plants will still be exposed to new risk factors such as the differential between gas and electricity prices. The plants will emit carbon dioxide and other so called greenhouse gases. A negative development in the price differential between electricity and gas may negatively impact upon Statkraft's financial performance.

Weather Related Risks

Statkraft's operations, including its generation capacity, can be affected by climate changes relating, *inter alia*, to changes in precipitation patterns. Furthermore, severe weather conditions can impact on Statkraft's ongoing operations as well as on its capex levels. Both climate change and severe weather conditions may negatively impact upon Statkraft's financial performance.

Environmental Issues

Statkraft is subject to a number of different environmental laws, regulations, environmental expectations and reporting requirements. Costs are incurred for prevention, control, abatement or elimination of releases into the air and water, as well as in the disposal and handling of wastes at operating facilities. Expenditures of a capital nature include remedial measures on existing power facilities, measures arising from the construction of new power facilities and power lines and the regulation of water flow all of which could impact materially on Statkraft's results, as could liability due to failure for any reason to satisfy applicable requirements.

State-ownership of Statkraft

Political and economic policies of the Norwegian State could affect Statkraft's business and financial condition. This may be reflected in decisions relating to the pursuance of Statkraft's commercial and financial interests, including those relating to dividend distribution policy and/or its strategy on development, production and trading of electricity.

Regulatory Issues

General Outline

The business framework within which Statkraft operates is influenced by political decisions, through tax regulations (including environmental taxes), the reversion scheme, changes in the minimum water flow regulations and instructions from the Norwegian Water Resources and Energy Directorate (NVE), as well as the general conditions and regulations set for Norwegian industry. These factors may influence Statkraft's production capacity, revenue or profits.

The same is true for the regulatory framework internationally and in the EU. This may influence the supply and demand for electricity and hence the price of electricity as well as generation costs. An example is the Kyoto Protocol, through which countries have been allocated quotas for emission rights of carbon dioxide. Even though Statkraft's hydropower production is carbon dioxide free, the existence of emission rights will influence Statkraft through the power market. The carbon dioxide emission right prices are transferred into the wholesale electricity market causing price volatility. Changes in the price level of electricity will influence the profitability of Statkraft.

New Licensing Regulation – Reversion of Concessions

In order to acquire waterfalls or regulate watercourses in Norway, licences are required. At present, Statkraft, and other power companies where at least two thirds of the shares are owned by the state or Norwegian municipalities, hold such licences for an infinite period of time, while private companies are only given licences for a period of 60 years, and with a right for the state to take over the waterfalls and power stations for free when the licence expires (**Reversion**). The EFTA Surveillance Authority claims that the current regime is in conflict with the EEA Agreement. The Norwegian Government on the other hand is of the opinion that the current Reversion regime is outside the scope of the EEA Agreement. It is thus uncertain whether the current Reversion regime will persist or whether changes will be made to the system. Any changes to the Reversion regime may have an impact on Statkraft's future capacity, revenue or profits.

Grid Regulation

Statkraft has operating revenues from regulated grid operations through ownership in regional companies. This is a monopolistic business regulated by NVE. In general, the revenue from grid operations is relatively stable. However, one part of the revenue – “quality adjusted income” (**KILE**) – is intended as a long-term incentive for maintaining and upgrading the grid to ensure high quality deliveries. In case of outages and other incidents affecting the quality of the deliveries to customers, the revenue will be reduced.

The authority is reviewing the framework for grid regulation for the period 2007-2012. In 2005, 12 per cent. of Statkraft's operating profits came from these regulated activities. The conditions regulating these activities may be subject to change.

Competitive Situation

The Norwegian Competition authority is monitoring the Norwegian electricity market. Competition law requirements may affect the Group's ability to maintain and develop its business.

Hedging, Trading and Structured Sales

Hedging

The main goal for Statkraft's hedging operation is to identify and manage financial risk in connection with the electricity market. Losses in relation to these hedging operations could be caused by the occurrence of (but not limited to) the following events:

- (i) Statkraft uses forward instruments in its management of its exposure to the electricity market. Major movements in forward prices caused by events in the relevant market could prove that the assumptions made in the risk models were insufficient and, as a consequence, losses could occur.
- (ii) incorrect trade collection and/or reporting, intentional or unintentional, caused by errors in either the front or back-offices could have the effect that internal risk measurement systems are unable to correctly measure the Group's exposure, which in turn could lead to unexpected losses.

Trading and Structured Sales

The Group frequently trades financial energy products with industrial enterprises, power producers and distribution companies on a bilateral basis and via power exchanges throughout Europe. The Group furthermore enters into contracts with large customers specially designed to accommodate the needs of the individual customer. Trading activities and structured sales may have a negative effect on Statkraft's profitability.

Counterparty Risks

The Group can run large counterparty exposures in its energy sales and trading operations. Default by one of these counterparties could put future contracted income at risk.

Other Risk Issues

Risks Related to Investment Activities

The Group runs ongoing investment programmes to update and renew its portfolio of assets. The ability to manage these investment programmes within set time and cost frames is vital for profitability.

End user exposure

Statkraft is predominantly exposed to the wholesale electricity market, which is considered as being more volatile in nature than the retail market. There is also a risk of reduction in demand for electricity caused by structural changes within the energy intensive process industry, with potential impact on the Group's future profits.

IFRS Accounting Principles

Starting in 2007, Statkraft's Group accounts will be prepared in accordance with International Financial Reporting Standards (**IFRS**). The implementation of IFRS may lead to larger fluctuations in Income Statement and Balance sheet items for the Group.

Risk of Losses in Treasury Operations

The main goal of treasury operations is to identify and manage the financial risks of the Group. Access to liquidity is secured through a minimum level for cash and committed credit facilities. Other risks concerning treasury operations are managed within certain risk limits.

Losses in relation to treasury operations could be caused by the occurrence of (but not limited to) the following events:

- (i) Statkraft uses interest rate and currency instruments in its management of its interest rate and foreign exchange exposure. Statkraft's foreign exchange risk is primarily linked to power revenues in foreign currencies, and its shareholding in E.ON Sverige, a large Swedish utility.

Statkraft's Generation and Markets converted to euro as its operational currency in the beginning of 2006, following Nord Pool's conversion to euro from 1st January, 2006. Expected future cash flows in foreign currencies are being hedged, with the degree of hedging being highest for the most immediate cash flows. The market value of financial investments in foreign currencies are partly hedged. Movements in interest rates and/or the value of currencies could cause losses on the hedging transactions.

- (ii) Incorrect trade collection and/or reporting, intentional or unintentional, caused by errors in either the front or back-offices could have the effect that internal risk measurement systems are unable to correctly measure the Group's exposure, which in turn could lead to unexpected losses.
- (iii) A default by an external counterparty could cause a reduction in the value of positions caused by settlement exposure with such counterparty.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or

interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification and Waiver

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Trading in the clearing systems

In relation to any issue of Notes which have a minimum denomination and are tradeable in the clearing systems in amounts above such minimum denomination which are smaller than it, should definitive Notes be required to be issued, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of the minimum denomination.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Document Viewing Facility of the Financial Services Authority shall be incorporated in, and form part of, this Offering Circular:

- the auditors report and audited consolidated and non-consolidated annual financial statements of Statkraft SF for the financial year ended 31st December, 2004 (which appear on pages 58 to 90 of the annual report of Statkraft SF for the year ended 31st December, 2004).

Following the publication of this Offering Circular a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in London.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes. The Issuer has undertaken to the Dealers in the Programme Agreement (as defined in "*Subscription and Sale*") that they will comply with section 87G of the Financial Services and Markets Act 2000.

FORM OF THE NOTES

The Notes of each Series will be in bearer form, with or without interest coupons attached, registered form, without interest coupons attached or, in the case of VPS Notes, uncertificated book entry form. Bearer Notes will be issued outside the United States in reliance on Regulation S and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A.

Unless otherwise provided with respect to a particular Series of Registered Notes, the Registered Notes of each Tranche of such Series offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a Regulation S Global Note which will be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg. With respect to all offers or sales by a Dealer of an unsold allotment or subscription and in any case prior to expiry of the Distribution Compliance Period applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person (save as otherwise provided in Condition 2) and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer. Regulation S Global Notes will be exchangeable for Definitive Registered Notes only in the limited circumstances as more fully described in Condition 2. Terms used in this paragraph shall have the meanings given to them by Regulation S.

Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions: (i) to QIBs; or (ii) to Institutional Accredited Investors who agree to purchase the Notes for their own account and not with a view to the distribution thereof.

The Registered Notes of each Tranche sold to QIBs will be represented by a Restricted Global Note which will be deposited with a custodian for, and registered in the name of a nominee of, DTC. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described in Condition 2 to receive physical delivery of Definitive Registered Notes.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof. Such Definitive Registered Notes issued to Institutional Accredited Investors and any Restricted Global Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal of the Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register at the close of business on the business day immediately prior to the relevant payment or delivery date. Payments of interest on Registered Notes will be made on the relevant payment date to the person in whose name such Notes are registered on the Record Date (as defined in Condition 6) immediately preceding such payment date. None of the Issuer, the Principal Paying Agent, any Paying Agent, the Exchange Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Each Tranche of Bearer Notes will be initially represented by a Temporary Global Note or a Permanent Global Note (as specified in the applicable Final Terms) without receipts, interest coupons or talons, which in each case will be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg. Whilst any Bearer Note is represented by a Temporary Global Note, payments of principal and interest (if any) and any other amount payable in respect of the Notes prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg, as applicable, and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either (a) for interests in a Permanent Global Note of the same series without receipts, interest coupons or talons or (b) for definitive Bearer Notes of the same series with, where applicable,

receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms) in each case against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Bearer Notes is improperly withheld or refused. Each exchange of an interest in a Temporary Global Note for an interest in a Permanent Global Note or definitive Bearer Notes, as the case may be, and each exchange of an interest in a Permanent Global Note for definitive Bearer Notes, shall be made outside the United States.

Payments of principal, interest (if any) or any other amount on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Note without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event as described therein. **Exchange Event** means (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the Issuer has been notified that either Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*” below) the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned (where applicable) a CUSIP number, a common code and/or an ISIN which are different from the CUSIP number, common code and/or ISIN assigned to Notes of any other Tranche of the same Series until the end of the Distribution Compliance Period. At the end of the Distribution Compliance Period, the CUSIP number, common code and ISIN, as the case may be, thereafter applicable to the Notes of the relevant Series will be notified by the Principal Paying Agent to the relevant Dealer.

All Notes will be issued pursuant to the Agency Agreement.

For so long as any of the Notes is represented by a bearer global Note deposited with a common depositary for Euroclear and Clearstream, Luxembourg or so long as DTC or its nominee is the registered holder of a Registered Global Note or so long as a Note is a VPS Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or DTC or the VPS, as the case may be, as entitled to a particular nominal amount of Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or DTC or its nominee or the VPS as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such nominal amount of such Notes for all purposes other than (in the case only of Notes not being VPS Notes) with respect to the payment of principal or interest on the Notes, for which purpose such common depositary or, as the case may be, DTC or its nominee shall be deemed to be the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note and the Agency Agreement (and the expression **Noteholder** and related expressions shall be construed accordingly).

No beneficial owner of an interest in a Registered Global Note will be able to exchange or transfer that interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case, to the extent applicable.

Each Tranche of VPS Notes will be issued in uncertificated and dematerialised book entry form. Legal title to the VPS Notes will be evidenced by book entries in the records of the VPS. Issues of VPS Notes will be constituted by the Trust Deed. On the issue of such VPS Notes, the Issuer will send a letter to the Trustee, with copies sent to the Issuing and Principal Paying Agent and the VPS Account Manager (the **VPS Letter**), which letter will set out the terms of the relevant issue of VPS Notes in the form of Final Terms attached thereto. On delivery of a copy of such VPS Letter, including the applicable Final Terms, to the VPS and notification to the VPS of the subscribers and their VPS account details by the relevant Dealer, the account operator acting on behalf of the Issuer will credit each subscribing account holder with the VPS with a nominal amount of VPS Notes equal to the nominal amount thereof for which it has subscribed and paid.

Settlement of sale and purchase transactions in respect of VPS Notes in the VPS will take place three Oslo business days after the date of the relevant transaction. Transfers of interests in the relevant VPS Notes will take place in accordance with the rules and procedures for the time being of the VPS.

The following legend will appear on all global Bearer Notes and definitive Bearer Notes which have an original maturity of more than 365 days, and on all receipts, interest coupons and talons relating to such Notes:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code of 1986.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes, receipts or interest coupons.

Any reference in this section “*Form of the Notes*” to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or the VPS shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[Date]

STATKRAFT AS

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €3,000,000,000
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 15th June, 2006 which[, as modified by a supplement to the Offering Circular dated [date of supplement],] constitutes a base prospectus for the purposes of Directive 2003/71/EC (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular [and such supplement to the Offering Circular]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms [./and] the Offering Circular [and such supplement to the Offering Circular]. The Offering Circular [and such supplement] [is/are] available for viewing at and copies may be obtained from the registered office of the Issuer and at the specified offices of the Paying Agents.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [original date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**) and must be read in conjunction with the Offering Circular dated 15th June, 2006 [as modified by the supplement to the Offering Circular dated [date of supplement],] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms [./and] the Offering Circulars dated [current date] and [original date] [and the supplement to the Offering Circular dated [date of supplement]]. Copies of such Offering Circulars [and such supplement] are available for viewing at and copies may be obtained from the registered office of the Issuer and the specified offices of the Paying Agents.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. Issuer: Statkraft AS
2. (i) Series Number: []
(ii) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:

- (i) Series: []
- (ii) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. Specified Denominations: []
[]
(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)
(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €50,000 minimum denomination is not required.)
7. (i) Issue Date: []
(ii) Interest Commencement Date: []
8. Maturity Date: [Fixed rate – specify date/
Floating rate – Interest Payment Date falling in or nearest to [specify month]]
9. Interest Basis: [[] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]
(N.B. If the Final Redemption Amount is other than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. (a) Status of the Notes: Senior
(b) [Date [Board] approval for issuance of Notes obtained: []]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
(If payable other than annually, consider amending Condition 5)
- (ii) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]/[specify other]
(NB: This will need to be amended in the case of long or short coupons)
- (iii) Fixed Coupon Amount(s): [] per [] in nominal amount
- (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]*
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [specify other]]
- (vi) Determination Date(s): [] in each year
[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]
(NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration)
(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give Details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Specified Period(s)/Specified Interest Payment Dates: []
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (iii) Additional Business Centre(s): []
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (v) Party responsible for calculation the Rate of Interest and Interest Amount (if not the Principal Paying Agent): []
- (vi) Screen Rate Determination:
- Reference Rate: []
(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)

- Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- Relevant Screen Page: []
(In the case of EURIBOR, if not Telerate Page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (vii) ISDA Determination:
- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []
- (viii) Margin(s): [+/-] [] per cent. per annum
- (ix) Minimum Rate of Interest [] per cent. per annum
- (x) Maximum Rate of Interest: [] per cent. per annum
- (xi) Day Count Fraction: [Actual/365 or Actual/Actual
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360 or 360/360 or Bond Basis
30E/360 or Eurobond Basis
Other]
(See Condition 5 for alternatives)
- (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Accrual Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: []
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e)(iii) and 7(j) apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated)
18. **Index Linked Interest Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent responsible for calculating the principal and/or interest due: []

- (iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (iv) Specified Period(s)/Specified Interest Payment Dates: []
- (v) Business Day Convention: *[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]*
- (vi) Additional Business Centre(s): []
- (vii) Minimum Rate of Interest: [] per cent. per annum
- (viii) Maximum Rate of Interest: [] per cent. per annum
- (ix) Day Count Fraction: []
- 19. Dual Currency Note Provisions** *[Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: *[give or annex details]*
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

- 20. Issuer Call** *[Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): []
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: []
- (b) Higher Redemption Amount: []

- (iv) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
21. Investor Put [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculating such amount(s): []
- (iii) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
22. Final Redemption Amount of each Note: [Nominal Amount/specify other/see Appendix]
(N.B. In relation to any issue of Notes which are expressed at paragraph 6 above to have a minimum denomination and tradeable amounts above such minimum denomination which are smaller than it the following wording should be added: "For the avoidance of doubt, in the case of a holding of Notes in an integral multiple of [] in excess of [] as envisaged in paragraph 6 above, such holding will be redeemed at its nominal amount.".)
(N.B. If the Final Redemption Amount is other than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
23. Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7): []

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: [Bearer Notes:
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event]
[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]
[Permanent Bearer Global Note exchangeable for Definitive Notes only upon an Exchange Event]
[Registered Notes:
Regulation S Global Note ([currency][] nominal amount)/Rule 144A Global Note ([currency][] nominal amount)/
Definitive IAI Registered Notes (*specify nominal amounts*)]
[VPS Notes issued in uncertificated book entry]
25. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/*give details*]
(*Note that this item relates to the place of payment and not Interest Period end dates to which items 16(iii) and 18(vi) relate*)
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature); [Yes/No. *If yes, give details*]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*.
NB: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]
28. Details relating to Instalment Notes:
(i) Instalment Amount(s): [Not Applicable/*give details*]
(ii) Instalment Date(s): [Not Applicable/*give details*]
29. Redenomination applicable: Redenomination [not] applicable
(*if Redenomination is applicable, specify the terms of Redenomination in an Annex to the Final Terms*)
30. Other final terms: [Not Applicable/*give details*]
(*When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)

DISTRIBUTION

31. (i) If syndicated, names [and addresses]* of Managers: [Not Applicable/give names [and addresses]*]
(ii) Date of Subscription Agreement* []*
(iii) Stabilising Manager (if any): [Not Applicable/give name]
32. If non-syndicated, name [and address]* of relevant Dealer: [Name [and address]*]
33. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
34. Additional selling restrictions: [Not Applicable/give details]

[LISTING AND ADMISSION TO TRADING APPLICATION]

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the €3,000,000,000 Euro Medium Term Note Programme of Statkraft AS.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

By
Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing: [London/Luxembourg/other (specify)/
None]
- (ii) Admission to trading: [Application has been made for the Notes to
be admitted to trading on [] with effect
from [].] [Not Applicable.]
(Where documenting a fungible issue need to
indicate that original securities are already
admitted to trading.)*
- (iii) Estimate of total expenses related to
admission to trading: []

2. RATINGS

- Ratings: The Notes to be issued have been rated:
- [S & P: []]
[Moody's: []]
[[Other]: []]
- (The above disclosure should reflect the
rating allocated to Notes of the type being
issued under the Programme generally or,
where the issue has been specifically rated,
that rating.)*

3. [NOTIFICATION]

The Financial Services Authority has provided the [names of competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – Amend as appropriate if there are other interests]

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer []
(See “Use of Proceeds” wording in Offering
Circular – if reasons for offer different from
making profit and/or hedging certain risks
will need to include those reasons here.))*
- [(ii)] Estimated net proceeds: []
- [(iii)] Estimated total expenses: [].
- (N.B.: If the Notes are derivative securities to
which Annex XII of the Prospectus Directive
Regulation applies (i) above is required
where the reasons for the offer are different
from making profit and/or hedging certain
risks regardless of the minimum
denomination of the securities and where this
is the case disclosure of net proceeds and
total expenses at (ii) and (iii) above are also
required.)*

6. YIELD (Fixed Rate Notes only)

Indication of yield:

[]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

7. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (Index-Linked Notes only)

[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]

*[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]**

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

8. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]

9. OPERATIONAL INFORMATION

(i) ISIN Code: []

(ii) Common Code: []

(iii) US ISIN Code: []

(iv) 144A CUSIP: []

(v) Regulation S CINS: []

(vi) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)/Verdipapirsentralen, Norway. VPS identification number: []. The Issuer shall be entitled to obtain certain information from the register maintained by the VPS for the purposes of performing its obligations under the issue of VPS Notes]

(vii) Delivery: Delivery [against/free of] payment

(viii) Names and addresses of additional Paying Agent(s) (if any): []

Notes:

* Delete if the Notes are not derivative securities to which Annex XII of the Prospectus Directive Regulation applies.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued by the Issuer which will be incorporated by reference into each global Note and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue, but if not so permitted and agreed such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The following Terms and Conditions will be applicable to each VPS Note. VPS Notes will not be evidenced by any physical note or document of title other than statements of account made by the VPS. Ownership of VPS Notes will be recorded and transfer effected only through the book entry system and register maintained by the VPS. The applicable Final Terms in relation to any Tranche of Notes (including VPS Notes) may specify other terms and conditions which shall to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Temporary Global Note, Permanent Global Note, Regulation S Global Note, Restricted Global Note and definitive Note. Reference should be made to "Applicable Final Terms" above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Statkraft AS (the **Issuer**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 15th June, 2006 made between the Issuer and Citicorp Trustee Company Limited (the **Trustee**, which expression shall include any successor as Trustee). References herein to the **Notes** shall be references to the Notes of this Series and shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency, (ii) definitive Bearer Notes issued in exchange for a global Note, (iii) any global Note, (iv) in relation to any Notes represented by definitive Registered Notes, units of the lowest Specified Denomination in the Specified Currency, (v) any definitive Registered Notes, and (vi) Notes cleared through the Norwegian Central Securities Depository, the *Verdipapirsentralen* (**VPS Notes** and the **VPS**, respectively). The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement dated 15th June, 2006 (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, the Trustee, Citibank, N.A., as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and as exchange agent (the **Exchange Agent**, which expression shall include any successor exchange agent) and as transfer agent (the **Transfer Agent** and, together with Citigroup Global Markets Deutschland AG & Co. KGaA, the **Transfer Agents**, which expressions shall include any successors in their capacity as such and any substitute or any additional transfer agents appointed in accordance with the Agency Agreement), Citigroup Global Markets Deutschland AG & Co. KGaA, as registrar (the **Registrar**, which expression shall include any successor registrar) and Citigroup Global Markets Deutschland AG & Co. KGaA as paying agent (together with the Principal Paying Agent, the **Paying Agents**, which expression shall, unless the context otherwise requires, include any successors in their capacity as such and any substitute or any additional paying agents appointed in accordance with the Agency Agreement). Each Tranche of VPS Notes will be created and held in uncertificated book entry form in accounts with the VPS. DnB NOR Bank ASA, Verdipapirservice (the **VPS Account Manager**) will act as agent of the Issuer in respect of all dealings with the VPS in respect of VPS Notes.

Interest bearing definitive Bearer Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Definitive Registered Notes do not have Receipts or Coupons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are (except in the case of VPS Notes) set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) which (except in the case of VPS Notes) are attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a Global Note, and in relation to VPS Notes, be construed as provided below), the holders of the Receipts (the **Receiptholders**) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed. Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered in the register and shall, in relation to any VPS Notes or Notes represented by a global Note, be construed as provided below. VPS Notes are in dematerialised form: any references in these Terms and Conditions to Receipts, Coupons and Talons shall not apply to VPS Notes and no global or definitive Notes will be issued in respect thereof. These Terms and Conditions shall be construed accordingly.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Agency Agreement and the Trust Deed are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 15th June, 2006 at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of each of the Paying Agents, the Registrar and the Transfer Agents. Copies of the applicable Final Terms are available for viewing at and copies may be obtained from the registered office of the Issuer and from the specified office of each of the Paying Agents, the Registrar and the Transfer Agents save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Registrar, the Trustee or the relevant Paying Agent or Transfer Agent, as the case may be, as to its holding of Notes and as to identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Trust Deed and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. Form, Denomination and Title

The Notes may be in bearer form (**Bearer Notes**), in registered form (**Registered Notes**) or, in the case of VPS Notes, in uncertificated book entry form, as specified in the applicable Final Terms, and, in the case of definitive Notes, will be serially numbered, in the Specified Currency and the Specified Denomination(s). Save as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Bearer Notes may not be exchanged for Registered Notes and vice versa. VPS Notes may not be exchanged for Bearer Notes or Registered Notes and vice versa.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Final Terms.

Each Tranche of Bearer Notes will be initially represented by a temporary global Note or a permanent global Note (as so specified in the applicable Final Terms) each without Receipts, Coupons or Talons (each, a **Temporary Global Note** or a **Permanent Global Note** as applicable) which will be delivered to a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System

(Euroclear) and Clearstream Banking, société anonyme (Clearstream, Luxembourg). On or after the fortieth day after the date of its issue beneficial interests in a Temporary Global Note will be exchangeable upon a request as described therein either for interests in a Permanent Global Note or for definitive Bearer Notes (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification to the effect that the beneficial owner of interests in such Temporary Global Notes is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations. A Permanent Global Note will, as specified in the applicable Final Terms, be exchangeable (free of charge), in whole but not in part for definitive Bearer Notes with, where applicable, Receipts, Coupons and Talons attached either upon not less than 60 days' written notice to the Principal Paying Agent as described therein or only upon the occurrence of an Exchange Event as specified therein.

Bearer Notes in definitive form are issued with Coupons and (if applicable) Receipts and Talons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Unless otherwise provided with respect to a particular series of Registered Notes, Registered Notes of each Tranche sold outside the United States in reliance on Regulation S (**Regulation S**) under the United States Securities Act of 1933, as amended, (the **Securities Act**) will, unless otherwise specified in the applicable Final Terms, be represented by a permanent global Registered Note, without Receipts, Coupons or Talons, (each, a **Regulation S Global Note**), deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (**DTC**). Notes in definitive registered form (**Definitive Registered Notes**) issued in exchange for Regulation S Global Notes or otherwise sold or transferred in reliance on Regulation S under the Securities Act, together with the Regulation S Global Notes, are referred to herein as **Regulation S Notes**. With respect to all offers or sales of an unsold allotment or subscription and in any case prior to expiry of the period that ends 40 days after the later of the relevant Issue Date and completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or by the Lead Manager, in the case of a syndicated issue (the **Distribution Compliance Period**), beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person (save as otherwise provided in Condition 2) and may be held only through Euroclear or Clearstream, Luxembourg. After expiry of such Distribution Compliance Period, beneficial interests in a Regulation S Note may be held through DTC directly by a participant in DTC or indirectly through a participant in DTC.

Registered Notes of each Tranche sold in private transactions in reliance upon Rule 144A under the Securities Act to qualified institutional buyers within the meaning of Rule 144A under the Securities Act (**QIBs**) will, unless otherwise specified in the applicable Final Terms, be represented by a permanent global Registered Note, without Receipts, Coupons or Talons (each, a **Restricted Global Note** and, together with any Regulation S Global Note, the **Registered Global Notes**) deposited with a custodian for, and registered in the name of a nominee of, DTC. Notes in definitive form issued in exchange for Restricted Global Notes or otherwise sold or transferred in accordance with the requirements of Rule 144A under the Securities Act, together with the Restricted Global Notes, are referred to herein as **Restricted Notes**.

Registered Notes of each Tranche sold to accredited investors (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) (**Institutional Accredited Investors**) pursuant to Section 4(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act who agree to purchase the Notes for their own account and not with a view to the distribution thereof will be issued as Definitive Registered Notes only, registered in the name of the holder thereof and will not be represented by a global Note or Notes.

Definitive Registered Notes issued to Institutional Accredited Investors and Restricted Global Notes shall bear a legend specifying certain restrictions on transfer (each, a **Legend**), such Notes being referred to herein as **Legended Notes**. Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of a Legend, the Registrar shall (save as provided in Condition 2(d)) deliver only Legended Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Subject as otherwise provided in Condition 2, Definitive Registered Notes may be exchanged or transferred in whole or in part in the Specified Denominations for one or more Definitive Registered Notes of like aggregate nominal amount.

Each Definitive Registered Note will be numbered serially with an identifying number which will be recorded in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar.

Notes are issued in the Specified Denomination(s) set out in the applicable Final Terms which, in the case of Registered Notes sold other than pursuant to Regulation S, shall be the Authorised Denomination (as defined below) and, in the case of Notes having a maturity of 183 days or less, the Specified Denomination shall be at least U.S.\$500,000 (or the equivalent in any other currency or currencies).

Authorised Denomination means:

- (i) in the case of a Restricted Note U.S.\$100,000 (or its equivalent rounded upwards as specified in the applicable Final Terms) and higher integral multiples of U.S.\$10,000, or the higher denomination or denominations specified in the applicable Final Terms; and
- (ii) in the case of a Definitive Registered Note which is initially offered and sold to Institutional Accredited Investors pursuant to Section 4(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act, U.S.\$500,000 (or its equivalent rounded upwards as specified in the applicable Final Terms) and higher integral multiples of U.S.\$1,000, or the higher denomination or denominations specified in the applicable Final Terms.

Any minimum Authorised Denomination required by any law or directive or regulatory authority in respect of the currency of issue of any Note shall be such as applied on or prior to the date of issue of such Note.

Subject as set out below, title to Bearer Notes, Receipts and Coupons will pass by delivery. Title to Registered Notes will pass upon registration of transfers in the register maintained by the Registrar. The Issuer, the Principal Paying Agent, any Paying Agent, the Registrar, any Transfer Agent and the Trustee may deem and treat the bearer of any Bearer Note, Receipt or Coupon and any person in whose name a Registered Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or note of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph. The holder of a VPS Note will be the person evidenced as such by a book entry in the records of the VPS. Title to the VPS Notes will pass by registration in the registers between the direct or indirect accountholders at the VPS in accordance with the rules and procedures of the VPS. Where a nominee is so evidenced, it shall be treated by the Issuer as the holder of the relevant VPS Note.

For so long as any of the Bearer Notes is represented by a bearer global Note held by a common depositary on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear, or Clearstream, Luxembourg who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg, as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg, as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, any Paying Agent, the Registrar, the Exchange Agent, any Transfer Agent and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer, any Paying Agent, the Registrar, the Exchange Agent, any Transfer Agent and the Trustee as the holder of such Notes in accordance with and subject to the terms of the relevant global Note; for so long as any Note is a VPS Note, each person who is for the time being shown in the records of the VPS as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by the VPS as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, any Paying Agent, and the Trustee as the holder of such nominal amount of such Notes for all purposes; for so long as any of the Notes is represented by a Registered Global Note, DTC or its nominee, as the case may be, will be considered the sole holder of Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership right may be exercised by its participants or beneficial owners through its participants; (and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly). In determining whether a particular person is entitled to a particular nominal amount of notes as aforesaid, the Trustee may rely on such certificate or other document as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error or proven error, be conclusive and binding on all concerned. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant

clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Cedcom System) in accordance with its usual procedures and in which the holder of a particular principal amount of Notes is clearly identified together with the amount of such holding. The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by Euroclear or Clearstream, Luxembourg and subsequently found to be forged or not authentic.

Notes which are represented by a global Note and VPS Notes will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, DTC and/or the VPS, as the case may be.

References to Euroclear, Clearstream, Luxembourg, DTC and/or the VPS shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Trustee and the Principal Paying Agent and specified in the applicable Final Terms.

2. Exchange and Transfers of Registered Notes

(a) *Exchange of interests in Registered Global Notes for Definitive Registered Notes*

Interests in any Registered Global Note will be exchangeable for Definitive Registered Notes, if (i) DTC notifies the Issuer that it is unwilling or unable to continue as depository for such Registered Global Note and no alternative clearing system is available, (ii) DTC ceases to be a **Clearing Agency** registered under the United States Securities Exchange Act of 1934 (the **Exchange Act**) and no alternative clearing system is available, (iii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention permanently to cease business or does in fact do so and no alternative clearing system is available, (iv) an Event of Default (as defined in Condition 10) has occurred and is continuing with respect to such Notes, or (v) the Issuer becomes subject to adverse tax consequences which would not be suffered were the Notes in definitive form. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause the appropriate Definitive Registered Notes to be delivered, provided that, notwithstanding the above, no Definitive Registered Notes will be issued until expiry of the applicable Restricted Period.

(b) *Transfers of Registered Global Notes*

Transfers of any Registered Global Note shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of DTC or to a successor of DTC or such successor's nominee.

(c) *Transfers of interests in Regulation S Notes*

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Note to a transferee in the United States will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable federal securities laws of the United States or any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In the case of (i) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (ii) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (a) beneficial interests in Regulation S Notes may be held through DTC directly by a participant in

DTC or indirectly through a participant in DTC and (b) such certification requirements will no longer apply to such transfers.

(d) *Transfers of interests in Legended Notes*

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note:
 - (A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
 - (B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an **IAI Investment Letter**); or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable federal securities laws of the United States or any applicable securities laws of any state of the United States;

and in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

(e) *Exchanges and transfers of Registered Notes generally*

Registered Notes may not be exchanged for Bearer Notes and *vice versa*.

Holders of Definitive Registered Notes, other than Institutional Accredited Investors, may exchange such Definitive Registered Notes for interests in a Registered Global Note of the same type at any time.

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will be transferable and exchangeable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be (the **Applicable Procedures**).

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms) by the holder or holders surrendering the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and upon the Registrar or, as the case may be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer and the Registrar or, as the case may be, the relevant Transfer Agent may prescribe, including any restrictions imposed by the Issuer on transfers of Definitive Registered Notes originally sold to a

U.S. person. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Exchanges or transfers by a holder of a Definitive Registered Note for an interest in, or to a person who takes delivery of such Note through, a Registered Global Note will be made no later than 30 days after the receipt by the Registrar or, as the case may be, the relevant Transfer Agent of the Definitive Registered Note to be so exchanged or transferred and, if applicable, upon receipt by the Registrar of a written certification from the transferor.

(f) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Notes under Condition 7(c), the Issuer shall not be required:

- (a) to register the transfer of Registered Notes (or parts of Registered Notes) during the period beginning on the 15th day before the date of the partial redemption and ending on the date on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive); or
- (b) to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(g) *Closed periods*

No Noteholder may require the transfer of a Registered Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest or payment on that Note.

(h) *Costs of exchange or registration*

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to it.

3. Status

The Notes and the relative Receipts and Coupons constitute direct, unconditional and (subject to Condition 4) unsecured obligations of the Issuer which rank *pari passu* among themselves and (subject as aforesaid) rank and will in all material respects rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save as may be preferred by mandatory provisions of applicable law.

4. Negative Pledge

- (a) So long as any of the Notes are outstanding (as defined in the Trust Deed), the Issuer undertakes not to create any security over its assets to secure any other Note Issues or permit any Note Issues issued by it to be secured by the creation of an encumbrance upon any assets of any of its subsidiaries, without at the same time according to the Notes, or causing to be accorded to the Notes, the same security (to the satisfaction of the Trustee) or such other security interest or other arrangement (whether or not including the giving of a security interest) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders, except that the Issuer shall be entitled, if so required by one or more Norwegian municipalities who has an ownership interest in the relevant facility and/or its production output (**Co-owners**), to consent to the creation of or create itself, an encumbrance upon any of its power generating facilities (the **Facilities**) as security for a Note Issue by one or more such Co-owners where the maximum amount

of the security created by the Co-owners over such Facility does not exceed the amount paid or payable by the Co-owners to the Issuer for such co-ownership of the Facility.

- (b) For the purposes of these Conditions, **Note Issue** shall mean an issue of debt securities which is, or is intended to be, or is capable of being, quoted, listed or dealt in on any stock exchange, over-the-counter or other securities market.

5. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Terms and Conditions **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Terms and Conditions:

Day Count Fraction means in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms,
 - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (b) in the case of Notes where the Accrual Period is longer than the the Determination Period during which the Accrual Period ends, the sum of;
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and

Determination Period means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes and Index Linked Interest Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, **Business Day** means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to interest payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is New Zealand dollars shall be Auckland) or (2) in relation to any sum payable in euro, a

day on which the TARGET System is open. In these Conditions, **TARGET System** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions as amended and updated as at the Issue Date of the first Tranche of the Notes and published by the International Swaps and Derivatives Association, Inc. (the **ISDA Definitions**) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) or on the Euro-zone inter-bank offered rate (EURIBOR) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent or, in the case of VPS Notes, the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of

Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) Minimum and/or Maximum Interest Rate

If the applicable Final Terms specifies a Minimum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate.

If the applicable Final Terms specifies a Maximum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Notes which are not VPS Notes, and the Calculation Agent, in the case of Index Linked Interest Notes and Floating Rate Notes which are VPS Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes which are not VPS Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent or, in the case of either Floating Rate Notes which are VPS Notes or Index Linked Interest Notes which are VPS Notes, the Calculation Agent, will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Floating Day Count Fraction means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if “Actual/365” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365” (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on

the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent or, in the case of VPS Notes, the Calculation Agent, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and, in the case of VPS Notes, the VPS and the VPS Account Manager as soon as possible after their determination but in no event later than the first day of the Interest Period to which they apply and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) Determination or Calculation by Trustee

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(ii) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (b)(iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

(vii) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default and bad faith) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Dual Currency Interest Notes*

In the case of Dual Currency Interest Notes, if the rate or amount of interest fails to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

6. Payments

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars, shall be Auckland); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

(b) *Presentation of Notes, Receipts and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) *Payments in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any bearer global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant bearer global Note against presentation or surrender, as the case may be, of such bearer global Note at the specified office of any Paying Agent. A record of each payment made against presentation or surrender of such bearer global Note, distinguishing between any payment of principal and any payment of interest, will be made on such bearer global Note by such Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made.

(d) *Payments in respect of Registered Notes*

Payments of principal (other than instalments of principal (if any) prior to the final instalment) in respect of Registered Notes (whether in definitive or global form) will be made in the manner specified in paragraph (a) to the persons in whose name such Notes are registered at the close of business on the business day (being for this purpose a day on which banks are open for business in the city where the Registrar is located) immediately prior to the relevant payment date against presentation and surrender (or, in the case of part payment only of any sum due, endorsement) of such Registered Notes at the specified office of the Registrar or any Paying Agent.

Payments of interest due on a Registered Note (whether in definitive or global form) and payments of instalments of principal (if any) due on a Registered Note (other than the final instalment) will be made in the manner specified in paragraph (a) to the person in whose name such Registered Note is registered at the close of business on the fifteenth day (whether or not such fifteenth day is a business day (being for this purpose a day on which banks are open for business in the city where the Registrar is located) (the **Record Date**)) prior to such due date. In the case of payments by cheque, cheques will be mailed to the holder (or the first named of joint holders) at such holder's registered address on the business day (as described above) immediately preceding the due date.

If payment in respect of any Registered Notes is required by transfer as referred to in paragraph (a) above, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency or conversion into U.S. dollars in accordance with the provisions of the Agency Agreement.

(e) Payments of principal and interest in respect of VPS Notes will be made to the Noteholders shown in the records of the VPS in accordance with and subject to the rules and regulations from time to time governing the VPS.

(f) *General provisions applicable to payments*

The holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such global Note.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of any Bearer Note is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(g) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation;
 - (B) London;
 - (C) any Additional Financial Centre specified in the applicable Final Terms;
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is New Zealand dollars shall be Auckland), or (2) in relation to any sum payable in euro, a day on which the TARGET System is open; and
- (iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(h) *Interpretation of Principal and Interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;

- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and
- (vii) any premium and any other amounts other than interest which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. Redemption and Purchase

(a) At maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent (and, in the case of VPS Notes, the VPS Account Manager) and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee and, in the case of VPS Notes, the VPS Account Manager, a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent Kingdom of Norway accountants or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee and to the Principal Paying Agent and (in the case of a redemption of VPS Notes) the VPS Account Manager;

(which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Higher Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a global Note, and in accordance with the rules of the VPS, in the case of VPS Notes, in each case not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least 5 days prior to the Selection Date.

(d) *Redemption at the option of the Noteholders (Investor Put)*

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must deliver at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition accompanied by, if this Note is in definitive form, this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. Holders of Notes represented by a Global Note and held through Euroclear or Clearstream, Luxembourg or DTC must exercise the right to require redemption of their Notes by giving notice (including all information required in the applicable Put Notice) through Euroclear or Clearstream, Luxembourg or the DTC, as the case may be (which notice may be electronic form) in accordance with their standard procedures.

If this Note is a VPS Note, to exercise the right to require redemption of the VPS Notes, the holder of the VPS Notes, must, within the notice period, give notice to the relevant account operator of such exercise in accordance with the standard procedures of the VPS from time to time.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 10, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 10, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual yield expressed as a decimal; and

y is a fraction of the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

(f) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(h) *Purchases*

The Issuer or any of its subsidiaries may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmaturing Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmaturing Receipts and Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmaturing Receipts and Coupons cancelled therewith) shall be forwarded to the Principal Paying Agent and, in the case of VPS Notes, shall be deleted from the records of the VPS, and in each case cannot be reissued or resold.

(j) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

- (ii) five days after the date on which the full amount of the moneys payable has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons and under the Trust Deed by the Issuer will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the Kingdom of Norway other than the mere holding of such Note, Receipt or Coupon; or
- (ii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(g)); or
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Trustee or, in the case of VPS Notes, the holders of the VPS Notes, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor, subject to the provisions of Condition 6(b).

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. Events of Default and Enforcement

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (b) to (d) (other than the winding up or dissolution of the Issuer) and (e) to (f) inclusive below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an **Event of Default**) shall occur:

- (a) if default is made in the payment of any principal due in respect of the Notes or any of them and the default continues for a period of 7 days or if default is made in the payment of any interest due in respect of the Notes or any of them and the default continues for a period of 14 days; or
- (b) if the Issuer fails to perform or observe any of its other obligations under the Conditions of the Notes or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied;
- (c) if any other indebtedness for borrowed money of the Issuer or any Principal Subsidiary becomes due and repayable prematurely by reason of an event of default (however described) or the Issuer or any Principal Subsidiary fails to make any payment in respect of any other indebtedness for borrowed money on the due date for payment as extended by any originally applicable grace period or any security given by the Issuer or any Principal Subsidiary for any other indebtedness for borrowed money becomes enforceable or if default is made by the Issuer or any Principal Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any other indebtedness for borrowed money of any other person, provided that no event shall constitute an Event of Default unless the indebtedness for borrowed money or other relative liability either alone or when aggregated with other indebtedness for borrowed money and/or other liabilities relative to all (if any) other events which shall have occurred and be at the relevant time outstanding shall amount to at least U.S.\$30,000,000 (or its equivalent in any other currency); or
- (d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any Principal Subsidiary save for the purposes of a reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or
- (e) if the Issuer or any Principal Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for the purposes of a reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution or the Issuer or any Principal Subsidiary stops or threatens to stop payment of, or is unable to or admits inability to pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if (i) proceedings are initiated against the Issuer or any Principal Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any Principal Subsidiary or, as the case may be, in relation to the whole or a part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets of any of them and (ii) in any case (other than the appointment of an administrator) is not discharged within 60 days; or if the Issuer or any Principal Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

Definitions

For the purposes of these Terms and Conditions:

Principal Subsidiary means, at any time, a subsidiary of the Issuer:

- (a) whose gross operating revenues (consolidated in the case of a subsidiary which itself has subsidiaries) or whose total assets (consolidated in the case of a subsidiary which itself has subsidiaries) represent in each case (or, in the case of a subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated gross operating revenues of the Issuer, or, as the case may be, consolidated total assets, of the Issuer and its subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such subsidiary and the then latest audited consolidated accounts of the Issuer and its subsidiaries, provided that, in the case of a subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its subsidiaries relate, the reference to the then latest audited consolidated accounts of the Issuer and its subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a subsidiary of the Issuer which immediately prior to such transfer is a Principal Subsidiary, provided that the transferor subsidiary shall upon such transfer forthwith cease to be a Principal Subsidiary and the transferee subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (b) on the date on which the consolidated accounts of the Issuer and its subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor subsidiary or such transferee subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee subsidiary, generated (or, in the case of the transferee subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its subsidiaries relate, generate gross operating revenues equal to) not less than 10 per cent. of the consolidated gross operating revenues of the Issuer, or represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of the Issuer and its subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, provided that the transferor subsidiary (if a Principal Subsidiary) shall upon such transfer forthwith cease to be a Principal Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate gross operating revenues equal to) not less than 10 per cent. of the consolidated gross operating revenues of the Issuer, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of the Issuer and its subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, and the transferee subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (c) on the date on which the consolidated accounts of the Issuer and its subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor subsidiary or such transferee subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition,

all as more particularly defined in the Trust Deed.

A report by two Authorised Signatories of the Issuer that in their opinion a subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

11. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts, Coupons and Talons) or of the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. Principal Paying Agent, Registrar, Exchange Agent, Paying and Transfer Agents and VPS Account Manager

The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Exchange Agent, the initial Registrar and the other initial Transfer Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent, Exchange Agent, Registrar, Transfer Agent, VPS Account Manager or Calculation Agent and/or appoint additional or other Paying Agents, Registrars, Exchange Agents or Transfer Agents, VPS Account Managers or Calculation Agents and/or approve any change in the specified office through which any of the same acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, or admitted to listing by any other relevant authority there will at all times be a Paying Agent and, if appropriate, a Registrar and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (ii) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (iii) there will at all times be a Transfer Agent having a specified office in New York City;
- (iv) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City;
- (v) there will at all times be a Principal Paying Agent; and
- (vi) in the case of VPS Notes, there will at all times be a VPS Account Manager authorised to act as an account operating institution with the VPS and one or more Calculation Agent(s) where the Terms and Conditions of the relevant VPS Notes so require.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 6(f). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

13. Exchange of Talons

On and after the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. Notices

Notices to holders of Registered Notes will be deemed to be validly given if a notice is published in accordance with the second paragraph below and a notice is sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Registrar and will be deemed to have been validly given on the fourth day after the date of such mailing.

All notices regarding the Notes (other than VPS Notes) shall be published (i) in a leading English language daily newspaper of general circulation in London and (ii) if and for so long as the Notes are listed on a stock exchange and/or admitted to trading by any other relevant authority, in a manner which complies with the rules of such exchange and/or other relevant authority. It is expected that such publication will be made in the *Financial Times* in London. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in each such newspaper or where published in such newspapers on different dates, the last date of such first publication. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and/or Clearstream, Luxembourg or DTC, be substituted for sending by mail and/or publication as aforesaid the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or DTC for communication by them to the holders of the Notes and, in addition, for so long as Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg or DTC.

Notices to be given by any holder of the Notes (other than VPS Notes) shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to the Principal Paying Agent via Euroclear and/or Clearstream, Luxembourg or DTC, as the case may be, in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg or DTC, as the case may be, may approve for this purpose.

In the case of VPS Notes, notices shall be given in accordance with the procedures of the VPS.

15. Meetings of Noteholders, Modification and Waiver

(a) *Holders of Bearer Notes and/or Registered Notes*

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if requested by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons), the quorum shall be one or more persons holding or representing not less than three quarters in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one quarter in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

(b) *Holders of VPS Notes*

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification

of the VPS Notes or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the VPS Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding a certificate (dated no earlier than 14 days prior to the meeting) from either the VPS or the VPS Account Manager stating that the holder is entered into the records of the VPS as a Noteholder or representing not less than 50 per cent. in nominal amount of the VPS Notes for the time being outstanding and providing an undertaking that no transfers or dealing have taken place or will take place in the relevant VPS Notes until the conclusion of the meeting, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the VPS Notes or the Trust Deed (including modifying the date of maturity of the VPS Notes or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the VPS Notes or altering the currency of payment of the VPS Notes), the quorum shall be one or more persons holding or representing not less than three quarters in aggregate nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one quarter in aggregate nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting.

For the purposes of a meeting of Noteholders, the person named in the certificate from the VPS or the VPS Account Manager described above shall be treated as the holder of the VPS Notes specified in such certificate provided that he has given an undertaking not to transfer the VPS Notes so specified (prior to the close of the meeting) and the Trustee shall be entitled to assume that any such undertaking is validly given, shall not enquire as to its validity and enforceability, shall not be obliged to enforce any such undertaking and shall be entitled to rely on the same.

(c) *Modification and Waiver*

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which in the opinion of the Trustee is proven. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise requires, shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

16. Indemnification of the Trustee and Trustee Contracting with the Issuer

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its subsidiaries and to act as trustee for the

holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. Governing Law and Submission to Jurisdiction

(a) Governing law

The Trust Deed, the Notes, the Receipts and the Coupons and all rights and duties of the Noteholders, the Couponholders, the Receiptholders, the Issuer and the Paying Agents are governed by, and shall be construed in accordance with, the laws of England. VPS Notes must comply with the Norwegian Securities Register Act of 5th July, 2002 no. 64, as amended from time to time and the holders of VPS Notes will be entitled to the rights and are subject to the obligations and liabilities which arise under this Act and any related regulations and legislation.

(b) Jurisdiction

Without prejudice to Condition 19(c), the courts of England shall have non-exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Trust Deed or the Notes (respectively **Proceedings** and **Disputes**).

(c) Other jurisdiction

Condition 19(b) is for the exclusive benefit of the Trustee, the Noteholders, the Couponholders and the Receiptholders who reserve the right to take Proceedings in the courts of any country other than England which may have or claim jurisdiction to the matter and to commence such Proceedings in the courts of any such country or countries concurrently with or in addition to Proceedings in England or without commencing Proceedings in England.

(d) Appropriate forum

The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

(e) Process agent

The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Innovation Norway, Royal Norwegian Embassy, Trade, Technology & Tourism, Charles House, 5 Regent Street (Lower), London SW1Y 4IR. If such person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of the Trustee addressed to the Issuer and delivered to the Issuer, appoint a further person in England approved by the Trustee to accept service of process on its behalf. Nothing in this paragraph shall affect the right of the Trustee or any Noteholder to serve process in any other manner permitted by law.

(f) Waiver of immunity

To the extent that the Issuer may in any jurisdiction claim for itself or its respective assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its respective assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE GROUP

Introduction

Statkraft AS (**Statkraft**) and its subsidiaries (collectively the **Statkraft Group** or the **Group**) is the third largest producer of electricity in the Nordic region. The generation capacity is predominantly based on hydro power. The Group also engages in power trading from offices in the Nordic region and on the Continent. In addition, Statkraft holds major stakes in several regional utility companies in Norway, as well as a 44.6 per cent. stake in E.ON Sverige, a large Swedish utility.

Statkraft is a limited liability company, wholly owned by the Kingdom of Norway as represented by the Ministry of Trade and Industry through the holding company Statkraft SF.

Statkraft is registered in the Register of Business Enterprises, Brønnøysund Register Center. Statkraft was incorporated on 25th June, 2004 with organisation number 987 059 699. The Head Office address of Statkraft is:

Lilleakerveien 6
PO Box 200, Lilleaker
NO-0216 Oslo
Norway
Tel: +47 24 06 70 00

Statkraft history

Historically, the business of the Statkraft Group was carried out as a state activity through a business unit which was part of a state directorate; the Norwegian Watersources and Energy Directorate. There were few commercially operated private companies in the electricity sector, which was highly regulated. In 1991, the Energy Act dated 29th June, 1990, no. 50 was introduced, which divided the electricity sector into two separate business areas: grid infrastructure, with monopoly control, and electricity power production and sales, which became fully liberalised. Through this new legislation, a well functioning domestic – and later Nordic – market for power production and trading was created, establishing a framework for a more flexible and efficient utilisation of Norway's hydro power resources.

In order to comply with the new legislation, the former Statkraft business was converted into a separate state owned enterprise (*statsforetak*, 'SF') in 1992. Through the establishment of Statkraft SF, the Norwegian Government founded a company with the aim and potential to successfully compete both in the Norwegian market and in the international electricity markets, with an ambition to further develop and strengthen this important part of Norwegian infrastructure.

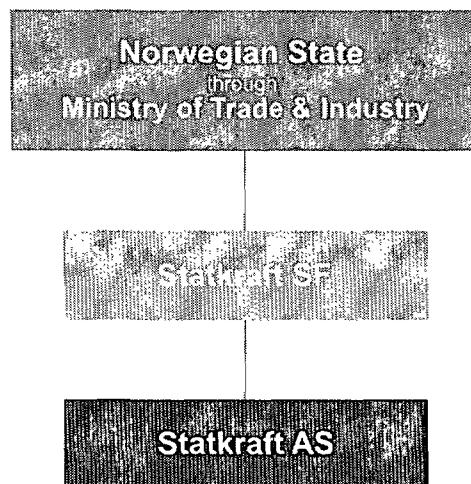
Effective as of 1st January, 2003 the State Owned Enterprise Act was changed with a view to removing the implicit state guarantees embodied therein. The amendment, set down in the Norwegian Law on amendments in law governing state owned enterprises (*Lov om endring i lov av 30. august 1991 om statsforetak*), was in accordance with directives relating to state aid given by the ESA (EFTA Surveillance Authority). Statkraft SF was later reorganised by way of transferring substantially all of the business, assets and liabilities to Statkraft AS and its subsidiaries in 2004, thus making Statkraft AS the operating holding company and the financial vehicle of the Statkraft Group.

Statkraft's business has developed through different stages since 1992. The very first years were characterised by low investment activity and market orientation. From 1996 to 2002 the company went through a considerable expansion, acquiring stakes in several Norwegian utilities in addition to a large stake in the Swedish utility Sydkraft AB (currently E.ON Sverige). At the same time, the arbitrage and trading business was expanded through new companies in Holland, Germany and Sweden. Since 2003 the Statkraft Group has sold out certain ownership stakes, while also acquiring generation assets in Sweden and constructing gas-fired generation plants in Norway and Germany.

The Restructuring from Statkraft SF to Statkraft AS

The Statkraft Group formally came into being on 1st October, 2004. The Statkraft Group continues the business activities previously organised under Statkraft SF. All shares in Statkraft AS are owned by the state-owned enterprise Statkraft SF, which in turn is owned by the Norwegian state through the Ministry of Trade and Industry.

The transactions accounted for a reorganisation which left the ultimate ownership of Statkraft unchanged, and all transactions were therefore undertaken such that accounting continuity has been maintained and did not give rise to any tax liability for Statkraft.



The Nordic electricity market

Established in 1993, Nord Pool was the first multinational power exchange in the world. It started with the liberalisation of the Norwegian power market in the early 1990s, and between 1996 and 2000, Sweden, Finland and the two Danish areas of Jutland and Zealand joined.

Hydro power represents a major generation form in the Nordic power market. As a result, electricity prices have traditionally been influenced by year to year variations in the amount of precipitation and the hydrological balance in the system. These variations in inflow are to some extent mitigated by multi-year water reservoirs (storage facilities with capacity to store water accounting for at least one year's worth of production) in Norway and Sweden which dampen the impact on both production levels and price.

The market has proved to function well both in wet hydrological years such as 2000 and under dry conditions such as were seen during the winter of 2002/2003.

The physical characteristics of the Nordic power market and strong confidence in the daily price setting in the spot market have resulted in a liquid financial market where electricity is traded from the next day up to four years forward. The System Price is the underlying reference price for all the instruments traded on the power exchange. In addition to futures and forwards, there is also a market for options and contracts for differences between the System Price and the various local prices.

The Nordic power market is increasingly influenced by trends in the wider European power market and by decisions made by the EU. Following scientific evidence of the long term climate implications of emissions of so called greenhouse gases, the EU has implemented a system for trading in carbon dioxide quotas. As anticipated, the initial impact has been a steep rise in carbon dioxide emission right prices, which has been transferred into wholesale electricity markets in Europe and the Nordic region.

Statkraft's strategic priorities

Statkraft's vision of being a European leader in environment-friendly energy defines the company's long-term ambition. Statkraft's business concept is to create value for its owner, customers and for society at large by:

- developing and producing environment-friendly electricity;
- trading in energy and related products; and
- together with partners, meeting the customers' demand for energy and related services.

The Statkraft Group intends to give priority to continuously developing the existing business operations by refining its business-driven operating and maintenance model and by increasing value creation through extensive market analyses, better exploitation of its production facilities' inherent flexibility and a dynamic hedging strategy. Furthermore, Statkraft intends to contribute to realising efficiency and integration gains in and between its Norwegian subsidiaries and associated companies.

In terms of future investments, the Statkraft Group plans to prioritise the following areas:

Acquisition and construction of flexible, environment-friendly power generating capacity as well as infrastructure

This includes acquisition and development of hydropower and gas-fired generating facilities in Norway and the rest of Europe. The strategic reasons for such investments are to create additional value and to alleviate Statkraft's risk exposure by operating in both physical generation and financial power trading, as well as to realise information synergies and to develop market insights that are valuable to the existing Nordic market operations. The investments are expected to strengthen continental market operations and position Statkraft for an integrated European power market.

Development of wind power and other new renewable power generation

This category includes wind power, small-scale hydropower and other new renewable forms of generating capacity in Norway and the rest of Europe. The strategic reason for developing new, environment-friendly generating capacity is to take part in the expected growth in this particular market segment. A number of incentive schemes have been established to encourage profitability in developing new sources of renewable power. Statkraft also intends to acquire options for future business development in the form of licences, patents and other rights.

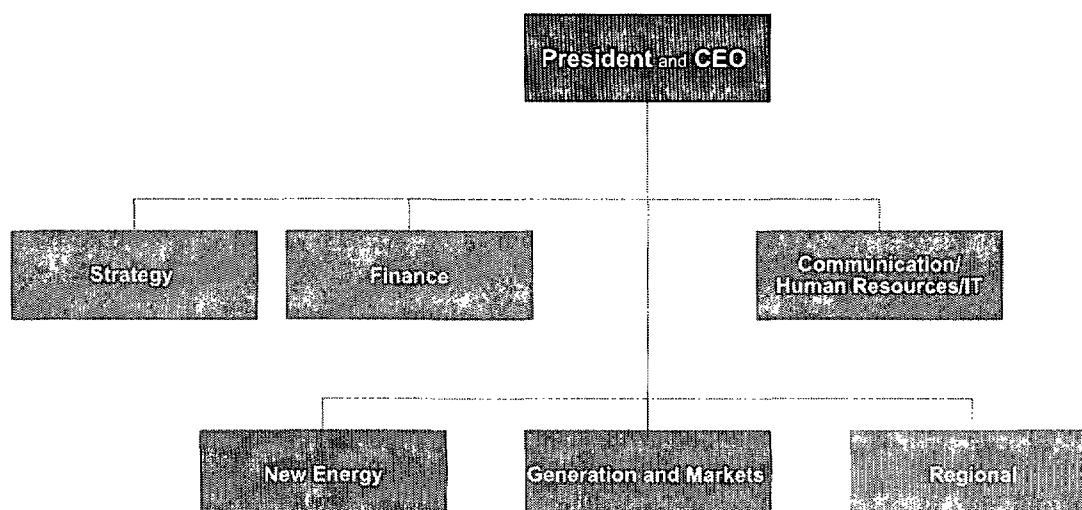
Projects in other selected regions are also included through Statkraft's stake in Statkraft Norfund Power Invest (**SN Power**). SN Power is responsible for most of the Group's activities outside of Europe, and is owned 50 per cent. each by Statkraft and Norfund. Norfund is a state-owned fund investing in projects in less developed countries. The business strategy of SN Power is to develop and acquire hydro power plants in selected markets with considerable growth potential.

Development of Statkraft's investments in Norwegian utilities

This category includes further acquisition of shares in associated companies and subsidiaries where Statkraft holds stakes (as described in "*Description of the Group – Regional*"). The strategic reason for consolidating Statkraft's stakes in the Norwegian companies is to enhance value creation through synergies and corporate control.

Business units

The Statkraft Group is divided into three business areas: Generation and Markets, New Energy and Regional. This structure is aimed at enhancing value creation within generation and trading, the development of new, profitable power generating capacity in Norway and the rest of Europe, and the realisation of synergies within regional companies.



Key financial figures of business units

The key figures from the consolidated income statement and balance sheet are set out below, divided by business area. Items in the income statement are allocated in descending order until "Profit before financial items and tax". Group financing and taxes are not allocated to the individual business areas, and the business areas are monitored based on Profit before financial items and tax, as well as key performance indicators.

KEY FIGURES BUSINESS AREAS

(for the financial year ended 31st December, 2005)

NOK million	Statkraft				
	AS Group	Generation & Markets	New Energy	Regional	Other*
From the Income Statement 2005					
Gross operating revenues	15,021	10,786	1,241	3,477	(483)
Operating profit/EBIT	8,375	6,880	199	1,400	(104)
Share of profit from associated companies	1,577	(27)	(5)	412	1,198
Profit before financial items and tax	9,953	6,853	194	1,812	1,094
Net financial items	(1,504)				
Profit before tax	8,449				
Net profit	5,620				
From the Balance Sheet 31.12.05					
Property, plant & equipment & intangible assets	52,812	29,477	1,208	22,189	(62)
Investments in associated companies	28,793	326	561	10,799	17,106
Other assets	9,249	10,000	1,608	4,322	(6,681)
Total assets	90,853	39,803	3,377	37,310	10,364
Capital employed	41,363	26,231	2,005	18,812	(5,685)
Maintenance investments	468	129	–	241	98
Investments in increased generating capacity	1,767	702	619	446	–
Investments in shareholdings	4,511	4,501	–	10	–

* Includes investments in E.ON Sverige

Generation and Markets

Through its Generation and Markets business area Statkraft operates 78 hydropower plants in Norway, Sweden and Finland, and holds ownership stakes in an additional 26 plants. Included in these figures are 23 hydropower plants in Sweden and Finland which were acquired from E.ON Sverige in 2005.

Production in a normal hydrological year amounts to some 33.3 TWh (TWh = terawatt hours, which equals 1 billion kWh). The business area has large water reservoir capacity, which is considered a unique and valuable asset within energy management. The maximum reservoir capacity was 34.7 TWh at the end of 2005.

Statkraft's Generation and Markets business is active in the Nordic region as well as in a number of other European countries. Over many years Statkraft has been developing a business concept in which it creates added value and reduces risk exposure by means of power optimisation and financial hedging. Operational and maintenance activities are tailored to make the most of the market opportunities identified through analysis of underlying trends.

From offices in Oslo, Düsseldorf, Amsterdam, Stockholm and Sofia, the Group engages in power trading. In addition, there is a substantial origination activity, whereby customised energy solutions are supplied to large-volume customers.

It is Statkraft's intention to continue to grow organically and through selective acquisitions within the area of flexible and environment-friendly electricity generation in Norway and in continental Europe. Access to continental production capacity is expected to strengthen the Group's trading activities in this area and position the Group to compete in a more integrated European power market.

Statkraft's Generation and Markets business generated 39.3 TWh of electricity in 2005. The production was high due to a high level of precipitation during the year.

New Energy

The New Energy business area is the Statkraft Group's vehicle for developing new power generating facilities and for managing Statkraft's investments in wind power and other non-flexible generating assets. Statkraft has substantial experience in this area. Through New Energy, the Group intends to ensure that the development of new and profitable forms of environment-friendly power generation is given the necessary focus and priority. It also contributes to the establishment of a dynamic environment for research and development and innovation within the Group.

This business area is responsible for identifying, developing and building all new power generating facilities within the Statkraft Group, including the large-scale hydropower and gas-fired power plants which, once they enter into operation, will be managed by the Generation and Market business area.

Statkraft has, since 2002, constructed three wind farms in Norway with a joint production capacity of 600 GWh (gigawatt hours) per year. In the course of 2005 decisions were made to develop an additional medium sized wind farm and two small hydro power plants in Norway.

Furthermore, investment decisions for three new gas fired power plants were made in 2005. Two of these plants will be located in Germany, while the third will be constructed at Kårstø in Norway. These three power plants are expected to enter into operation in the latter part of 2007 and will add some 7-8 TWh of capacity to Statkraft's total production capacity.

Investment in new power generating facilities outside Europe, as described under "Description of the Group - Statkraft's strategic priorities" above, is managed through SN Power.

Regional

The Regional business area manages Statkraft's investments in regional Norwegian energy utilities. The most important of these are the subsidiaries Trondheim Energiverk (**TEV**) and Skagerak Energi, and the two associated companies Bergenshalvøens Kommunale Kraftselskap (**BKK**) and Agder Energi. The retail sales company Fjordkraft is also part of the business area. The business area further owns a small share of the Danish retail sales company Scanenergi.

The main business of the regional utilities is to generate and sell electricity, operate power distribution grids and engage in end-user sales. Measured by electricity production and the number of grid customers, each of the utilities are leading energy utilities in their respective regions, and among the larger utilities in Norway. In 2005, the subsidiaries' annual production amounted to 8.8 TWh, while the production of associated companies in which Statkraft holds minority interests was 15.1 TWh. TEV and BKK are also active in district heating, and the companies are pursuing business opportunities related to the local distribution and use of gas. In addition, some of the companies are entering into new and related business areas such as broadband networks. The companies serve both commercial customers and private households.

The Regional business area continues the work of realising efficiency gains and synergies within and between the companies. Coordination gains can be achieved by utilising common expertise and systems in the various business segments, such as risk management and systems for production optimisation, operation and maintenance of power plants, structuring of retail activities and enhancing the efficiency of grid operations.

E.ON Sverige investment

In addition to the three operative business areas, the Statkraft Group has substantial financial investments, primarily a 44.6 per cent. shareholding in the utility company E.ON Sverige. The total book value of this investment is approximately NOK 17 billion. The German energy company E.ON is the majority shareholder in E.ON Sverige. Statkraft has an option to sell its shares in E.ON Sverige to the E.ON Group for just over EUR 2 billion by 2007. Statkraft's opinion is that the underlying value of the shares exceeds this option value.

Pro Forma Financial Information

Accounts for the Statkraft Group are available only for the period subsequent to the Group's reorganisation on 1st October, 2004. In order to facilitate a comparison with the business's previous performance, the Group's income statement and statement of cash flow include pro forma figures for 2003 and 2004. The pro forma figures have been calculated on the assumption that the reorganisation was applicable to the entity for each period in question. Pro forma figures as at 31st December, 2003 have

been included in the balance sheet. These figures have been calculated on the assumption that the reorganisation had taken place on this date.

The Statkraft Group is a continuation of the major part of the business activities previously organised under Statkraft SF. At the time of the reorganisation 96.4 per cent. of Statkraft SF's assets were transferred to its subsidiary Statkraft AS and Statkraft AS's subsidiaries.

The pro forma figures for the Statkraft Group have been calculated on the basis of the audited accounts for 2003 and 2004 of the former Statkraft SF group. Pro forma balance sheet figures are presented after deductions for the book value of those assets not transferred. Pro forma income statement and cash flow figures are exclusive of revenues and expenses relating to the retained assets.

Statkraft Group Income Statement

Pro forma 2004 (unaudited)	Pro forma 2003 (unaudited)	NOK million	Actual 2005	Actual 2004*
7,110	9,122	Power sales revenues	11,386	1,695
3,732	2,303	Other operating revenues	3,635	1,733
10,842	11,425	Gross operating revenues	15,021	3,428
(651)	(927)	Transmission costs	(746)	(213)
10,191	10,498	Net operating revenues	14,275	3,215
1,236	1,402	Salaries and payroll costs	1,342	455
354	328	Compensation and licence fees	342	89
1,443	1,504	Other operating costs	1,865	456
1,414	1,290	Depreciation and write-downs	1,858	391
367	327	Property tax	493	90
4,814	4,851	Operating expenses	5,899	1,481
5,377	5,647	Operating profit	8,375	1,734
1,493	1,086	Share of profit in associated companies	1,577	502
714	469	Financial income	808	539
(2,954)	(3,033)	Financial expenses	(2,312)	(982)
(2,240)	(2,564)	Net financial items	(1,504)	(443)
4,630	4,169	Profit before tax	8,449	1,793
(215)	(1,508)	Taxes	(2,829)	261
4,415	2,661	Net profit	5,620	2,054
118	78	Of which minority interests	147	14
4,297	2,583	Of which majority interests	5,473	2,040

* Applies to the period 01.10-31.12.

Statkraft Group Balance Sheet

Pro forma (unaudited) 31.12.03	NOK million	Actual 31.12.05	Actual 31.12.04
	ASSETS		
2,887	Intangible assets	5,976	2,580
44,249	Property, plant & equipment	46,836	45,236
28,297	Investments in associated companies	28,793	28,751
5,277	Other long-term financial assets	1,110	2,535
80,710	Fixed assets	82,715	79,102
41	Inventory	50	44
3,792	Accounts receivable	3,380	3,747
254	Short-term financial investments	335	330
1,815	Cash & cash equivalents	4,374	5,292
5,902	Current assets	8,139	9,413
86,612	Assets	90,854	88,515
	EQUITY AND LIABILITIES		
30,090	Paid-in capital	31,553	31,553
–	Retained earnings	4,689	3,675
3,498	Minority interests	3,752	3,787
33,588	Total equity	39,994	39,015
6,694	Provisions	10,300	7,018
39,895	Long-term interest-bearing debt	29,011	38,268
46,589	Long-term liabilities	39,311	45,286
776	Short-term interest-bearing debt	2,240	1,559
312	Taxes payable	2,197	610
5,347	Other interest-free liabilities	7,111	2,045
6,435	Current liabilities	11,548	4,214
86,612	Equity and liabilities	90,854	88,515
	Pledges	2,150	2,249
	Guarantees	8,275	4,496

Statkraft Group Statement of Cash Flow

Pro forma 2004 (unaudited)	Pro forma 2003 (unaudited)	NOK million	Actual 2005	Actual 2004*
CASH FLOW FROM OPERATING ACTIVITIES				
4,630	4,169	Profit before tax	8,449	1,793
(1,311)	(2)	Gains on the sale of fixed assets	(276)	(1,302)
1,434	1,290	Depreciation and amortisation	1,858	391
(1,493)	(1,086)	Share of profit in associated companies	(1,577)	(502)
(1,237)	(1,567)	Tax paid	(448)	(45)
2,023	2,804	Cash flow from operating activities	8,006	335
442	319	Change in long-term items	1,776	758
638	4,322	Change in short-term items	1,523	(1,237)
910	742	Dividend from associated companies	945	6
4,013	8,187	Net cash flow from operating activities A	12,250	(138)
CASH FLOW FROM INVESTING ACTIVITIES				
(1,548)	(1,277)	Investments in property, plant & equipment	(2,235)	(539)
1,416	50	Sale of fixed assets (gross proceeds)	39	1,394
(98)	(45)	Loans to third parties	(42)	(98)
569	430	Repayment of loans to third parties	98	569
(287)	(424)	Investments in other companies	(4,511)	(44)
2,764	–	Proceeds from the sale of other companies	2,029	2,741
2,816	(1,266)	Net cash flow from investing activities B	(4,622)	4,023
CASH FLOW FROM FINANCING ACTIVITIES				
7,016	1,141	New long-term borrowings	992	4,177
(8,269)	(8,466)	Repayment of long-term borrowings and subordinated loans	(9,428)	(4,985)
–	4,000	Receipts of new equity	–	–
(2,769)	(2,192)	Dividend paid	(72)	–
(4,022)	(5,517)	Net cash flow from financing activities C	(8,508)	(808)
2,807	1,404	Net cash flow A+B+C	(880)	3,077
Impact of foreign exchange differences on cash flow			(38)	3
Cash and cash equivalents as at 1 Jan.			5,292	–
Cash received re. formation of Group			–	2,212
Cash and cash equivalents as at 31 Dec.			4,374	5,292

* Applies to the period 01.10-31.12

Material contracts
Leased out capacity of Rana power station in northern Norway

The Statkraft Group has leased out 65 per cent. of the production capacity of Rana power station to a Finnish consortium (Etelä-Pohjanmaan Oy (EPV) and Kymppivoima Tuatano Oy (KV)) for the period 2005-2020. The installed capacity of Rana power station is 500 MW (1 MW = 1 Mega Watt which is equal to 1 million kW) with an approximate yearly production of 2 TWh. The buyer paid NOK 2.2 billion in 2004 and will pay a yearly operation and maintenance fee of NOK 65 million and 65 per cent. of recurrent tax costs.

Statutory-priced contracts

Statkraft has a statutory obligation to supply power-intensive industrial customers and the wood processing industry at prices set by the Norwegian Parliament, as well as obligations to supply power to local authorities at concessionary prices. The total volume for these contracts amounted to 17.4 TWh and 2.3 TWh respectively in 2005. The average price on the contracts with intensive industry and the wood processing industry was NOK 0.115 per KWh for 2005. The majority of these contracts will expire in the period up to 2011. There is however no expiry date for the obligation to supply power to local authorities at concessionary prices. The average price for these contracts was NOK 0.085 per KWh for 2005.

Statkraft offers long-term supply contracts based on commercial terms and conditions to replace existing statutory-priced contracts. Statkraft already covers the long-term power requirement of several Norwegian, Swedish and Finnish industrial companies.

MANAGEMENT OF THE ISSUER

Board of Directors

The board of directors is elected for a term of two years and must, according to Statkraft's articles of association, consist of a minimum of seven and a maximum of nine members. Currently, Statkraft's board is comprised of nine directors, of which six are shareholder representatives selected by the Ministry of Trade and Industry. The composition of the board aims at achieving continuity and diversity with respect to industrial understanding, professional background, geographical representation and gender. The board members' independence and impartiality are also taken into consideration. Three of the sitting board's nine members have been elected by and among the Group's employees.*

The board has the ultimate responsibility for the performance of the company and shall ensure that it is adequately organised to meet its obligations. This also involves supervising management's day-to-day operation of the company and its business activities in general. The board must issue the necessary guidelines with respect to the business and its management, and must approve the company's strategy, financial plans and annual results. The board has drawn up a mandate which provides guidelines for the board's working practices and decision-making procedures. This mandate also defines the chief executive's duties and obligations at large and in relation to the board. The board evaluates its performance and its competence on an annual basis.

Statkraft's principles for corporate governance clarify the relative roles of Statkraft's owner, board of directors and management. The board of directors has decided to establish an audit committee which will be operational from 2006.

Arvid Grundekjøn, Chair

Born: 1955

Position: Board chair of the Anders Wilhelmsen Group

Background: Qualified lawyer and MSC in Business Administration

Board member since: 2004

Other board positions: Board chair of Anders Wilhelmsen & Co AS and Creati AS, board member of Royal Caribbean Cruises Ltd.

Marit Büch-Holm, Deputy Chair

Born: 1952

Position: Senior Credit Manager, Nordea Bank Norge ASA

Background: MSC in Business Administration

Board member since: 1994

Halvor Stenstadvold

Born: 1944

Position: Senior Manager, Orkla Group

Background: Master of Political Science

Board member since: 2003

Other board positions: Board member of Storebrand ASA and Oslo Børs ASA (stock exchange)

Aud Mork

Born: 1945

Position: Mayor of Aukra in Møre og Romsdal County

Background: Bachelor with Diploma in Special Education

Board member since: 2004

Other board positions: Board member of Naturgass Møre AS, Romsdalsmuséet AS and Møreaksen AS

* According to an agreement with employee representatives, Statkraft has no corporate assembly.

Gunn Wærsted

Born: 1955

Position: President and CEO of Sparebank 1 Gruppen AS.

Background: MSC in Business Administration

Board member since: 2005

Other board positions: Board chair, BI Norwegian School of Management, Ferd Holding AS, The Norwegian Financial Services Association and various subsidiaries of Sparebank 1 Gruppen AS.

Olav Fjell

Born: 1951

Position: Consultant

Background: MSC in Business Administration. Olav Fjell has held a number of top management positions in Norwegian companies. He has served as chief financial officer of the former Kongsberg Våpenfabrikk, group executive vice president of DnB, chief executive officer of Postbanken and chief executive officer of Statoil.

Board member since: 2005

Other board positions: Board chair of Eastern Drilling ASA, Deep Sea Supply ASA and Franzefoss AS. Board member of Fjord Seafood ASA and Kristian Jehseus Rederi AS.

Astri Botten Larsen, employee representative

Born: 1964

Position: Senior Engineer, Statkraft Energi AS

Background: Master of Mechanical Engineering, Diploma in Business Studies

Board member since: 2002

Thorbjørn Holøs, employee representative

Born: 1957

Position: Senior union representative, Skagerak Energi AS

Background: Energy technician

Board member since: 2002

Odd Vanvik, employee representative

Born: 1952

Position: Senior union representative for the Statkraft AS Group

Background: Master craftsman

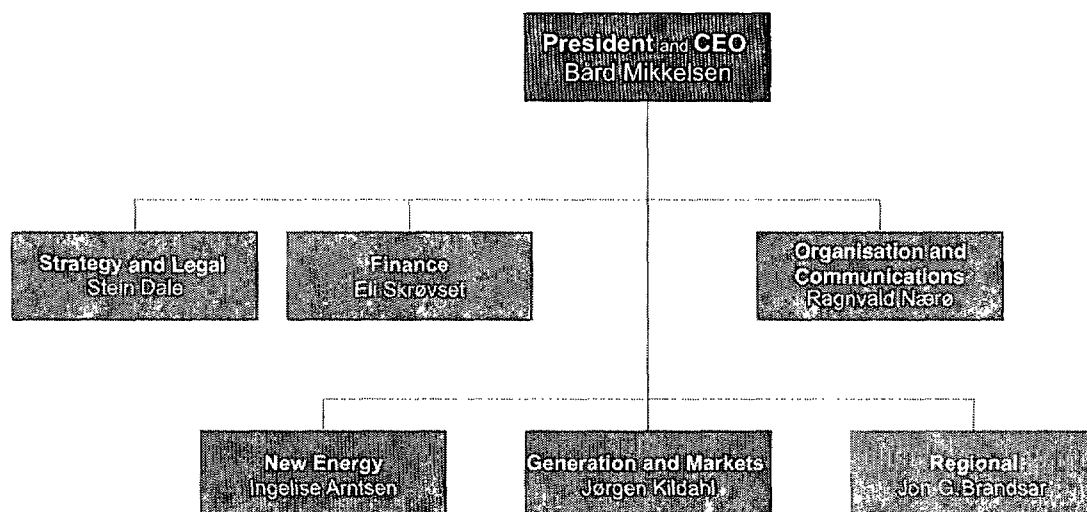
Board member since: 1993

The business address of each member of the Issuer's Board of Directors is Lilleakerveien 6, PO Box 200, Lilleaker, NO-0216 Oslo, Norway.

There are no potential conflicts of interest between the private interests or other duties of the members of the Board of Directors and their duties to the Issuer.

Management

The Statkraft Group is organised in three business areas and three key group functions. Each of these units is headed by an executive vice president who reports directly to the chief executive. Together they form the group management team.



Bård Mikkelsen

Born: 1948

Position: President and CEO Statkraft SF and Statkraft AS

Background: Managing Director, Oslo Energi Holding / Group Chief Executive, Oslo Energi Group, 1999–2001; Group Chief Executive, Ulstein Group, 1997–1999; Managing Director, Widerøe's Flyveselskap / Group Chief Executive, Widerøe, 1988–1997

Ingelise Arntsen

Born: 1966

Position: Executive Vice President New Energy

Background: Director, Arthur Andersen Business Consulting/BearingPoint Norway, 2000–2003; Managing Director/CEO, Sogn og Fjordane Energiverk, 1997–2000; Sales Manager, Finance Manager, Kværner Fjellstrand, 1991–1997

Jon G. Brandsar

Born: 1954

Position: Executive Vice President Regional

Background: Group Chief Executive, Trondheim Energiverk, 2002–2003; Technology Director, Statkraft, 1995–2002; Department Manager, Statkraft Engineering, 1994–1995; Department Manager, ABB, 1977–1994

Stein Dale

Born: 1962

Position: Executive Vice President Strategy

Background: Vice President Strategy and M&A, Statkraft, 2002–2004; Vice President Production, Enitel, 2000–2001; various senior management positions in the Telia group, 1994–2000

Jørgen Kildahl

Born: 1963

Position: Executive Vice President Generation and Markets

Background: Partner, Geelmuyden.Kiese, 1991–1999; Portfolio Manager, International Formuesforvaltning, 1989–1991

Ragnvald Næro

Born: 1954

Position: Executive Vice President Organisation and Communications

Background: Information Director, E-CO Energi, 1999–2001; Information Director, Widerøe's Flyveselskap, 1996–1998; Information Director, Norwegian Civil Aviation Authority, 1995; Partner, Geelmuyden.Kiese, 1994–2000; Journalist, Editorial Manager, Editor, Aftenposten, 1981–1994

Eli Skrovset

Born: 1965

Position: Executive Vice President Finance

Background: Senior Vice President Finance, Statkraft, 2002–2004; various positions at Statkraft, 1992–2002; Ministry of Oil and Energy, 1990–1992

Chief executive

The chief executive of Statkraft is appointed by the board of directors. The chief executive is responsible for the day-to-day running of the company, including its consolidated financial results. The chief executive is responsible for the organisation of the Statkraft Group. Matters of great importance or unusual character must be laid before the board. The board evaluates the chief executive's performance and competence on an annual basis.

Governing bodies

The Kingdom of Norway, embodied in the Ministry of Trade and Industry, exercises its shareholder's rights through Statkraft SF's annual corporate meeting. Statkraft SF exercises its shareholder's rights through Statkraft's annual general meeting, but votes in accordance with the instructions given by Statkraft SF's annual corporate meeting. The chair of Statkraft SF's board of directors and the company's other directors hold the same positions in Statkraft. The two companies' boards of directors are therefore identical.

External auditor

The external auditor of Statkraft is elected in the shareholders' meeting. The external auditor is responsible for auditing the accounts of Statkraft. Where practical and where Statkraft has the authority to decide such matters, the same auditing company shall be used for all companies within the Group. With respect to partly owned companies, the auditor is selected in consultation with the other shareholders. The board of directors meets the auditor to review the year-end accounts and otherwise as required. The auditor reports in writing to the board at least once a year. The board of directors evaluates the auditor's independence and has defined guidelines for the use of the external auditor for consultancy purposes.

With effect from the 2004 financial year, Deloitte Statsautoriserte Revisorer AS is the external auditor of Statkraft and the Statkraft Group.

Internal auditing and compliance officer

The internal auditing function assists management and the board by providing an independent and impartial evaluation of the company's risk management and control. The internal auditing function contributes towards the continual improvement of internal management and control systems. The board of directors approves the overall guidelines for the company's internal auditing function.

The chief executive is responsible for appointing the head of internal auditing, and for day-to-day administrative contact with the same. Group management approves an annual auditing plan which is presented to the board. The internal auditing function provides group management with half-yearly

reports. The board reviews the annual internal auditing report and the internal auditing plan for the coming year in the presence of the head of internal auditing. The head of internal auditing has a right and a duty to address the board either in person or in writing if he or she wishes to discuss a particular issue with the board of directors.

A code of conduct for Statkraft's employees is established in accordance with business principles and principles for corporate governance. A compliance officer is responsible for ensuring that the code of conduct has been established for the Group and is available for advice.

Control system for Management

Management reporting is based on scorecards and key performance indicators (**KPI**) which highlight the value drivers that influence the company's earnings and net worth. Tangible goals for KPI that underpin the value drivers are set by the Board.

The scorecards form the core of the company's operational management, but are supplemented by other tools, such as forecasts, target cost figures, authorisations and trend analyses. The group scorecard's value drivers are broken down into chains of more detailed KPIs which correspond to the business areas' scorecards. If the required performance level is not reached, remedial plans for each KPI are worked out.

A hierarchy of responsibility has been defined which lifts the focus and responsibility steadily higher in the organisation in proportion to the size of the non-compliance. Individual KPIs are linked to the compensation system for all employees. Cost control is ensured through specially developed targets for the costs that are within the company's control.

An authorisation system ensures approval and control of individual transactions. A quality assurance system covering all major investments has been established. To ensure a sound basis for financial planning and the coordination of resources, Statkraft prepares monthly forecasts for the current financial year and the following 12 months.

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the **Clearing Systems**) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Trustee or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Trustee or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Participants**) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participants records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Notice to Purchasers and Holders of Restricted Notes and Transfer Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships, Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system,

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer will apply to DTC in order to have each Tranche of Notes represented by Registered Global Notes accepted in its book-entry settlement system. Upon the issue of any Registered Global Notes, DTC or its custodian will credit, on its internal book-entry system, of the individual beneficial interests represented by such Registered Global Notes to the accounts of persons who have accounts with DTC. Such on behalf of the relevant Dealer. Ownership of beneficial Global Note will be limited to Direct Participants or Indirect Participants, including the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its

nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC's nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Notes in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Notice to Purchasers and Holders of Restricted Notes and Transfer Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no

obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Trustee, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

SUMMARY OF PROVISIONS RELATING TO DEFINITIVE REGISTERED NOTES

Registered Notes of a Series that are initially offered and sold in the United States pursuant to Section 4(2) of the Securities Act in private placement transactions exempt from registration under the Securities Act to Institutional Accredited Investors who execute and deliver to the Registrar an IAI Investment Letter substantially in the form attached to the Agency Agreement will be issued only as Definitive Registered Notes, registered in the name of the purchaser thereof or its nominee. Unless otherwise set forth in the applicable Final Terms, such Definitive Registered Notes will be issued only in minimum denominations of U.S.\$500,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Such Definitive Registered Notes issued to Institutional Accredited Investors will be subject to the restrictions on transfer set forth therein and in the Agency Agreement and will bear the applicable legend regarding such restrictions set forth under “*Notice to Purchasers and Holders of Restricted Notes and Transfer Restrictions*” below. Institutional Accredited Investors that hold Definitive Registered Notes may not elect to hold such Notes through DTC, but transferees acquiring such Notes in transactions exempt from registration under the Securities Act pursuant to Rule 144A, Regulation S or Rule 144 under the Securities Act (if applicable) may take delivery thereof in the form of an interest in a Restricted Global Note or a Regulation S Global Note, as the case may be, representing Notes of the same Series.

NOTICE TO PURCHASERS AND HOLDERS OF RESTRICTED NOTES AND TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each prospective purchaser of Legended Notes, by accepting delivery of this Offering Circular, will be deemed to have represented and agreed as follows:

- (1) Such offeree acknowledges that this Offering Circular is personal to such offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Offering Circular, or disclosure of any of its contents to any person other than such offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorised, and any such distribution or disclosure, without the prior written consent of the Issuer, is prohibited; and
- (2) Such offeree agrees to make no photocopies of this Offering Circular or any documents referred to herein.

Each purchaser of an interest in a Restricted Note offered and sold in reliance on Rule 144A will be deemed to have represented and agreed as follows (terms used in this paragraph that are not defined herein will have the meaning given to them in Rule 144A or in Regulation S as the case may be):

- (a) The purchaser (i) is a QIB, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring Notes for its own account or for the account of a QIB;
- (b) The purchaser understands that such Restricted Global Note is being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, such Restricted Global Note has not been and will not be registered under the Securities Act or any other applicable securities law and may not be offered, sold or otherwise transferred unless registered pursuant to or exempt from registration under the Securities Act or any other applicable securities law; and that (i) if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Restricted Global Note, such Restricted Global Note may be offered, sold, pledged or otherwise transferred only (A) to a person who the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and in each of such cases in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and that (ii) the purchaser will, and each subsequent holder of the Restricted Notes is required to, notify any purchaser of such Restricted Global Note from it of the resale restrictions referred to in (i) above and that (iii) no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for resale of Notes;
- (c) Each Restricted Global Note will bear a legend to the following effect, in addition to such other legends as may be necessary or appropriate, unless the Issuer determines otherwise in compliance with applicable law:

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM AND UNLESS IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER AND THE DEALERS THAT (A) THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF SUCH RULE 144A, (2) IN AN

OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THAT (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (A) ABOVE. NO REPRESENTATION CAN BE MADE AS TO AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

Each Definitive Registered Note that is offered and sold in the United States to an Institutional Accredited Investor pursuant to Section 4(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act will bear a legend to the following effect, in addition to such other legends as may be necessary or appropriate, unless the Issuer determines otherwise in compliance with applicable law:

“THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM AND UNLESS IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. EACH PURCHASER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, WHETHER UPON ORIGINAL ISSUANCE OR SUBSEQUENT TRANSFER, ACKNOWLEDGES FOR THE BENEFIT OF THE ISSUER AND THE DEALERS THE RESTRICTIONS ON THE TRANSFER OF THIS NOTE SET FORTH BELOW AND AGREES THAT IT SHALL TRANSFER THIS NOTE ONLY AS PROVIDED IN THE AGENCY AGREEMENT ENTERED INTO BY THE ISSUER ON 15TH JUNE, 2006. THE PURCHASER REPRESENTS THAT IT IS ACQUIRING THIS NOTE FOR INVESTMENT ONLY AND NOT WITH A VIEW TO ANY SALE OR DISTRIBUTION HEREOF, SUBJECT TO ITS ABILITY TO RESELL THIS NOTE PURSUANT TO RULE 144A OR REGULATION S OR AS OTHERWISE PROVIDED BELOW AND SUBJECT IN ANY CASE TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF THE PROPERTY OF ANY PURCHASER SHALL AT ALL TIMES BE AND REMAIN WITHIN ITS CONTROL. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF, FOR THE BENEFIT OF THE ISSUER, AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE “REALE RESTRICTION TERMINATION DATE”) WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH NOTE) ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A AND OTHERWISE IN COMPLIANCE WITH RULE 144A, (D) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL “ACCREDITED INVESTOR” WITHIN THE MEANINGS OF SUBPARAGRAPHS (a)(1), (a)(2), (a)(3) OR (a)(7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL “ACCREDITED INVESTOR”, IN EACH CASE IN A MINIMUM NOMINAL AMOUNT OF THE SECURITIES OF U.S.\$500,000 AND MULTIPLES OF U.S.\$1,000 IN EXCESS THEREOF FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, (F)

PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE) OR (G) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (E), (F) OR (G) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER AND, IN EACH OF THE FOREGOING CASES, A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE PRINCIPAL PAYING AGENT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN THIS PARAGRAPH. NO REPRESENTATION CAN BE MADE AS TO AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

IF REQUESTED BY THE ISSUER OR BY A DEALER, THE PURCHASER AGREES TO PROVIDE THE INFORMATION NECESSARY TO DETERMINE WHETHER THE TRANSFER OF THIS NOTE IS PERMISSIBLE UNDER THE SECURITIES ACT. THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS NOTE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT."

Each purchaser of Definitive Registered Notes will be required to deliver to the Issuer and the Registrar and IAI Investment Letter substantially in the form prescribed in the Agency Agreement. The Definitive Registered Notes will be subject to the transfer restrictions set forth in the above legend, such letter and in the Agency Agreement. Inquiries concerning transfers of Notes should be made to any Dealer.

TAXATION

Norwegian Taxation

The information provided below gives an overview, but does not purport to be a complete summary, of Norwegian tax law and practice currently applicable. It is recommended that prospective investors consult with their own professional advisers as to their individual tax situation.

Payments of principal and interest on the Notes to persons or legal entities who have no connection with Norway other than the holding of Notes issued by the Issuer are, under present Norwegian law, not subject to any withholding or deduction for or on account of any Norwegian taxes, duties, assessments or Governmental charges.

Gains or profits realised on the sale, disposal or redemption of the Notes by persons or legal entities who have no connection with Norway other than the holding of Notes are under present Norwegian law, not subject to Norwegian taxes, duties, assessments or Governmental charges.

No Norwegian issue tax or stamp duties are payable in connection with the issue of the Notes.

Holders of Notes will not be subject to any Norwegian estate duties provided that, at the time of the death of any Noteholder, such Noteholder has no connection with Norway other than the holding of the Notes and provided that the Notes have not been used in or attached to any business activity operated through a permanent establishment situated in Norway.

Holders of Notes resident in Norway for tax purposes will be subject to Norwegian income taxation on interest and capital gains at the applicable rate. The same applies to other legal entities that are resident in Norway for tax purposes (including, but not limited to individuals and legal entities having a permanent establishment in Norway provided that the Notes are used in or connected with any business activity operated through such permanent establishment). In such cases, interest and gains or profits realised by such persons or legal entities on the ownership, sale, disposal or redemption of the Notes will be subject to Norwegian taxation at the applicable rate.

Holders of Notes issued at a discount (compared to the nominal value) being resident in Norway for tax purposes, or otherwise subject to taxation through a permanent establishment in Norway, may be taxed annually for a deemed interest element on such Notes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from 1st July, 2005.

SUBSCRIPTION AND SALE

The Dealers have in a programme agreement dated 15th June, 2006 (the **Programme Agreement**) agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*” above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer, sell or deliver Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period (other than pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Notwithstanding the foregoing, Dealers nominated by the Issuer may arrange for the offer and sale of Registered Notes in the United States pursuant to Rule 144A under the Securities Act. Each purchaser of such Notes is hereby notified that the offer and sale of such Notes may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. In addition, pursuant to the terms of the Programme Agreement, Definitive Registered Notes may be offered and sold in the United States to Institutional Accredited Investors pursuant to Section 4(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act. See “*Notice to Purchasers and Holders of Restricted Notes and Transfer Restrictions*” above.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each issue of Index Linked Notes and Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer shall agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms. Each relevant Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the **Securities and Exchange Law**) and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Norway

Neither the Notes nor this Prospectus have been filed with any Norwegian Stock Exchange and the Notes have not been registered with the Norwegian Central Securities Depository (VPS). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to

represent and agree, that, unless the Issuer has confirmed in writing to each Dealer that the Notes and the Prospectus have been filed with any Norwegian Stock Exchange, the Norwegian Register of Business Enterprises and the Norwegian Central Securities Depository, it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in the Kingdom of Norway or to residents of the Kingdom of Norway, other than to persons who are registered with the Oslo Stock Exchange as professional investors. Notes denominated in Norwegian Kroner may not be offered or sold within Norway or outside Norway to Norwegian citizens abroad, without the Notes prior thereto having been registered in the Norwegian Central Securities Depository.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee nor any other Dealer shall have any responsibility therefor.

None of the Issuer, the Trustee or any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 8th March, 2006.

Listing of Notes

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme (other than VPS Notes) to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. The listing of the Programme in respect of Notes (other than VPS Notes) is expected to be granted on or before 20th June, 2006.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in London:

- (i) the Articles of Association (*Vedtekter*) and Company Certificate (*Firmaattest*) (with an English translation thereof) of the Issuer;
- (ii) the consolidated and non-consolidated audited financial statements of the Issuer in respect of the periods ended 31st December, 2004 and 31st December, 2005, together with the audit reports prepared in connection therewith, and the unaudited consolidated and non-consolidated financial statements of the Issuer for the three months ended 31st March, 2006;
- (iii) the most recently published audited annual consolidated and non-consolidated financial statements of the Issuer and the most recently published interim consolidated and condensed non-consolidated financial statements of the Issuer (in each case with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith;
- (iv) the consolidated audited financial statements of Statkraft SF in respect of the financial years ended 31 December 2003 and 31 December 2004 (with an English translation thereof), in each case together with the audit reports prepared in connection therewith;
- (v) the Programme Agreement, the Trust Deed, the Agency Agreement, the forms of the Temporary Global Notes, the Permanent Global Notes, the Definitive Notes, the Receipts and the Coupons, the Talons, the Regulation S Global Notes, the Restricted Global Notes and the Definitive Registered Notes;
- (vi) a copy of this Offering Circular;
- (vii) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to its holding and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (viii) in the case of each issue of Notes admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market subscribed pursuant to a syndication agreement, the syndication agreement (or equivalent document).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche allocated by Euroclear and Clearstream,

Luxembourg will be specified in the relevant Final Terms. In addition, the Issuer will make an application for any Registered Notes to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system (including the VPS) the appropriate information will be specified in the relevant Final Terms. Euroclear, Clearstream, Luxembourg, DTC and the VPS are the entities in charge of keeping the records.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels; the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of DTC is 55 Water Street, New York, NY 10041-0099, USA; and the address of the VPS is Biskop Gunnerusgate, 14A, 0185 Oslo, Norway.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer or the Group since 31st March, 2006, the date of the Issuer's most recent interim financial statements. There has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December, 2005.

Litigation

Neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect in the financial position or profitability of the Issuer and its subsidiaries taken as a whole.

Auditors

The auditors of the Issuer are Deloitte Statsautoriserde Revisorer AS, members of The Norwegian Institute of Public Accountants (*DnR*), who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in Norway for the periods ending 31 December, 2004 and 31st December, 2005. The auditors of the Issuer have no material interest in the Issuer.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

Trustee's Action

The Notes provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified to its satisfaction. It may not be possible for the Trustee to take certain actions and accordingly in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of an indemnity to it, and it will be for Noteholders to take action directly.

Reliance by Trustee

The Trust Deed provides that any certificate or report of the auditors of the Issuer or any other expert called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein, whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and/or such auditors and/or expert in connection therewith contains any limit on liability (monetary or otherwise) of such auditors and/or expert.

[THIS PAGE IS INTENTIONALLY LEFT BLANK]

FINANCIAL INFORMATION

Non-Consolidated Financial Statements of the Issuer

Set out below are the audited non-consolidated financial statements of the Issuer for the period from 1st October, 2004 to 31st December, 2004, and for the financial year ended 31st December, 2005, prepared and presented in accordance with generally accepted accounting principles in Norway, together in each case with the audit report on such financial statements.

STATKRAFT AS INCOME STATEMENT

	2005	2004*
	NOK million	
Gross operating revenues	305	–
Salaries and payroll costs	227	–
Other operating costs	238	5
Depreciation	83	–
Operating expenses	548	5
Operating profit/loss	(243)	(5)
Financial income	5,467	1,095
Financial expenses	(1,866)	(1,076)
Net financial items	3,601	19
Profit before tax	3,358	14
Taxes	(255)	(12)
Net profit	3,103	2
Allocation of net profit for the years		
Dividend	3,100	–
To other equity	3	2

**Applies to the period 01.10-31.12.*

STATKRAFT AS BALANCE SHEET

	31.12.05	31.12.04
	NOK million	
ASSETS		
Property, plant & equipment	85	–
Investments in subsidiaries and associated companies	40,600	31,580
Other long-term financial assets	26,750	55,985
Fixed assets	67,435	87,565
Accounts receivable	5,179	7,807
Cash and cash equivalents	3,157	4,132
Current assets	8,336	11,939
Assets	75,771	99,504
EQUITY AND LIABILITIES		
Paid-in capital	31,553	31,553
Retained earnings	5	2
Total equity	31,558	31,555
Provisions	607	5
Long-term interest-bearing debt	27,207	58,625
Long-term liabilities	27,814	58,630
Short-term interest-bearing debt	11,700	8,178
Other interest-free liabilities	4,699	1,141
Current liabilities	16,399	9,319
Equity and liabilities	75,771	99,504
Guarantees	5,800	–

STATKRAFT AS STATEMENT OF CASH FLOW

		2005	2004*
		NOK million	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		3,358	14
Depreciation		83	–
Tax paid		(1)	–
Cash flow from operating activities		<u>3,440</u>	<u>14</u>
Change in short-term items		7,709	(3,736)
Net cash flow from operating activities	A	<u>11,149</u>	<u>(3,722)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Loans to third parties		(400)	(454)
Repayment of loans to third parties		860	4,737
Investments in other companies		(4,495)	(4)
Net cash flow from investing activities	B	<u>(4,035)</u>	<u>4,279</u>
CASH FLOW FROM FINANCING ACTIVITIES			
New long-term borrowings		963	4,000
Repayment of long-term debt		(9,051)	(425)
Net cash flow from financing activities	C	<u>(8,088)</u>	<u>3,575</u>
Net cash flow	A+B+C	<u>(975)</u>	<u>4,132</u>
Cash and cash equivalents as at 1 January		4,132	–
Cash and cash equivalents as at 31 December		3,157	4,132

**Applies to the period 01.10-31.12.*

STATKRAFT ACCOUNTING PRINCIPLES

Accounting regulations

The annual accounts have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

With effect from 1 January, 2007, Statkraft's accounts will be prepared in accordance with the IFRS, cf. Note 30.

Pro forma figures

On 1 October, 2004 the parent company, Statkraft SF, transferred all its shares in Statkraft Energi AS to Statkraft AS. This contribution in kind increased Statkraft AS's share capital by NOK 31,553 million. The accounts for the Statkraft Group therefore include the operations of Statkraft Energi AS and its underlying subsidiaries for the last three months of the 2004 calendar year.

To facilitate comparison with figures from 2005 and earlier years, pro forma figures have been prepared for the Income Statement, Balance Sheet and Statement of Cash Flow for 2003 and 2004. These pro forma figures have been calculated on the assumption that the reorganisation applied to the entire accounting period. The pro forma figures are unaudited.

CONSOLIDATION PRINCIPLES AND GROUP ACCOUNTS

Subsidiaries

The group accounts show the total financial results and the total financial situation for the parent company Statkraft AS and its controlling shareholdings in other companies, presented as though they were a single financial entity. Intra-company sales revenues and balances have been eliminated, as have gains and losses resulting from inter-company transactions.

The group accounts include companies in which Statkraft has a direct or indirect controlling interest. Subsidiaries that are acquired or established during the year are included with effect from the date of acquisition/establishment. In the event of an acquisition, it is the date on which the contract was entered into that determines the cost price and assessments of over/undervaluation. Retained earnings and other changes in equity, as well as interest on the consideration, in the period from the contract date until completion are taken directly to equity. The cost price of shares in subsidiaries is offset against equity at the date of acquisition. Value in excess of book equity is ascribed to those of the company's assets and liabilities whose value differs from that recorded on the balance sheet. Provisions are made for deferred tax on over/undervaluations. Any over/undervaluations that cannot be ascribed to identifiable assets or liabilities are treated as goodwill. No provisions are made for deferred tax on goodwill.

Foreign subsidiaries are accounted for using the daily rate method. This means that balance sheet items are translated to NOK at the exchange rate in effect on 31 December, while the income statement is translated at the average exchange rate for the year. Translation differences are recorded directly against equity.

Partly owned power plants

Co-owned power plants, ie those power plants in which Statkraft owns shares, regardless of whether they are operated by Statkraft or one of the other shareholders, are accounted for using the gross method. The electricity generated by such power plants is, with the exception of concessionary power, at the direct disposal of the co-owners.

Power drawn from partly owned limited companies is included in the figure for gross power sales revenues. Statkraft's share of other operating revenues and operating costs is included in accordance with the specific shareholders' agreements. The shares are recorded at cost.

Leased power plants

Power plants that are leased to third parties are recorded according to the gross method. Gross leasing revenues are included in operating revenues, and operating costs are recorded under the relevant cost item.

Associated companies and joint ventures

Shares in companies in which Statkraft has a significant, but not controlling influence and shares in companies with joint control (not partly owned power plants) are treated in accordance with the equity

method. The group's share of the companies' profit/loss after tax, adjusted for amortisation of excess value and any deviations from the accounting principles, is shown on a separate line in the group's income statement. Such investments are classified in the balance sheet as fixed assets and are recorded at cost adjusted for accumulated net income, dividends received and any currency adjustments.

The accounting principles for the acquisition of associated companies and joint ventures are the same as for the acquisition of subsidiaries.

VALUATION AND CLASSIFICATION PRINCIPLES

Uncertainty relating to estimates

The accounts are based on assumptions and estimates which affect the book value of assets, liabilities, revenues and expenses. The best estimates available at the time the accounts were closed have been used, but actual figures may differ from the original estimates.

Principles for revenue and cost accounting

Revenues derived from the sale of goods and services are recognised when they are earned, while costs are recorded in accordance with the matching principle. Revenues from power trading are recorded as net values. Profits from subsidiaries are recognised in the year they are earned, while dividends from other companies are recognised in accordance with the cash principle. Gains/losses on the sale of ordinary fixed assets are treated as operating revenues or expenses.

Power trading revenues

Power generation. Power generation within the group is taken to income as the volume generated multiplied by the sales price. Statkraft hedges its power generation by entering into physical and financial contracts. Financial instruments used in power trading are bilateral financial contracts, forward contracts and futures, and options. Physical and financial trading for the purpose of hedging future production output is recorded as hedging in the accounts. The prerequisite for classification as a hedging instrument is that the level of hedging is within the company's generating capacity. Generating capacity is defined as the volume of power that the company is 80 per cent certain to produce. Losses/gains on hedging contracts, calculated as the margin between the contract price and spot price, are recorded on delivery and are included under power sales revenues. No valuation is made during the intervening period.

Paid and received option premiums for future power deliveries on fixed terms are recorded in the balance sheet according to the lower value principle. If the total value of the options in the portfolio is lower than the book value of the option premiums, it is written down to fair value.

Trading and Origination. The company has separate portfolios for trading and origination which are managed independently of its expected power generation. The trading portfolio consists of financial power contracts and is used in the market with a view to exploiting short and long-term changes in market prices for electricity. The portfolio mainly comprises products traded on the Nord Pool exchange or bilateral standard products. The portfolio is recorded at fair value pursuant to Section 5-8 of the Norwegian Accounting Act. The origination portfolio comprises customised bilateral power contracts that are offered to customers as required. Since there is no market listing that can provide a satisfactory pricing of such non-standard contracts, the portfolio does not meet the requirements of generally accepted accounting principles in Norway for recording at fair value. The portfolio is therefore recorded in accordance with the lower value principle at the portfolio level.

Distribution grid revenues

With effect from 1997 the Norwegian Water Resources and Energy Directorate (NVE) introduced a regulatory regime for distribution grid operations. Each year the NVE sets a revenue ceiling for the individual distribution grid owner. This ceiling is reduced annually by a general efficiency enhancement requirement of 1.5 per cent. In addition, specific efficiency requirements may be imposed on the individual distribution grid owner.

Each year an income excess/shortfall, the difference between the actual tariff revenues and the permitted revenue ceiling, is calculated. The accumulated income excess/shortfall is recorded as a payable to or receivable from distribution grid customers. Interest is calculated on the accumulated income excess/shortfall in accordance with the interest rate stipulated by the NVE.

The regulatory scheme also includes a maximum and minimum return on the book value of distribution grid equity. The limits apply for a regulatory period of five years.

The “Quality Adjusted Revenue Ceiling” (KILE) was introduced in 2001. The scheme allows the revenue ceiling to be adjusted in the event of changes in delivery quality. Adjustments under the scheme are treated as changes in income excess/shortfall.

Income excess/shortfall is recorded as an adjustment in distribution grid revenues. Distribution grid revenues recorded after deducting transmission costs from the overlying grid will therefore correspond to the revenue ceiling stipulated by the NVE adjusted for the impact of corrections under the KILE scheme.

Public subsidies

Public subsidies are assessed on an individual basis and are recorded in the accounts as a correction to the item to which the subsidy is intended to apply.

Compensation

The group pays compensation to landowners for the right to use waterfalls and land. In addition, compensation is paid to others for damage caused to forests, land, telecommunications lines, etc. Compensation payments are partly non-recurring and partly recurring, and take the form of cash payments or a liability to provide compensatory power. Non-recurring compensation payments relating to new power generating facilities are capitalised as part of the investment in the plant, while recurring payments are charged as expenses as they accrue. The net present value of future compensation payments has been calculated and is stated in Note 8.

Licence fees

Licence fees are paid annually to central and local government authorities for the increase in generating capacity that is obtained from regulating watercourses and catchment transfers. These licence fees are charged as expenses as they accrue. The net present value of future licence fees has been calculated and is stated in Note 8.

Pension costs

Pension costs and pension liabilities are treated in accordance with the Norwegian Accounting Standard for pension costs. The group’s pension schemes are defined benefit plans.

The net pension cost for the period is included under salaries and other payroll costs, and is made up of the pension benefits accrued during the period, the interest on the estimated liability and the projected yield on pension fund assets. The effect of plan changes is spread over the remaining average accrual period. Deviations in estimates that exceed 10 per cent of the value of the gross pension obligations or pension fund assets (corridor) are recognised immediately.

Net pension fund assets for overfunded schemes are recorded on the balance sheet as long-term assets and are made up of the difference between the fair value of pension fund assets and the net present value of estimated pension liabilities, together with the unamortised effect of plan changes and estimate deviations. Similarly, net pension obligations for underfunded pension schemes are classified as provisions under long-term liabilities.

Research and Development (R&D) costs

R&D costs are charged as current expenses. R&D costs are capitalised to the extent that a future financial benefit may be identified as deriving from the development of an identifiable intangible asset.

Maintenance costs

The cost of maintenance is charged as expenses as it accrues.

Property tax

Property tax on power plants is calculated on the basis of actual output, less the individual facility’s actual operating costs and resource rent tax paid. The revenue side is calculated in the same way as the resource rent tax, taking as its starting point the plant’s production hour by hour, multiplied by the spot price for the hour in question. Actual contract prices are used with respect to deliveries of licence power.

The property tax base is arrived at by discounting the previous five years’ net operating revenues for the power plant at a fixed rate in perpetuity, less the net present value of the power plant’s calculated costs for the replacement of operating assets. Property tax is charged at a rate ranging from 0.2 per cent to 0.7 per cent and is paid to the individual local authority.

Property tax has been classified as an operating cost with effect from the 2005 financial year. The comparable figures for 2004 have been correspondingly modified.

Taxes

Group companies that are engaged in power generation are subject to special rules for the taxation of energy companies. The group must therefore pay income tax, natural resource tax, and resource rent tax.

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

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

Resource rent tax is a profit-dependent tax and is calculated at a rate of 27 per cent of the net resource rent revenue generated by each power plant. Resource rent revenue is calculated on the basis of the individual power plant's production hour by hour, multiplied by the spot price for the corresponding hour. With respect to deliveries of licence power and power subject to contracts with a term exceeding seven years, the actual contract price is applied. Actual operating costs, depreciation and a tax-free allowance are deducted from the calculated revenue in order to arrive at the net resource rent revenue tax base. The tax-free allowance is set each year on the basis of the taxable value of the power plant's operating assets, multiplied by a normative interest rate set by the Ministry of Finance. The normative interest rate for 2005 was set at 7.4 per cent.

If a power plant's calculated resource rent revenue is negative, the amount can be carried forward with interest and offset against future positive resource rent revenues from the same power plant. Deferred tax assets linked to tax loss carryforwards and deferred tax liabilities linked to other temporary differences are calculated on the basis of power plants where it is probable that there will be positive resource rent revenues in the foreseeable future. An estimated actual resource rent tax rate has been used, the basis being the power plants where future positive resource rent revenues have been identified in the foreseeable future.

Classification and valuation of assets and liabilities

Assets intended for permanent ownership or long-term use are classified as fixed assets. Other assets are classified as current assets. Receivables falling due within one year are classified as current assets. The same criteria are applied to the classification of current and long-term liabilities.

Fixed assets are recorded at acquisition cost and are written down to fair value when the impairment in value is not considered to be of a temporary nature. Fixed assets with a limited useful economic life are depreciated systematically. Long-term liabilities are recorded on the balance sheet at the nominal amount, adjusted for any unamortised premium or discount. Current assets are valued at the lower of acquisition cost or fair value. Current liabilities are recorded on the balance sheet at the nominal amount received at the time the liability was incurred.

Intangible assets. Costs relating to intangible assets, including waterfall rights and goodwill, are recorded on the balance sheet to the extent to which the requirements for doing so have been met. Goodwill deriving from the acquisition of business entities is depreciated in a straight line over its expected economic life. Waterfall rights are not depreciated, since there is no right of reversion to state ownership and the assets are deemed to have perpetual value.

Property, plant and equipment. Investments in production facilities and other property, plant and equipment are recorded on the balance sheet and depreciated in a straight line over the expected useful economic life of the assets from the date on which the asset went into ordinary operation. Investments in facilities that are not operated by Statkraft are similarly depreciated using an average rate of depreciation. Accrued costs of own investments in the Statkraft Group are recorded on the balance sheet

as facilities under construction. Interest on building loans in connection with major investments is calculated and capitalised. Waterfall rights and rights to take over power plants that revert to state ownership are capitalised at cost and are not depreciated. Power plants that will revert to state ownership in the future will be depreciated from the takeover date to the reversion date.

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

Inventories/spare parts. Standard inventories and spare parts that have been purchased for the operation of the power plants are classified as current assets and are valued in accordance with FIFO at the lower value principle. Non-standard spare parts that are related to particular fixed assets or groups of fixed assets are capitalised and depreciated over the economic life of the underlying asset.

Reservoirs. Water held in reservoirs is not recorded as an item of inventory. Information relating to reservoir water levels is stated in Note 4. The purchase of water is capitalised until the point of production.

Receivables. Accounts receivable and other receivables are recorded at nominal value less provisions for bad debts. Provision for bad debts is made on the basis of an individual assessment of the receivable concerned.

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

Cash and cash equivalents. The item "Bank deposits, cash and cash equivalents" also includes certificates and bonds with short-term remaining life. The settlement of financial instruments (cash collateral) is capitalised.

Prepayments received are classified as long-term liabilities. The amount prepaid is taken to income at the same rate as the product it is intended to cover is delivered.

An annual interest cost is calculated and recorded as a financial expense.

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

Restructuring provisions. Once it has been decided to implement restructuring measures, provisions are made with respect to expected costs associated with the realisation of the measure. The size of each provision is based on a best estimate and is revised at the close of each period. Expenses accruing during the realisation of restructuring measures are charged directly against the provision.

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

Hedging

The treatment of financial instruments is dependent on the purpose of the specific agreement. When it is entered into, each agreement is defined either as a hedging transaction or a commercial transaction.

Where an agreement is treated in the accounts as a hedging transaction, revenues and costs are accrued and classified in the same way as the under-lying position. If cash flow hedging is undertaken, unrealised gains/losses on the hedging instrument are not capitalised.

Foreign currencies

Balance sheet items in foreign currencies are valued at the exchange rate in effect on the balance sheet day. Translation differences are recorded as financial costs or income. Gains/losses resulting from changes in exchange rates on debt intended to hedge net investments in non-Norwegian subsidiaries is taken to group equity together with any translation differences arising from the translation of the subsidiary's accounts.

Interest

Interest instruments are recorded in the accounts in the same way as interest on interest-bearing debt and receivables. Unrealised gains/losses on fixed interest rate positions which are linked to interest-bearing balance sheet items are not taken to income since they are considered to be part of the hedging position.

In the event that loans are repaid before the end of their fixed term (buyback) the gain/loss is taken to income. Swaps associated with repaid loans are normally cancelled. Gains/losses on such swaps are taken to income together with the underlying loan.

Reclassification

Individual items from previous years have been reclassified to make them comparable with this year's accounts.

Principles for cash flow statement

The cash flow statement has been prepared using the indirect method. This implies that the statement is based on the company's net profit/loss for the year in order to show cash flow generated by operating activities, investing activities and financing activities, respectively.

NOTES TO THE ACCOUNTS

NOTE 1 IMPORTANT EVENTS

2006

Transfer of investments in Himal Power Ltd. (HPL)

Statkraft Norfund Power Invest AS (SN Power) is a 50-50 joint venture between Statkraft AS and Norfund. Statkraft SF owns shares in the Nepalese energy company HPL. In 2006 Statkraft SF intends to use its investment as a contribution in kind to SN Power. The shareholding in SN Power will then be transferred to Statkraft AS. Statkraft AS's shareholding in SN Power will nevertheless remain unchanged after these transactions because the company's other shareholders will invest an equivalent amount in the company as the contribution in kind invested by Statkraft.

2005

Reorganisation

Following Statkraft's change of status to a limited company, it was further reorganised into a group. As part of this process Statkraft undertook an internal refinancing programme, with effect from 1 January 2005. This has reduced the size of the outstanding inter-company balances between Statkraft AS and Statkraft Energi AS. At the same time, most of the companies which were owned by Statkraft Energi AS have been transferred to Statkraft AS with effect from 1 January 2005. Operations associated with the New Energy business area were transferred to Statkraft Development AS with effect from 1 April 2005. These measures complete the implementation of the legislation relating to Statkraft's limited-company status and the establishment of a group structure.

Long-term leasing out of power production at the Rana power plant

Statkraft has leased out 65 per cent of the power generated by the Rana power plant for a period of 15 years. In return, Statkraft received a lump-sum payment of NOK 2.2 billion in January 2005. This sum will be taken to income as power sales revenues over the term of the contract. Statkraft will, in addition, receive an annual operating fee of NOK 65 million.

Acquisition of hydropower plants in Sweden and Finland

Statkraft has acquired 24 hydropower plants in Sweden and Finland, with an annual mean output of 1.6 TWh, from E.ON Sverige (previously Sydkraft). The companies have been consolidated into Statkraft's accounts with effect from 1 October 2005. The transaction cost Statkraft NOK 4.1 billion.

Sale of shares in Hedmark Energi Holding AS

Statkraft sold its 49 per cent stake in Hedmark Energi Holding AS (previously Hedmark Energiverk AS) to Eidsiva energi Holding AS for the sum of NOK 2 billion. This gave Statkraft a net profit of NOK 272 million. Furthermore, Statkraft received NOK 62 million in compensation for renouncing its right to exercise an option associated with a power plant. Both sums are recorded under "Financial income".

Investment in gas power projects in Germany

Statkraft decided to invest in the construction of two gas-fired power plants at Knapsack and Herdecke in Germany, with a capacity of 800 MW and 400 MW respectively. As at today's date the Knapsack project is wholly owned, but Statkraft has opened the door for external, industrial investors. Statkraft, however, wishes to remain the majority shareholder. Statkraft has a 50 per cent stake in the Herdecke project. These power plants will give Statkraft a combined annual output of 5-6 TWh at an investment cost of approx. EUR 500 million. Construction work commenced in the second half of 2005 and is expected to be finished in the second half of 2007.

Naturkraft – investment in a gas power project in Norway

Naturkraft, a 50-50 joint venture between Statkraft and Hydro, has begun construction of a gas-fired power plant with a capacity of 400 MW at Kårstø, in Rogaland, southwest Norway. Statkraft's share will give it a production capacity of 1.75 TWh at an investment cost of NOK 1 billion. Construction work commenced in the second half of 2005 and is expected to be finished in the second half of 2007.

Reversal of the Norwegian Competition Authority's directive to sell Trondheim Energiverk (TEV)

Following its acquisition of TEV in 2001, Statkraft was ordered to implement certain measures. These included the divestment of all its shares in TEV, divestment of TEV-generated power or the divestment of other power production in the NO2 price area (central and northern Norway). The Ministry of Government Administration and Reform reversed this directive in November 2005, and TEV will now be retained as part of the Statkraft Group. With this decision, all the directives issued to Statkraft by the Norwegian Competition Authority have now been met.

Termination of the agreement with Nuon for the sale of green certificates

In December 2005 Statkraft agreed to the termination of contracts regarding the sale of green certificates by the group's operational wind farms (Hitra and Smøla 1 and 2). The Dutch company Nuon had contracted to buy these certificates from the wind farms for a period of 15 years from the date on which each farm went into operation. Nuon retains the rights to 50 per cent of the profit from future sales of green certificates by the wind farms. The agreement to terminate resulted in Statkraft receiving a NOK 1,006 million compensation payment, which has been recorded under "Other operating revenues".

Termination of the green certificates sales contract also resulted in a reassessment of the wind farms' total value. Based on a net present value calculation, the wind farms were written down by NOK 361 million in Statkraft's consolidated accounts in December 2005.

2004

Creation of Statkraft AS

Statkraft AS was incorporated on 25 June 2004, with NOK 100,000 in paid-in equity. All the shares in the company are owned by Statkraft SF, which is in turn owned by the Ministry of Trade and Industry on behalf of the Norwegian state. The creation of the company was part of the reorganisation of Statkraft into a limited company.

Reorganisation

Statkraft became a limited company on 1 October 2004. In connection with the reorganisation, Statkraft SF's existing operations, with certain exceptions, were transferred to a newly created subsidiary, Statkraft Energi AS. The reorganisation was undertaken with no impact on accounting continuity.

Capital increase in Statkraft AS and the creation of the Statkraft AS Group

On 1 October 2004 the parent company, Statkraft SF, transferred all its shares in Statkraft Energi AS to Statkraft AS. This contribution in kind increased Statkraft AS's share capital by NOK 31,553 million. The accounts for the Statkraft AS Group therefore include the operations of Statkraft Energi AS and its underlying subsidiaries for the last three months of the calendar year.

Major sales transactions

Statkraft sold its 20 per cent stake in E-CO Vannkraft AS in December for NOK 2,550 million. This gave a net profit for the group of NOK 296 million. This sum is recorded under "Financial income".

Statkraft sold its 50 per cent stake in the Øvre Namsen power plants (KØN) in December for NOK 1,265 million. This gave a net profit for the group of NOK 1,010 million. This sum is recorded under "Other operating revenues".

New wind farm

Norway's largest wind farm was opened at Hitra in October. The wind farm has 24 wind turbines and an annual output of 150 GWh. A total of NOK 450 million has been invested in this project.

NOTE 2 SEGMENT INFORMATION

The Statkraft Group reported the following figures for its most important business segments. Segment information is gathered across legal units and business areas.

Around 93 per cent of the group's operating revenues are generated in Norway. Transactions between business segments are entered into on commercial terms.

NOK million	Group	Generation and hedging	Trading and origination	Distribution grid	End-user	Other	Shared services and eliminations
2005							
Gross operating revenues	15,021	13,192	579	1,634	536	478	-1,397
Depreciation and write-downs	1,858	1,288	8	377	15	67	105
Other operating expenses	4,788	3,727	436	774	531	488	-1,169
Operating profit	8,375	8,177	135	482	-10	-77	-333
Share of profit from associated companies	1,578	399	3	30	-1	1,175	-28
Profit before financial items and tax	9,952	8,575	138	512	-11	1,098	-361
2004*							
Gross operating revenues	3,428	2,803	96	481	146	128	-226
Depreciation and write-downs	391	254	1	107	4	16	10
Other operating expenses	1,303	1,008	127	306	139	-53	-224
Operating profit	1,734	1,541	-32	68	3	165	-12
Share of profit in associated companies	502	64	9	-21	-53	508	-4
Profit before financial items and tax	2,236	1,605	-23	47	-50	673	-16
<i>*Applies to the period 1.10-31.12</i>							
Balance sheet as at 31.12.2005							
Investments in associated companies	28,793	9,123	7	1,914	347	17,040	361
Other assets	62,061	55,167	703	5,985	303	3,742	-3,839
Total assets	90,854	64,290	710	7,899	650	20,782	-3,478
Current liabilities	11,548	5,723	1,185	621	79	1,178	2,763
Long-term interest-free liabilities	10,300	9,314	4	639	45	114	184
Long-term interest-bearing debt	29,011	0	0	0	0	0	29,011
Total liabilities	50,859	15,037	1,188	1,260	124	1,292	31,958
Maintenance investments	468	251	0	132	0	42	43
Investments in new generating capacity	1,767	1,388	0	147	0	232	0
Investments in shares	4,511	4,501	0	0	0	10	0

Interest-bearing debt has not been allocated to the various segments, since financial items are not broken down.

NOTE 3 POWER SALES

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

NOK million	2005	2004*
Production sold at spot prices	10,648	1,976
Difference between spot price and statutory-priced contracts ¹⁾	-2,252	-718
Revenues from commercial contracts	1,442	610
Other net power sales revenues ²⁾	1,548	-173
Total	11,386	1,695

*Applies to the period 01.10-31.12.

¹⁾Industrial contracts at prices determined by the Norwegian Storting, as well as electricity sold at concessionary prices to local authorities. In 2005 these were NOK 115 and NOK 83/MWh respectively. The majority of statutory-priced industrial contracts are due to expire in the years to 2011.

²⁾Includes gains/losses on trading, margin on production optimisation, international power exchange contracts and third-party concessionary power.

Statkraft Energi AS has the following long-term physical sales contracts with power-intensive industrial customers and the wood processing industry at prices set by the Storting, as well as obligations to supply power to local authorities at concessionary prices:

TWh	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Statutory-priced industrial contracts	13.1	10.9	8.9	8.9	8.9	1.1	0.1	0.1	0.1	0.1
Concessionary power sales	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Total fixed-price contracts	15.4	13.2	11.2	11.2	11.2	3.4	2.4	2.4	2.4	2.4

Commercial contracts will gradually replace existing statutory-priced contracts, which will be gradually phased. The total volume which will be supplied to industry under commercial contracts in the period 2006-2020 is just under 165 TWh.

In addition, Statkraft has other physical contractual obligations of varying duration to both domestic and international customers. Statkraft has no significant long-term physical purchasing obligations. The energy volume traded refers in its entirety to the Nordic home market.

NOTE 4 RESERVOIR WATER LEVELS AND POWER OUTPUT (unaudited)

TWh	Water level as at 31.12		Max. capacity	Power generation ¹⁾		Mean
	2005	2004		2005	2004	
Group	29.8	30.1	37.5	48.5	9.4	42

¹After losses. Output in 2004 relates to the period 01.10–31.12.

In a normal year reservoir water levels will vary in relation to a mean, with a -11 TWh minimum in April and a +5 TWh maximum in October. The inflow of water in 2005 was substantially higher than in a normal year. Despite high output levels throughout the year, the reservoir water level as at 31 December 2005 was still higher than normal.

NOTE 5 OTHER OPERATING REVENUES

NOK million	2005	2004*
Power plant leasing revenues	104	17
Net revenues from distribution grid operations	1,295	426
End-user sales revenues	531	144
District heating revenues	234	76
Other leasing and service sales revenues	417	66
Gains/losses on sale of property, plant and equipment	36	997
Compensation payments	1,018	7
Total	3,635	1,733

*Applies to the period 01.10–31.12.

The item “Compensation payments” includes NOK 1,006 million paid by the Dutch company Nuon in connection with the termination of contracts which the group’s operational wind farms had to sell green certificates. Nuon had contracted to buy green certificates from these wind farms for a period of 15 years from the date of operational start-up of each facility. Nuon retains the rights to 50 per cent of the profits from future sales of green certificates from the wind farms.

NOTE 6 SALARIES AND OTHER PAYROLL COSTS

NOK million	2005	2004*
Salaries	838	287
Employers' national insurance contributions	157	50
Pension costs	265	71
Other benefits	82	47
Total	1,342	455

*Applies to the period 01.10–31.12.

The CEO received a salary of NOK 2,510,518 in 2005. Other benefits amounted to NOK 221,968. The CEO may retire at the age of 65 with a pension amounting to 66 per cent of annual salary. At 62 the CEO may step down either voluntarily or at the request of the company. If this right is exercised, the CEO will be offered the position of consultant to the company with a 66 per cent salary until the official retirement age. The net pension provision for the year amounted to NOK 2,326,884.

Members of group management may retire at the age of 65 with a pension amounting to 66 per cent of annual salary. During the period between 60 and 65, members of group management have agreements providing a mutual right to gradually scale back their workload and compensation. Members of group management, with the exception of the CEO, are covered by a bonus scheme under which they may qualify for an annual bonus of up to NOK 200,000. Payment of the bonus depends on the achievement of specific individual goals.

The CEO and group management do not have any severance pay agreements in addition to those mentioned above. Nor have any loans or pledges been granted.

The board of directors has no remuneration agreements other than the directors' fee, nor have any loans or pledges with respect to board members been granted. NOK 1,725,000 has been paid in directors' fees, of which NOK 275,000 was paid to the board chair.

On average the group had the equivalent of 1,930 full-time jobs in 2005.

NOTE 7 PENSIONS

Occupational pension schemes operated by group companies

Statkraft and Trondheim Energiverk (TEV) have occupational pension schemes for their employees through the National Pension Fund. The benefits include retirement, disability, surviving spouse and child's pensions. For individuals qualifying for the full entitlement, the scheme provides pension benefits amounting to 66 per cent of pensionable income, up to a maximum of 12G (12 times the National Insurance Scheme's basic amount). Skagerak Energi has the same benefits plan in its own pension scheme.

Pension scheme benefits are coordinated with the benefits provided by the National Insurance Scheme. All the schemes are members of the transfer agreement. Moreover, all the companies offer early retirement at the age of 62 under the AFP pension scheme.

The National Pension Fund scheme is not asset-based. The pension benefits are guaranteed by the Norwegian state (Section 1 of the Pension Act). Management of the pension fund assets (fictive assets) is simulated as though the assets were invested in long-term government bonds. In this simulation it is assumed that the bonds are held to maturity.

Other schemes

Statkraft Pension Fund. In addition to the National Pension Fund, Statkraft SF had a supplementary scheme with its own pension fund, which provided a retirement, disability, surviving spouse's and child's pension equivalent to 44 per cent of pensionable income in the interval from 8 to 12G. The scheme was terminated on 1 May 2000 since the National Pension Fund provided the same benefits from this date. The Statkraft scheme also provided a surviving spouse's pension in excess of the National Pension Fund's benefits for employees who joined the pension scheme after 1976. This scheme has also been terminated, with effect from 1 October 2003. Free paid-up policies were issued in 2005 to cover the pension fund's remaining liabilities. Following the issue of these free paid-up policies, the

outstanding balance of the pension fund has been taken to income, such that the Statkraft Pension Fund had zero net liabilities/assets as at 31 December 2005.

Uncovered pension obligations. In addition to the above, Statkraft SF has entered into pension agreements that provide all employees whose pensionable incomes exceeds 12G with a retirement and disability pension equivalent to 66 per cent of that portion of their pensionable income exceeding 12G. This scheme also provides the members of group management with a surviving spouse and child's pension. These pensions are funded out of the company's current income. In addition, Statkraft has a surviving spouse and child's scheme, which is a continuation of the Statkraft Pension Fund (which was terminated in 2003). The scheme does not cover employees who joined Statkraft after 1 October 2003.

Investment of pension fund assets. The investment strategies and yields for the group's various occupational pension schemes in 2005 are described in the table below.

Portfolio	Percentage	Description of investment strategy	Yield in 2005
National Pension Fund – Statkraft	33.9 %	Pension contributions paid into the National Pension Fund are placed in a fictive fund for the purposes of calculating the annual yield. The annual pension contribution and any excess yield from the fictive fund is invested in 10-year government bonds. The reinvestment of assets in the fictive fund is carried out in accordance with established regulations. Assets can be reinvested in 1-, 3-, 5- or 10-year government bonds, while 35 per cent of the assets can be invested in the Government Pension Fund (previously the Petroleum Fund).	4.5 %
National Pension Fund - TEV	1.9 %	As described above	4.5 %
Trondheim Municipal Pension Fund on behalf of Trondheim Energiverk	16.8 %	Interest-bearing Norwegian and foreign securities and shares, as well as loans to members	7.6 %
Statkraft Pension Fund	7.2 %	Interest-bearing Norwegian securities through an external manager	3.4%
Skagerak Pension Fund	40.2 %	Diversified portfolio of Norwegian and foreign interest-bearing securities, secured loans to members, shares (max. 20 per cent), hedge funds (max. 7 per cent) and real property (max. 8 per cent) through external managers	10.1%
Total	100%		

When calculating the year's net pension cost and net pension assets (liabilities), the following assumptions were made:

	2005	2004
Annual discount rate	4.5 %	5.1 %
Salary adjustment	2.7 %	3.3 %
Adjustment of current pensions	2.4 %	2.9 %
Adjustment of National Insurance Scheme's basic amount (G)	2.4 %	2.9 %
Forecast voluntary exit		
• Up to age 45	2.5 %	2.5 %
• Between age 45 and 60	0.5 %	0.5 %
• Over age 60	0.0 %	0.0 %
Projected yield	4.5 %	5.7 %
Rate of inflation	1.5 %	2.5 %
Tendency to take early retirement (AFP)	20-25%	20-25%

Pension cost breakdown**NOK million**

	2005	2004*
Net present value of accrued pension entitlements for the year	94	16
Interest costs on pension liabilities	102	27
Gross pension cost for the year	196	43
Projected yield on pension fund assets	-82	-23
Recognised effect of estimate deviations	97	50
Recognised effect of plan changes	2	1
Termination of the Statkraft Pension Fund	53	-
Net pension cost for the year	<u>265</u>	<u>71</u>

*Applies to the period 01.10–31.12.

NOK million

	2005	2004
Gross pension liabilities	2,339	2,138
Pension fund assets	-1,887	-1,802
Net pension liabilities	452	336
Unamortised estimate deviations	-199	-178
Unrecognised plan changes	-17	-17
Employers' national insurance contribution	39	29
Net pension liabilities on the balance sheet	275	170
Pension liabilities	-312	-260
Pension assets	37	90

NOTE 8 COMPENSATION AND LICENCE FEES**NOK million**

	2005	2004*
Licence fees	256	58
Compensation payments	86	31
Total	<u>342</u>	<u>89</u>

*Applies to the period 01.10–31.12.

Licence fees are adjusted in line with the Consumer Price Index, with the first adjustment taking place on the 1 January five years after the licence was granted and every fifth year thereafter. Permanent annual compensation payments for damage or inconvenience arising from the construction of hydropower facilities are adjusted in accordance with the same rules as for licence fees. The net present value of permanent current licence fee and compensation obligations related to the group's generating facilities is estimated at NOK 6,400 million and NOK 1,000 million, respectively, discounted at an interest rate of 4 per cent in accordance with the regulations relating to licence fees, annual compensation, funds, etc.

NOTE 9 OTHER OPERATING EXPENSES

NOK million	2005	2004*
Materials	141	41
Consultants and temporary employees	789	215
Costs, power plants operated by third parties	193	70
Other operating expenses	742	130
Total	1,865	456

*Applies to the period 01.10–31.12.

NOTE 10 FEES PAID TO EXTERNAL AUDITORS

Deloitte Statsautoriserte Revisorer is the Statkraft Group's auditor and audits all subsidiaries. The fees paid to the group auditor for auditing and other services break down as follows:

NOK million	2005
Statutory auditing	5,415,000
Other attestation services	1,205,000
Tax advisory services	672,000
Other services	599,000
Total	7,891,000

Fees paid for compulsory auditing of the parent company totalled NOK 995,000.

NOTE 11 FINANCIAL INCOME AND EXPENSES**Financial income**

NOK million	2005	2004*
Interest received	190	112
Other financial income	618	427
Total	808	539

*Applies to the period 01.10–31.12.

The item "Other financial income" in 2005 includes NOK 272 million in gains on the sale of Hedmark Energi AS, as well as NOK 62 million in compensation for renouncing the right to exercise an option related to a power plant. The item "Other financial income" for 2004 includes NOK 296 million in gains on the sale of shares in E-CO Vannkraft AS.

Financial expenses

NOK million	2005	2004*
Interest expenses relating to Statkraft SF	1,423	460
Other interest paid	556	193
Other financial expenses	333	329
Total	2,312	982

*Applies to the period 01.10–31.12.

The item "Other financial expenses" in 2005 includes NOK 207 million in net realised losses in connection with the buyback of bonds and their underlying interest rate swaps. In 2004 "Other financial expenses" included net realised losses of NOK 239 million in connection with a similar transaction.

NOTE 12 TAXES

The total tax expense is calculated as follows:

NOK million	Group 2005	2004*
Income tax	1,898	47
Resource rent tax	680	64
Corrections from previous years	17	-1
Change in deferred tax	234	-371
Total tax expense in the Income Statement	2,829	-261
Income tax payable:		
Tax payable on the group's profit for the year	1,973	47
Effect of group contributions on tax liability	-474	0
Reduction in prepaid natural resource tax in previous years ¹⁾	0	0
Corporation tax payable before offsetting against natural resource tax for the year	1,499	47
Tax payable in the Balance Sheet:		
Natural resource tax	561	140
Resource rent tax	680	64
Income tax exceeding natural resource tax	938	406
Tax due from previous financial year	18	0
Tax payable in the Balance Sheet	2,197	610

*Applies to the period 01.10–31.12.

1) Corporation tax to the state is offset against the natural resource tax. If the natural resource tax cannot be fully offset against corporation tax, the excess portion of the natural resource tax may be carried forward and offset against corporation tax in subsequent years.

Reconciliation of nominal tax rates and effective tax rates

NOK million	Group 2005	2004*
Profit before tax	8,449	1,793
Expected tax expense at a nominal rate of 28%	2,366	502
Effect on taxes of:		
Resource rent tax	842	64
Tax rate differences outside Norway	2	0
Share in profit from associated companies	-445	-20
Effect of abolition of dividend tax	0	-399
Tax-free earnings	-69	-94
Changes relating to previous years	17	-1
Other permanent changes - net	116	-313
Total tax expense	2,829	-261
Effective tax rate	33.5%	-15%

*Applies to the period 01.10–31.12.

Specification of temporary differences and tax loss carryforwards

The following table specifies temporary differences and the tax loss carried forward, as well as a calculation of deferred tax assets, cf. Note 14. Deferred tax assets are recorded on the balance sheet to the extent that it is probable that they will be utilised. Deferred tax assets relating to fixed assets include temporary differences in both income tax and resource rent tax. Net deferred tax assets presented as an intangible asset relate to companies which, according to tax regulations, are treated as a single taxable entity. Due to deferred tax in acquired companies the change in deferred tax liabilities/assets from 2004 to 2005 at group level does not correspond with the change in temporary differences.

For the group, deferred tax assets and liabilities relating to different tax entities/regimes are presented separately.

NOK million	2005	2004
Current assets/current liabilities	990	292
Fixed assets	-1,804	-1,441
Pension liabilities	-358	-270
Other long-term items	-403	-291
Tax loss carryforward/credit	-609	-121
Sum of temporary differences and tax loss carryforward	-2,184	-1,831
Temporary differences, resource rent tax	262	128
Negative resource rent carryforward	-183	-1,530
Sum of temporary differences and resource rent carryforward	-2,105	-3,233
Total deferred tax asset	-744	-794
Tax rates	40/28/20%	40/28/20%

Specification of temporary differences that cannot be offset

The following is a specification of temporary differences and deferred tax within the group that are not offset against deferred tax assets, cf. Note 22.

NOK million	2005	2004
Excess value, acquired companies	11,691	8,337
Current liabilities	309	
Fixed assets	492	
Other long-term items	1,383	1,100
Temporary differences, resource rent tax	1,011	1,275
Negative resource rent tax carryforward	-115	-159
Sum temporary differences and resource rent tax carryforward	14,771	10,553
Total deferred tax (15/26/27/28/55%)	5,204	3,944

The 15 per cent, 28 per cent and 26 per cent tax rates are applied to excess value on power generating assets in acquired Norwegian, Swedish and Finnish companies respectively.

NOTE 13 SHARE OF REVENUES AND COSTS IN POWER PLANTS OPERATED BY THIRD PARTIES

With respect to power utilities in which Statkraft Energi AS has shares but no operating responsibility, cf. Note 15, the company appropriates for its own use a proportion of the power utility's output corresponding to its shareholding. This electricity is included in Statkraft's ordinary power sales in the same way as electricity produced by power plants operated by the company itself. Exception is made for mandatory sales of concessionary power which are handled by the power utility concerned, and where the sales revenues are distributed among the shareholders.

Where such co-ownership exists, the operating costs and revenues associated with the power utility's sale of concessionary power, etc, are distributed among the shareholders on an ongoing basis. The following is a summary of Statkraft Energi AS's share of revenues and costs related to these power utilities. The calculated revenues are Statkraft's actual power appropriation, multiplied by the average price for saleable electricity, as well as Statkraft's share of concessionary power sales revenues. The figures are included on separate lines in the income statement.

NOK million	2005	2004
Power sales revenues	856	162
Other operating revenues	9	4
Transmission costs	-42	-4
Net operating revenues	823	162
Compensation and licence fees	20	4
Other operating expenses	122	47
Depreciation	72	19
Property tax	33	7
Net operating expenses	247	77
Operating profit	576	85

*Applies to the period 01.10–31.12.

NOTE 14 INTANGIBLE ASSETS

NOK million	2005	2004
Waterfall rights, etc	5,083	1,650
Deferred tax assets	744	794
Goodwill	149	136
Total	5,976	2,580

Deferred tax assets are discussed in greater detail in Note 12.

NOK Million	Rights	Goodwill	Total
Acquisition cost 1.1.2005	1,757	271	2,028
Consolidation of new companies	3,448		3,448
Additions 2005	11	21	32
Disposals 2005			0
Accumulated depreciation 31.12.2005	-133	-143	-276
Book value 31.12.2005	5,083	149	5,232
Depreciation for the year	24	14	38
Estimated useful economic life	7 years to perpetuity	5–25 years	

NOTE 15 PROPERTY, PLANT & EQUIPMENT

NOK million	Water regulation facility	Turbines, generators, etc	Distribution grid facility	Share in power plants operated by third parties	Underground facilities, roads, bridges and quays	Plants under construction	Other ¹⁾	Total
Acquisition cost 1.1.2005	23,894	17,632	9,489	3,117	5,382	828	2,441	62,783
Consolidation of new companies	331	394	0	0	663	15	2	1,405
Additions 2005	24	718	185	6	60	982	228	2,203
Disposals 2005		-6	-74	0	-3	-21	-32	-136
Capitalised interest on building loans								
Foreign exchange effects	-22	-23	-80		-37	-1	0	-163
Accumulated depreciation and write-downs 31.12.2005	-3,953	-7,527	-4,146	-776	-1,429	-7	-1,418	-19,256
Book value 31.12.2005	20,274	11,188	5,374	2,347	4,636	1,796	1,221	46,836
Depreciation and write-downs	249	782	332	83	108	7	259	1,820
Depreciation period	30–75 years	15–40 years	25–35 years	5–50 years	50–75 years		3–40 years	

¹⁾ Comprises mainly district heating facilities, buildings, office and computer equipment, electrical installations and vehicles.

The following is a more detailed specification of the various assets' useful economic life:

	Depreciation period		Depreciation period
Waterfall rights	perpetual	Distribution grid installations	
Dams		- transformers	35
- riprap dams, concrete dams	75	- switchgear (high voltage)	35
- other dams	30	Buildings (admin., etc)	50
Tunnel systems	75	Other fixed installations	
Mechanical installations		- permanent	20
- pipe trenches	40	- less permanent	10
- generators (turbines, valves)	40	Miscellaneous moveables	5
- other mechanical installations	15	Land	perpetual
Underground facilities	75	Office and computer equipment	3
Roads, bridges and quays	75	Furnishings and equipment	5
Electrical installations		Vehicles	8
- transformers/generators	40	Construction equipment	12
- switchgear (high voltage)	35	Small craft	10
- control gear	15		
- operating centres	15		
- communications equipment	10		

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

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

Power plant	Third-party shares
Eidfjord	35.00%
Folgefonn	14.94%
Grytten	12.00%
Kobbelv	17.50%
Leirdøla	35.00%
Svartisen	30.00%
Svorka	50.00%
Ulla-Førre	26.50%
Vikfalli	12.00%

The group has the following shareholdings in power plants operated by third parties:

NOK million	Shareholding	Share of property, plant & equipment
Aurlandsverkene ¹⁾	7.00%	354
Mørkfoss-Solbergfoss ¹⁾	33.33%	46
Røldal-Suldal Kraft AS ^{1,2)}	8.74%	0
I/S Sira-Kvina kraftselskap ¹⁾	46.70%	1,261
Kraftverkene i Orkla ³⁾	48.60%	686
Total		2,347

¹⁾ Owned by Statkraft Energi AS.

²⁾ Statkraft Energi AS owns 8.74 per cent of the shares in Røldal-Suldal Kraft AS, which in turn owns 54.79 per cent of the IS Røldal-Suldal Kraft power plant. Statkraft's indirect shareholding in the company is therefore 4.79 per cent.

³⁾ Owned by Statkraft Energi AS and Skagerak Energi AS.

⁴⁾ Owned by TEV.

NOTE 16 SHARES IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Shares in consolidated subsidiaries

Name	Registered office	Parent company	Shareholding & voting rights
Statkraft Energi AS	Oslo	Statkraft AS	100.0%
Baltic Cable AS	Malmö	Statkraft Energi AS	66.7%
Statkraft Carbon Invest AS	Oslo	Statkraft AS	100.0%
Statkraft Energy Europe AS	Oslo	Statkraft AS	100.0%
Statkraft Financial Energy AB	Stockholm	Statkraft Energy Europe AS	100.0%
Statkraft Markets GmbH	Düsseldorf	Statkraft Energy Europe AS	100.0%
Statkraft Markets Austria GmbH	Vienna	Statkraft Markets GmbH	100.0%
Statkraft Markets BV	Amsterdam	Statkraft Markets GmbH	100.0%
Statkraft Markets Financial Services GmbH	Düsseldorf	Statkraft Markets GmbH	100.0%
Statkraft Holding Knapsack GmbH	Düsseldorf	Statkraft Markets GmbH	100.0%
Knapsack Power GmbH & Co KG	Düsseldorf	Statkraft Holding Knapsack GmbH	100.0%
Statkraft Holding Herdecke GmbH	Düsseldorf	Statkraft Markets GmbH	100.0%
Statkraft Suomi Oy	Kotka	Statkraft AS	100.0%
Ahvionkoski Oy	Kotka	Statkraft Suomi Oy	100.0%
Statkraft Sverige AB	Stockholm	Statkraft AS	100.0%
AB Graninge Ett	Stockholm	Statkraft Sverige AB	100.0%
AB Graninge Tre	Stockholm	Statkraft Sverige AB	100.0%
AB Graninge Fem	Stockholm	Statkraft Sverige AB	100.0%
Gidekraft AB	Stockholm	Statkraft Sverige AB	90.1%
Statkraft Development AS	Oslo	Statkraft AS	100.0%
Smøla Vind AS	Oslo	Statkraft Development AS	100.0%
Smøla Vind 2 AS	Oslo	Statkraft Development AS	100.0%
Hitra Vind AS	Oslo	Statkraft Development AS	100.0%
Statkraft Regional Holding AS	Oslo	Statkraft AS	100.0%
Statkraft Hedmark AS	Oslo	Statkraft Regional Holding AS	100.0%
Skagerak Energi AS	Porsgrunn	Statkraft Regional Holding AS	66.6%
Skagerak Kraft AS	Porsgrunn	Skagerak Energi AS	100.0%
Skagerak Nett AS	Sandefjord	Skagerak Energi AS	100.0%
Skagerak Elektro AS	Porsgrunn	Skagerak Energi AS	100.0%
Telekraft AS	Porsgrunn	Skagerak Energi AS	100.0%
Skagerak Linje Team AS	Porsgrunn	Skagerak Energi AS	100.0%
Nota AS	Porsgrunn	Skagerak Energi AS	100.0%
Grunnåi Kraftverk AS	Porsgrunn	Skagerak Energi AS	55.0%
Trondheim Energiverk AS	Trondheim	Statkraft Regional Holding AS	100.0%
Enita AS	Trondheim	Trondheim Energiverk AS	100.0%
Trondheim Energiverk Fjernvarme AS	Trondheim	Trondheim Energiverk AS	100.0%
Trondheim Energiverk Kraft AS	Trondheim	Trondheim Energiverk AS	100.0%
Itene AS	Trondheim	Trondheim Energiverk AS	100.0%
Trondheim Energiverk Kraftsalg AS	Trondheim	Trondheim Energiverk AS	100.0%
Trondheim Energiverk Nett AS	Trondheim	Trondheim Energiverk AS	100.0%
Statkraft Energy Enterprise AS	Oslo	Statkraft AS	100.0%
Statkraft Invest AB	Malmö	Statkraft Energy Enterprise AS	100.0%
Statkraft Forsikring AS	Oslo	Statkraft AS	100.0%
Småkraft AS	Oslo	1)	

¹ Småkraft is jointly owned by Statkraft AS, Skagerak Kraft AS, Trondheim Energiverk Kraft AS, Agder Energi AS and Bergenshalvøens Kommunale Kraftselskap AS, which each have a 20 per cent shareholding.

Shares in associated companies and joint ventures

Shares in associated companies and joint ventures of a material size are dealt with in accordance with the equity method in the consolidated accounts. This applies to the following companies:

Name	Registered office	Shareholding	Voting rights
Bergenshalvøens Kommunale Kraftselskap AS (BKK)	Bergen	49.9%	49.9%
Agder Energi AS	Kristiansand	45.5%	45.5%
Fjordkraft AS ¹⁾	Bergen	3.2%	3.2%
E.ON Sverige AB ²⁾	Malmö	44.6%	43.4%
Statkraft Norfund Power Invest AS (SNPI)	Oslo	50.0%	50.0%
Naturkraft AS	Bærum	50.0%	50.0%
Istad AS	Molde	49.0%	49.0%
Kraftwerksgesellschaft Herdecke GmbH & Co KG	Düsseldorf	50.0%	50.0%

¹ Fjordkraft AS is jointly owned by Statkraft Regional Holding AS (3.15 per cent), Bergenshalvøens Kommunale Kraftselskap AS (48.85 per cent) and Skagerak Energi AS (48 per cent), and is considered to be a joint venture for the Statkraft Group. The company is dealt with according to the equity method in the consolidated accounts.

² Statkraft has an option to sell its shares in E.ON Sverige AB to the majority owner E.ON by 2007 for the sum of approx. EUR 2 billion.

NOK million	BKK	Agder	Fjordkraft	SN Power	Naturkraft
Opening balance	5,891	4,224	299	462	17
Share of profit	328	156	22	-5	-15
Amortisation of excess value	-27	-44	-29	-	-
Investments/asset sales				100	303
Dividend	-171	-182		-	-
Translation differences ¹				-	-
Other			-3	-	-
Closing balance	6,021	4,154	289	557	305
Excess value 31.12.2005	2,406	2,652	201	0	0
of which unamortised waterfall rights	1,818	333	0	0	0

NOK million	E.ON Sverige	Istad	Herdecke	Andre	Total
Opening balance	17,502	315		5	28,715
Share of profit	1,380	17	-12		1,871
Amortisation of excess value	-182	-12			-294
Investments/asset sales			33	25	461
Dividend	-582	-10			-945
Translation differences ¹	-1012				-1,012
Other					-3
Closing balance	17,106	310	21	30	28,793
Excess value 31.12.2005	5,058	146	0	0	10,463
of which unamortised waterfall rights	1,729	0	0	0	3,880

¹ Unrealised gains/losses resulting from foreign exchange fluctuations on investments are recorded as translation differences against equity. Unrealised gains/losses on loans with SEK as the effective foreign currency, which were raised in connection with Statkraft's investment in E.ON Sverige AB, are also recorded against equity, since these are considered as hedging the net investment in foreign currency.

Associated companies - 100 per cent basis

The following key figures relate to Statkraft's investments in associated companies on a 100 per cent basis. The figures are presented in accordance with the individual company's accounting principles.

Income Statement (unaudited)	E.ON Sverige (SEK)		Agder Energi (NOK)		BKK (NOK)	
Figures in million	2005	2004	2005	2004	2005	2004
Gross operating revenues	26,133	24,578	3,076	2,726	3,291	2,852
Operating profit	6,164	6,232	891	1,021	1,444	1,162
Profit before tax and minority interests	5,181	4,815	612	679	1,190	797
Net profit	3,591	3,479	395	439	655	477

Balance Sheet (unaudited)

Figures in million	2005	2004	2005	2004	2005	2004
Fixed assets	69,304	73,129	9,778	9,732	14,638	14,929
Current assets	10,019	9,045	934	792	1,436	840
Total assets	79,323	82,174	10,712	10,524	16,074	15,769
Equity	32,232	29,784	3,555	3,558	7,540	7,665
Minority interests	2,039	2,036	0	0	18	26
Long-term liabilities	36,724	42,038	4,694	4,369	6,845	6,832
Current liabilities	8,328	8,316	2,463	2,597	1,671	1,246
Total equity and liabilities	79,323	82,174	10,712	10,524	16,074	15,769

NOTE 17 OTHER LONG-TERM FINANCIAL ASSETS

NOK million	2005	2004
Loans to associated companies	28	0
Loans to Statkraft SF	439	0
Bonds and other long-term receivables	364	599
Pension fund assets	37	90
Other shares and securities	242	1,846
Total	1,110	2,535

For the group, bonds and other long-term receivables include paid natural resource tax which may subsequently be offset against payable income tax.

NOTE 18 RECEIVABLES

NOK million	2005	2004
Accounts receivable	1,377	512
Prepaid revenues, etc	896	1,224
Interest-bearing restricted funds	64	426
Other receivables	1,022	907
Current receivables from group companies	21	678
Total	3,380	3,747

Accounts receivable are net of a NOK 12.2 million provision for bad debts.

Interest-bearing restricted funds largely consist of collateral pledged in respect of the negative market value of derivative contracts (see Note 20) and payments into the margin account at the Nord Pool power exchange.

NOTE 19 SHORT-TERM FINANCIAL INVESTMENTS

NOK million	2005	2004
Money market funds	62	11
Shares and financial investments	46	16
Bonds	227	303
Total	335	330

Bonds by debtor category:

NOK million	2005	2004
Commercial/savings banks	65	84
Industrial sector	49	19
Public sector	113	200
Total	227	303

	Market value*	Modified duration	Average rate of interest (%)
2005			
Commercial/savings banks	65	2.05	3.95
Industrial sector	49	1.64	4.66
Public sector	113	3.21	5.96
Total	227		

All bonds are in NOK and are recorded at their market value on 31.12.

NOTE 20 CASH AND CASH EQUIVALENTS

NOK million	2005	2004
Money market funds, certificates, promissory notes and bonds ¹	489	2,000
Cash in hand and bank deposits	3,885	3,241
Foreign certificates	0	51
Total	4,374	5,292

¹ NOK 185 million of the group's cash reserve is invested in bonds which are available for sale.

Cash in hand and bank deposits for 2005 includes NOK 2,183 million in cash collateral (including capitalised interest) and NOK 310 million in restricted funds, largely placed in custody accounts associated with the sale of electricity on power exchanges. Cash collateral represents payments made by contractual parties as security for net unrealised gains Statkraft has on interest rate and currency swap agreements. Since such gains are not taken to income, a contra entry in the amount of NOK 2,240 million has been recorded under other interest-free liabilities, while NOK 64 million has been recorded under receivables.

The Statkraft Group had unused long-term committed credit lines of up to NOK 5 billion and overdraft facilities totalling NOK 350 million. As at 31 December 2005 Statkraft had an outstanding overdraft of NOK 15.9 million.

NOTE 21 EQUITY

NOK million	Paid-in capital	Retained earnings	Minority interests	Total equity
Initial capital	0.1			0.1
Effect of group formation 01.10.2004	31,553	1,303	3,860	36,716
Profit 2004		2,040	14	2,054
Group contribution paid after tax		-5		-5
Group contribution received after tax		462		462
Change in translation differences		-125	5	-120
Reduction in minority interests			-20	-20
Allocated to dividend for 2004			-72	-72
Equity as at 31.12.2004	31,553	3,675	3,787	39,015
Profit 2005		5,473	147	5,620
Group contribution paid after tax		-1,343		-1,343
Change in translation differences		-138	10	-128
Allocated to dividend for 2005		-3,100	-68	-3,168
Change resulting from acquisitions		122	-124	-2
Equity as at 31.12.2005	31,553	4,689	3,752	39,994

The parent company has a share capital of NOK 20 billion, divided into 200 million shares, each with a face value of NOK 100. All the shares have the same voting rights and all are owned by Statkraft SF.

Statkraft's minority share in Skagerak Energi accounts for NOK 3,599 million of Minority Interests' total equity as at 31 December 2005.

NOTE 22 PROVISIONS

NOK million	2005	2004
Pension liabilities	312	260
Deferred tax	5,204	3,944
Other provisions	4,784	2,814
Total	10,300	7,018

Pension obligations are described in more detail in Note 7, while deferred tax is covered in Note 12.

The item "Other provisions" for 2005 includes prepayments of NOK 3,980 million in connection with future power sales agreements. The largest of these are the exchange agreements with Elsam and the Rana power leasing contract.

Furthermore, a gain of NOK 360 million linked to terminated foreign exchange contracts which are amortised in the period to 2010 has been recorded on the balance sheet.

NOTE 23 LONG-TERM INTEREST-BEARING DEBT

NOK million	2005	2004
Loans from Statkraft SF (back-to back agreements)	19,225	28,236
Bond issues in the Norwegian market	7,088	7,000
Loans from the Norwegian state	425	850
Other loans raised in non-Norwegian markets	469	213
External debt in subsidiaries	1,804	1,969
Total	29,011	38,268

The figures include the effect of underlying currency swaps.

Breakdown of debt by currency:

Figures in million	2005	2004
Debt in NOK	13,623	21,919
Debt in SEK	14,960	16,349
Debt in USD	429	0
Total for the group	29,011	38,268

Nominal average interest rate NOK, including the effect of terminations	6.36%	6.88%
Nominal average interest rate SEK	2.04%	2.53%
Nominal average interest rate USD	3.23%	–

The foreign currency breakdown in the table above takes into consideration the underlying currency swap agreements. The nominal rate for NOK includes accrued net losses associated with previous terminations.

Debt with SEK as the effective currency has been raised in connection with Statkraft's investment in E.ON Sverige AB. The debt is regarded as hedging for this investment. Unrealised gains/losses resulting from changes in exchange rates on loans and investments are recorded as translation differences against equity.

Fixed-interest debt portfolio:

Date of interest rate adjustment

Figures in million	2006¹	1-3 years	3-5 years	5 years or later	Total
Debt in NOK	5,937	44	269	5,849	12,098
Debt in SEK	14,875	0	0	85	14,960
Debt in USD	23	68	0	338	429
Total for the group	20,834	112	269	6,273	27,487

¹ The interest rate exposure takes into account a cash reserve of NOK 1,535 million which reduces the interest rate exposure in 2006 correspondingly. This also takes into account currency converted to NOK.

The above breakdown takes into account underlying currency and interest rate swaps. The above breakdown does not take into account the amortisation of transaction costs.

Repayment schedule

NOK million	2006	2007	2008	2009	2010	After 2010	Total
Loans from Statkraft SF (back-to back agreements)	4,021	4,063	4,857	2,021	3,208	1,053	19,224
Bonds issued in the Norwegian market	0	0	0	1,080	0	6,020	7,100
Loans from the Norwegian state	425	0	0	0	0	0	425
Other loans raised in non-Norwegian markets	0	0	0	0	0	1,385	1,385
Exchange rate regulation, currency and interest rate swaps	-358	-184	-187	0	-191	4	-916
Total for the parent company	4,087	3,879	4,670	3,101	3,018	8,463	27,218
External debt in subsidiaries							
Bonds issued in the Norwegian market	75	22	30	41	36	955	1,159
Other debt	363	54	48	35	14	131	645
Total for the group	4,525	3,955	4,749	3,177	3,067	9,548	29,022

The recognised effect of underlying currency swaps has been allocated to their respective dates of maturity. The breakdown does not take into account the amortisation of transaction costs.

NOTE 24 CURRENT LIABILITIES

Short-term interest-bearing debt

NOK 2,240 million in short-term interest-bearing debt relates to cash collateral (see Note 20).

Taxes payable

NOK 2,197 million in taxes payable is described in more detail in Note 12.

Other interest-free liabilities

NOK million	2005	2004
Accounts payable	447	378
Public charges payable	566	313
Accrued costs	695	601
Other interest-free liabilities	152	99
Dividend payable	3,168	74
Current liabilities to group companies	2,083	580
Total	7,111	2,045

NOTE 25 PLEDGES, OBLIGATIONS AND GUARANTEES

Pledges

Under certain circumstances county authorities and publicly owned energy utilities are entitled to a share of the output from power plants belonging to Statkraft Energi AS in return for paying a share of the construction costs, cf. Note 13. To finance the acquisition of such rights, the county authorities/companies have been granted permission to pledge the power plant as security. The mortgage debt raised by the county authorities under this scheme totals NOK 1,901 million. As at 31 December, 2005, the book value of the pledged assets in Statkraft Energi AS totalled NOK 6,264 million. Other subsidiaries have a total of NOK 249 million in correspondingly pledged assets.

Obligations and guarantees

The Statkraft Group has off-balance-sheet obligations and guarantees totalling NOK 8,275 million. Of this NOK 5,058 million are parent company guarantees, NOK 1,704 million power swap agreements, NOK 902 million property rental obligations, NOK 459 million bank guarantees, NOK 75 million security for employee taxes, while NOK 77 million relate to other guarantees.

Included under property rental obligations is Statkraft's office building at Lilleakerveien 6 in Oslo. The lessor is Mustad Eiendom AS. The rental agreement runs for a period of 16 years with an option to renew for a further 10 years. The annual rent totals NOK 56.2 million.

NOTE 26 FINANCIAL INSTRUMENTS

CURRENCY AND INTEREST RATE AGREEMENTS

Statkraft trades in financial instruments for various purposes. Their treatment in the accounts will depend on their purpose as described in the note on accounting principles.

Book value and fair value of interest rate and currency instruments

NOK million	12.31.05		12.31.04	
	Book value	Fair value	Book value	Fair value
Interest rate swaps	–	598	–	570
Forward rate agreements	–	-1	–	0
Interest rate and cross currency swaps	916	1,403	198	855
FX forwards	47	43	(26)	39
Total	963	2,043	172	1,464

Fair value is calculated on the basis of relevant market prices and forward curves, since the bulk of the instruments are not traded in organised marketplaces.

Interest rate derivatives (including the interest portion of interest rate and cross currency swaps) are used to manage the company's interest rate risk, and are therefore recorded as hedging instruments. They are recorded at acquisition cost, zero, on the balance sheet. Unrealised gains on these contracts are largely offset against off-balance-sheet unrealised losses on fixed-interest loans. The fair value stated in the table does not include accrued interest.

The currency component of cross currency swap agreements is recorded at the exchange rate in effect on the balance sheet day. The change in value recorded in the Income Statement is accompanied by a comparable change in value of underlying loans in the same currency. The difference between book value and fair value for FX forwards is due to FX forwards that have been entered into as cash-flow hedging instruments where unrealised gains/losses are not recorded in the accounts.

POWER CONTRACTS

Derivatives are recorded at fair value

NOK million	Fair value 2004	Recognised change in value 2005	Fair value 2005
Trading portfolio	67	-31	36

With respect to power trading, it is the trading portfolios that are valued at fair value in accordance with Section 5-8 of the Accounting Act. The portfolios comprise financial forward and option contracts traded over Nord Pool, as well as bilateral financial contracts with terms otherwise identical to standardised contracts traded over Nord Pool. With respect to the trading portfolios, acquisition cost relates solely to the net of paid and received option premiums. At the end of 2005 this amounted to a net of NOK 22.2 million in received premiums.

With respect to the trading portfolios, contracts are traded within a three-year timeframe. As at 31 December 2005 fair value was broken down as follows per future time period:

NOK million

2006	21
2007	15
2008	0
Total fair value 31.12.2005	36

Derivatives not recorded at fair value

The majority of the group's power contracts not recorded at fair value are handled by Statkraft Energi AS and Statkraft Markets GmbH.

Statkraft Energi AS

Statkraft Energi AS has four power trading portfolios whose financial instruments are not recorded at fair value in the accounts. All these portfolios consist of both physical and financial contracts. When assessing the risks and value attached to each portfolio, the physical and financial contracts are taken together. Fair value on financial power contracts will therefore not be representative of the value of the entire portfolio.

Portfolio	Accounting treatment	
Hedge portfolio	Hedging	Accounting Act, Section 4-1, Paragraph 1, no. 5
Origination	Lower value principle	Accounting Act, Section 5-2
Statkraft Financial Energy	Lower value principle	Accounting Act, Section 5-2
Baltic Cable	Lower value principle	Accounting Act, Section 5-2

Here follows a brief description of the portfolios:

Hedge portfolio

Net exposure in this portfolio is derived from updated production forecasts, buying and selling commitments pursuant to long-term physical contracts, as well as contracts traded over Nord Pool and bilateral financial contracts. A net financial short position is deemed to hedge future cash flows from power generated, while a net financial long position is deemed to hedge the fair value of future supply commitments. As at 31 December, 2005, the hedge portfolio had a net financial short position.

The physical sales commitments consist of statutory-priced industrial contracts, commercial sales contracts, concessionary power commitments, as well as miscellaneous free power and compensation power contracts. The majority of the statutory-priced industrial contracts will expire in the period to 2011. The commercial contracts have varying terms, but the longest runs until 31 December, 2020. Concessionary power agreements run in perpetuity. For some of these non-financial sales obligations the price is indexed against other market risk such as metals and foreign exchange (USD, EUR and GBP).

Financial contracts in the hedge portfolio are both contracts traded over Nord Pool and bilateral contracts. They generally have terms of less than five years, but some bilateral financial contracts run until 2015 (see the Elsam agreement below). To some extent the perpetual concessionary power agreements have been renegotiated to provide financial settlement for shorter periods of time.

In 2000 Statkraft and Elsam signed a contract converting a physical power exchange agreement signed in 1994 into a financial net settlement between the contract price (indexed against coal, etc) and a market-based reference price (area spot). The contract runs until 30 June 2020 and has an annual volume of 1,462.5 GWh. The Elsam agreement is built on a partnership agreement between several Norwegian energy companies. Statkraft has a 53.46 per cent share of the above-mentioned volume. The associated company Agder Energi AS also has a share in the cooperation agreement.

Origination

This portfolio largely consists of customised bilateral physical and financial contracts. As a rule efforts are made to offset the bulk of the volume exposure (ie the risk which can be directly ascribed to price fluctuations in forward system price agreements traded in the market) against corresponding

standardised financial contracts. The risk associated with the portfolio is therefore primarily derived from the area price risk, profiles, volatility (options and user time contracts), load, temperature and foreign exchange. Foreign exchange risk is partially hedged by means of internal currency forward contracts. The majority of contracts in the portfolio have terms of up to five years, but certain contracts run until 2015.

As at 31 December 2005, fair value was higher than acquisition cost.

Statkraft Financial Energy

This portfolio consists of bilateral physical and financial as well as cleared contracts to the Norwegian, Danish, Swedish and Finnish markets, in addition to currency contracts in SEK and EUR. As a rule efforts are made to offset the bulk of the volume exposure against corresponding standardised financial contracts, such that the portfolio's total net exposure remains relatively moderate. As at 31 December 2005, none of the contracts in the portfolio runs beyond 2008.

The risk associated with the portfolio is primarily derived from the area price risk (Helsinki, Stockholm and Norwegian price areas), spread risk and foreign exchange (mainly SEK and EUR). Foreign exchange risk is largely hedged by means of currency forward contracts.

As at 31 December 2005, fair value was higher than acquisition cost.

Baltic Cable

Statkraft Energi AS's 66.7 per cent shareholding in Baltic Cable AB entitles the company to import or export up to 400 MW a day between Sweden and Germany. This allows for a profit to be made on the difference in price between the two areas. The Baltic Cable portfolio also comprises financial hedging contracts whose purpose is to hedge individual price differences over a timeframe of 3-5 years.

As at 31 December 2005, fair value was higher than acquisition cost.

Statkraft Markets Continental

Statkraft Markets Continental (Statkraft Markets GmbH og Statkraft Markets BV) has organised its derivative trading activities in three main portfolios: power trading, origination (electricity) and gas trading. All the portfolios are treated

in the accounts in accordance with the lower value principle.

The power trading portfolio consists largely of contracts in the Scandinavian, German and Dutch markets. Despite the development of organised financial marketplaces, such as the EEX (Germany) and APX (the Netherlands), contracts for physical deliveries still dominate the bilateral market in Continental Europe.

The origination portfolio consists of structured power contracts. These are power contracts with terms and conditions such as user time, appropriation profile, peak/off peak, etc. The origination portfolio also includes trading in international transport capacity in order to profit from international price differences. A separate sub-portfolio has been created for virtual power plant contracts. The most important of these contracts is an agreement with a Swiss hydropower producer which runs until 2008.

Gas trading relates largely to physical contracts traded on the most liquid marketplaces, such as the NBP (National Balancing Point) in the UK and Zeebrugge in Belgium.

Other trading in derivatives in the group not recorded at fair value

Trondheim Energiverk and Skagerak Energi also trade in derivatives which are not recorded at fair value in the accounts. This is almost exclusively associated with portfolios which for accounting purposes are treated as hedging instruments.

NOTE 27 MARKET-RELATED RISK, FINANCIAL RISK AND INSURED RISK

In its business Statkraft is exposed to various types of risk. The most important, naturally enough, relates to the generation of and trading in electrical power, but the company is also exposed to other financial and operational risks.

Market Risk

Statkraft's main activities are the generation and trading of electrical power. In a market in which hydropower plays an important role and where the supply of water varies a great deal from year to year,

price and generating capacity will also vary considerably. This may have a marked impact on Statkraft's results. However, since power generation and price are often negatively correlated, ie high water levels and a high level of output resulting in lower prices and vice versa, the range of possible financial outcomes is naturally restricted. In addition, Statkraft actively manages its risk in relation to the actual market situation. In so doing Statkraft endeavours to realise the maximum long-term earnings potential from its generating facilities, given the company's risk criteria.

Risk management. Statkraft makes considerable use of forward contracts and other financial instruments to hedge its revenues. Contract trading helps stabilise Statkraft's revenues from year to year. This is desirable because of the great uncertainty that otherwise surrounds the total revenues from power sales, which are dependent on a volatile spot price and uncertain production capacity. In this connection there is no difference between physical and financial contracts that are traded bilaterally or via brokers, and financial contracts in the forward market (Nord Pool). Price is the prime criterion when selecting a trading method. Hence, the most important factor is that new contracts are advantageous in relation to existing power contracts, optimising the outcome of Statkraft's own production and spot prices. The company continually adjusts the contract portfolio to maximise expected earnings within the given risk criteria. Internal guidelines for market exposure have been adopted for both hedging and trading activities. An organisationally independent unit is responsible for the continual monitoring of authorisations and limits.

Use of derivatives for hedging purposes. Statkraft trades in various physical and financial instruments to hedge revenues. This hedging, which also takes into consideration the company's present and future generating capacity, is intended to ensure an optimal contract position in relation to recognised risk criteria. Statkraft is exposed to both price and volume risks because future prices and water inflow are unknown. At the end of 2005 the company had presold more than 40 per cent of its mean production up to and including 2015.

Use of derivatives for trading purposes. In addition to hedging activities, Statkraft also uses financial derivatives to take limited, short-term positions in the market. Value-at-Risk is an important risk management tool. The volume traded is significant, but the financial exposure at any given time is extremely limited compared to the hedging activities.

Origination. Statkraft offers customised bilateral contracts to its customers. By adapting the contract terms and conditions to individual customer needs, added value is generated in relation to standard quoted contracts. The risk associated with this activity is hedged to a great extent by trading in standard contracts. The remaining financial exposure is very small in relation to the hedging activities and is quantified by Value-at-Risk and Profit-at-Risk. Internal restrictions on these performance indicators are used to ensure that exposure remains within company guidelines.

Financial Risk

Statkraft focuses primarily on cash flow in connection with its follow-up of financial performance and risk management. This is because cash flow is considered to be decisive for value creation. However, the introduction of new accounting regulations (the IFRS) with effect from 1 January 2007 could result in a significant discrepancy between the results recorded in the company's accounts and its actual cash flow. In this case the company's financial statements might not represent such an accurate reflection of the actual value created by the company.

Use of interest rate and currency instruments. Statkraft uses interest rate and currency instruments in its management of the company's interest rate and foreign exchange exposure. Interest rate swaps and forward rate agreements are used to achieve the desired interest rate profile on the company's borrowing portfolio. Interest rate and cross currency swaps are used to achieve the desired currency for the company's borrowing portfolio. For example, Statkraft has raised loans in foreign currencies to achieve the lowest possible credit margin on its borrowings, but has simultaneously converted the loan commitments to NOK or SEK through interest rate and cross currency swaps. FX forward contracts are used to hedge cash flows in foreign currencies and occasionally to establish commitments as part of the hedging of foreign currency investments.

Foreign exchange risk. Statkraft's foreign exchange risk is primarily linked to power sales revenues in foreign currencies, as well as its shareholding in E.ON Sverige. Statkraft's markets division converted to EUR as its operational currency ahead of Nord Pool's conversion to EUR in 2006. Expected future cash flows in foreign currencies over the next three years are gradually being hedged. The degree of

hedging is highest for the most immediate cash flows. Financial investments in foreign currencies are fully hedged. Exposure is hedged by means of both financial instruments and loans in foreign currencies.

Interest rate risk. An interest rate management framework has been adopted based on a spread between fixed and floating interest rates. The objective is to ensure that the bulk of the interest rate exposure on the net borrowing portfolio should be at floating interest rates. As a rule fixed interest rates shall apply for a period of more than five years. With the exception of the financing of the E.ON Sverige shares, which is in SEK, interest rate management will be subject to the same risk framework as each individual currency. The E.ON Sverige investment is financed entirely at a floating interest rate.

In addition to interest rate swap agreements linked to the respective loans, financial instruments are widely used to keep the individual portfolio within the given risk limits.

Liquidity risk. Statkraft assumes a liquidity risk because the term of its financial obligations is not matched to the cash flow generated by its assets, and because of variations in collateral requirements linked to financial contracts in the forward market (Nord Pool). Statkraft has long-term credit ratings from Standard & Poor's and Moody's Investor Service of BBB+ with a "stable outlook" and Baa1 with a "stable outlook" respectively. Statkraft has good opportunities for borrowing in the Norwegian money market and in the banking market. Revolving credit facilities are used to secure access to short-term financing. Statkraft's revolving credit facilities are large enough to cope with a significant increase in the collateral required for financial contracts in the forward market (Nord Pool). Statkraft has a liquidity capacity target of between 1.5 and 2.5. Liquidity capacity in this context is defined as cash and cash equivalents, plus committed revolving credit facilities, plus projected receipts for the next six months, divided by projected payments for the next six months.

Credit risk. Statkraft assumes a credit risk through power trading, investing its surplus liquidity, and trading in financial instruments. The limits for each debtor are determined by a formal credit rating or an analysis of key financial figures. Credit risk associated with physical and financial power contracts is calculated, monitored and reported on a weekly basis. Bilateral contracts are subject to limits for each debtor, with regard to volume, amount and duration. Quantification of the investment risk is based on the principal amount of Statkraft's receivables. Credit and debtor risk associated with investments is largely spread between issuers with A-ratings or better. For financial instruments a loss potential is calculated in the event the debtor should fail to fulfil his obligations. Statkraft has entered into agreements on periodical settlement of the market-to-market value of the financial instruments with the majority of its debtors (cash collateral). Credit exposure associated with such agreements is therefore substantially reduced.

Insurance Risk

Statkraft has a considerable risk exposure in its operations related to damage/loss relating to its own assets and subsequent production loss, as well as damage to third-party lives and property.

Statkraft has established insurance schemes for the group which cover all material types of damage/loss. The group's captive insurance company Statkraft Forsikring AS is used as a tool in the group's risk financing. Statkraft Forsikring retains only a limited risk per claim, with the excess risk being covered in the reinsurance market.

NOTE 28 RELATED PARTIES

Statkraft acquired 24 hydropower plants in Sweden and Finland for the sum of NOK 4.1 billion. The takeover took place on 1 October, 2005 in accordance with the terms of the agreement signed on 1 July 2005. The selling party was E.ON Sverige AB, of which Statkraft owns a 44.6 per cent stake.

Statkraft owns shares in a number of energy companies. For further details see Note 16. Transactions with these energy companies are carried out at market terms. Statkraft Energi AS also has the responsibility of operating the power plants in Nepal and Laos in which Statkraft SF owns shares. The agreements have been entered into at market terms and conditions.

Statkraft has entered into an agreement for the purchase of transport services from the company Helikopterdrift AS. Statkraft's CEO is a shareholder in a company which leased a helicopter to Helikopterdrift AS. This leasing contract expired in June 2005. The agreement relating to the purchase of transport services was entered into on commercial terms and conditions. NOK 25,000 was paid under the contract in 2005.

NOTE 29 CONTRACTUAL OBLIGATIONS

The group has contractual obligations to subcontractors in connection with its construction projects. The largest project to which these apply is the gas-fired power plant at Knapsack. The group also has obligations through its joint ventures Herdecke and Naturkraft.

In connection with the construction of its gas-fired power plants in Norway and Germany, Statkraft has entered into long-term agreements for the purchase of gas with Statoil and Wingas respectively.

One-third of the output volume from the gas-fired power plant at Knapsack has already been sold to the Dutch energy company Essent.

NOTE 30 IFRS

The EU has adopted a directive that requires all listed enterprises in the EU and EEA to prepare consolidated accounts in accordance with the International Financial Reporting Standards (IFRS) from 2005. Statkraft is bound by these regulations through its listed bonds, but has the option to postpone implementation of the IFRS until 1 January, 2007. Statkraft will avail itself of its right to postpone implementation.

For Statkraft the greatest changes in connection with the implementation of the IFRS derive from the IAS 39 standard relating to financial instruments and hedging.

As a result of the transition to the IFRS in 2007, Statkraft will consider, with effect from 1 January, 2006, adjusting its accounting principles to the IFRS, where the generally accepted accounting principles in Norway allow IFRS solutions.

AUDITOR'S REPORTS

Set out below are the audit reports prepared in connection with the audited financial statements of the Issuer in respect of the period from incorporation to 31st December, 2004, and for the financial year ended 31st December, 2005.

“To the Annual Shareholders’ Meeting of Statkraft AS Translation from the original Norwegian version

AUDITOR'S REPORT FOR 2004

We have audited the annual financial statements of Statkraft AS as of 31 December 2004, showing a profit of 2 million NOK for the parent company and a profit of 2.054 million NOK for the group. We have also audited the information in the Board of Directors’ report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements are the responsibility of the Company’s Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and present the financial position of the Company and of the Group as of 31 December 2004, and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting principles in Norway
- the Company’s management has fulfilled its duty to maintain the Company’s accounting process in such a proper and well-arranged manner that the accounting process and the documentation is in accordance with the law and generally accepted accounting practices in Norway
- the information in the Board of Directors’ report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Oslo, 18 March 2005

Deloitte

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

AUDITOR’S REPORT FOR 2005

We have audited the annual financial statements of the Statkraft AS as of 31 December 2005, showing a profit of NOK 3,103 million for the parent company and a profit of NOK 5,620 million for the group. We have also audited the information in the Board of Directors’ report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the parent company’s financial statements and the group accounts. The parent company’s financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The rules of the Norwegian accounting act and generally accepted accounting practice in Norway have been applied to produce the financial statements. These financial statements are the responsibility of the Company’s Board of Directors and President and CEO. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company and of the Group as of 31 December 2005, and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting practice in Norway
- the company’s management has fulfilled its duty to maintain the Company’s accounting records and documentation in a proper and well-arranged manner in accordance with the law and generally accepted bookkeeping practice in Norway
- the information in the Board of Directors’ report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and complies with the law and regulations.

Oslo, 8 March 2006

Deloitte

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

Interim Financial Statements of the Statkraft Group

Set out below are extracts from the unaudited consolidated financial statements of the Group as at and for the three months ended 31st March, 2006.

“STATKRAFT AS GROUP

INCOME STATEMENT

Figures in NOK million	First quarter		The year
	2006	2005	2005
Power sales revenues	4,333	3,117	11,386
Other operating revenues	920	796	3,635
Gross operating revenues	5,253	3,913	15,021
Transmission costs	(368)	(211)	(746)
Net operating revenues	4,885	3,701	14,275
Salaries and payroll costs	329	312	1,342
Compensation and licence fees	80	72	342
Other operating expenses	418	339	1,865
Ordinary depreciation and write-downs	382	352	1,858
Property tax	150	121	493
Operating expenses	1,359	1,197	5,899
Operating profit	3,527	2,504	8,375
Share of profit from associated companies	854	436	1,577
Financial income	90	98	808
Financial expenses	(427)	(566)	(2,312)
Net financial items	(337)	(468)	(1,504)
Profit before tax	4,044	2,472	8,449
Taxes	(1,176)	(733)	(2,829)
Net profit	2,868	1,739	5,620
Of which minority interest	125	63	147
Of which majority interest	2,743	1,676	5,473

BALANCE SHEET**Figures in NOK million****ASSETS**

	31.03.06	31.03.05	31.12.05
Intangible assets	6,102	3,065	5,976
Property, plant and equipment	48,337	45,221	46,836
Investments in subsidiaries and associates	29,506	28,922	28,793
Other financial fixed assets	1,002	2,374	1,110

Fixed assets

	84,947	79,582	82,715
Inventories	50	45	50
Receivables	4,806	4,345	3,380
Short-term financial investments	341	311	335
Cash and cash equivalents	6,905	9,619	4,374

Current assets

	12,102	14,321	8,139
Total assets	97,049	93,903	90,854

EQUITY AND LIABILITIES

Paid-in capital	31,569	31,553	31,553
Retained earnings	7,999	5,582	4,689
Minority interests	3,881	3,734	3,752

Equity

	43,450	40,869	39,994
Provisions	10,757	9,314	10,300
Interest-bearing long-term liabilities	28,849	37,983	29,011

Long-term liabilities

	39,607	47,297	39,311
Interest-bearing current liabilities	1,772	1,179	2,240
Taxes payable	3,332	1,372	2,197
Other non-interest-bearing liabilities	8,888	3,186	7,111

Current liabilities

	13,992	5,737	11,548
Equity and liabilities	97,049	93,903	90,854

CASH FLOW STATEMENT

Figures in NOK million	31.03.06	31.03.05	The year 2005
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax	4,044	2,472	8,449
Gain/loss on sales of fixed assets	–	–	(276)
Ordinary depreciation and write-downs	382	352	1,858
Share of profits from associated companies	(854)	(436)	(1,577)
Taxes	(202)	(184)	(448)
Cash flow from operating activities	3,370	2,204	8,006
Changes in long-term items	421	2,110	1,776
Changes in current items	(1)	388	1,523
Dividend from associates	–	–	945
Net cash flow from operating activities	3,790	4,702	12,250
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	(801)	(368)	(2,235)
Proceeds from sales of fixed assets	39	–	39
Loans to third parties	(14)	(10)	(42)
Repayment of loans to third parties	–	–	98
Investments in other companies	(30)	(2)	(4,511)
Proceeds from the sale of other companies	–	–	2,029
Net cash flow from investing activities	(806)	(380)	(4,622)
CASH FLOW FROM FINANCING ACTIVITIES			
New long-term debt	17	199	992
Repayment of long-term debt	(467)	(192)	(9,428)
Dividend paid	–	–	(72)
Net cash flow from financing activities	(450)	7	(8,508)
Net change in cash and cash equivalents	2,534	4,329	(880)
Currency effect on cash flows	(3)	(2)	(38)
Cash and cash equivalents 01.01	4,374	5,292	5,292
Cash and cash equivalents 31.3/31.12	6,905	9,619	4,374

CHANGES IN EQUITY

Figures in NOK million

	31.03.06	31.03.05	31.12.05
Paid-in capital 01.01/time of incorporation	31,553	31,553	31,553
Mergers with subsidiaries	16	–	–
Paid-in capital 31.3/31.12	31,569	31,553	31,553
Retained earnings 01.01/time of inc.	4,689	3,675	3,675
Net profit for the period	2,743	1,676	5,473
Group contribution in subsidiaries	–	–	(1,343)
Implementation of new accounting principles	590	–	–
Change in translation differences	(3)	108	(138)
Mergers with subsidiaries	(16)	–	–
Change due to acquisitions	(4)	123	122
Dividend	–	–	(3,100)
Retained earnings 31.3/31.12	7,999	5,582	4,689
Minority interests 01.01/time of inc.	3,752	3,787	3,787
Net profit for the period	125	63	147
Dividend	–	–	(68)
Implementation of new accounting principles	6	–	–
Change in translation differences	–	(2)	10
Change due to acquisitions	(2)	(114)	(124)
Minority interests 31.3/31.12	3,881	3,734	3,752
Equity 31.3/31.12	43,450	40,869	39,994

SEGMENTS

Figures in NOK million	Statkraft AS Group	Generation & Hedging	Trading & Origination	Distribution grid	Retail sales	District heating	Development	Other	Group functions and eliminations
First quarter 2006									
Gross operating revenues	5,253	4,545	197	470	262	100	7	58	(385)
Ordinary depreciation and write-downs	382	245	4	106	4	9	–	–	13
Other operating expenses	1,345	944	108	230	258	68	33	54	(351)
Operating profit	3,527	3,356	84	133	–	23	(26)	4	(47)
Share of profits from associated companies	854	178	2	20	(13)	3	–	678	(14)
Profit before financial items and tax	4,381	3,534	86	153	(13)	26	(26)	682	(60)
Balance sheet 31.03.06									
Investment in associated companies	29,506	8,625	9	1,870	325	58	5	17,539	1,074
Other assets	67,543	61,412	849	6,848	466	1,161	522	697	(4,411)
Total assets	97,049	70,037	858	8,718	791	1,219	526	18,236	(3,336)
Current liabilities	13,992	10,490	824	1,073	207	143	42	945	269
Non-interest-bearing long-term liabilities	10,757	9,312	–	641	44	60	12	49	638
Interest-bearing long-term liabilities	28,849	–	–	–	–	–	–	–	28,849
Total liabilities	53,599	19,802	824	1,714	251	203	54	994	29,757
Maintenance investments	95	75	–	18	–	–	–	2	–
Investments in new capacity	706	642	–	20	–	6	–	38	–
Investments in shareholdings	30	13	–	–	–	–	–	17	–
First quarter 2005									
Gross operating revenues	3,913	3,194	215	418	159	75	–	34	(183)
Ordinary depreciation and write-downs	352	224	1	98	4	8	–	(1)	17
Other operating expenses	1,056	604	108	221	157	46	18	40	(138)
Operating profit	2,504	2,365	106	99	(2)	21	(18)	(5)	(63)
Share of profits from associated companies	436	163	3	29	(11)	1	(6)	271	(14)
Profit before financial items and tax	2,940	2,529	108	128	(12)	22	(24)	266	(77)
Balance sheet 31.03.05									
Investment in associated companies	28,922	8,541	(4)	1,944	342	65	6	17,398	631
Other assets	64,981	48,257	991	6,750	372	561	949	564	6,537
Total assets	93,903	56,798	987	8,694	714	626	955	17,962	7,168
Current liabilities	5,737	7,359	402	884	204	60	96	1,084	(4,352)
Non-interest-bearing long-term liabilities	9,314	8,260	16	715	30	64	–	18	212
Interest-bearing long-term liabilities	37,983	–	–	–	–	–	–	–	–
Total liabilities	53,035	15,619	418	1,598	234	123	96	1,102	(4,140)
Maintenance investments	70	30	–	30	–	6	–	1	3
Investments in new capacity	298	233	–	26	–	39	–	–	–
Investments in shareholdings	2	2	–	–	–	–	–	–	–
The year 2005									
Gross operating revenues	15,021	13,192	579	1,634	536	235	25	218	(1,397)
Ordinary depreciation and write-downs	1,858	1,288	8	377	15	33	32	1	105
Other operating expenses	4,788	3,727	436	774	531	140	131	216	(1,169)
Operating profit	8,375	8,177	135	482	(10)	62	(138)	1	(333)
Share of profits from associated companies	1,577	399	3	30	(1)	(6)	–	1,181	(28)
Profit before financial items and tax	9,953	8,575	138	512	(11)	56	(138)	1,182	(361)
Balance sheet 31.12.05									
Investment in associated companies	28,793	9,123	7	1,914	347	57	5	16,977	361
Other assets	62,060	55,167	703	5,985	303	1,052	1,627	1,063	(3,839)
Total assets	90,854	64,290	710	7,900	650	1,110	1,632	18,040	(3,478)
Current liabilities	11,548	5,723	1,185	621	79	83	178	917	2,763
Non-interest-bearing long-term liabilities	10,300	9,314	4	639	45	60	9	45	184
Interest-bearing long-term liabilities	29,011	–	–	–	–	–	–	–	29,011
Total liabilities	50,859	15,036	1,188	1,260	124	143	186	963	31,958
Maintenance investments	468	251	–	132	–	2	–	40	43
Investments in new capacity	1,767	1,388	–	147	–	232	–	–	–
Investments in shareholdings	4,511	4,501	–	–	–	–	–	10	–

THE ISSUER

Statkraft AS
Lilleakerveien 6
PO Box 200 Lilleaker
NO-0216 Oslo
Norway

THE TRUSTEE

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

PRINCIPAL PAYING AGENT, TRANSFER AGENT AND EXCHANGE AGENT

Citibank, N.A.
21st Floor
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

REGISTRAR

Citigroup Global Markets Deutschland AG & Co. KGaA
Reuterweg 16
60323 Frankfurt am Main
Germany

OTHER PAYING AGENT AND TRANSFER AGENT

Citigroup Global Markets Deutschland AG & Co. KGaA
Reuterweg 16
60323 Frankfurt am Main
Germany

VPS ACCOUNT MANAGER

DnB Nor Bank ASA, Verdipapirservice
Stranden 21
Aker Brygge
0021 Oslo
Norway

LEGAL ADVISERS

to the Issuer as to English Law

Slaughter and May
One Bunhill Row
London EC1Y 8YY

to the Issuer as to Norwegian Law

Bugge, Arentz-Hansen & Rasmussen
Stranden 1
Aker Brygge
0117 Oslo
Norway

to the Dealers and the Trustee as to English Law

Allen & Overy LLP
One New Change
London EC4M 9QQ

AUDITORS

to the Issuer

Deloitte Statsautoriserte Revisorer AS

Karenslyst allé 20
PO Box 347
Skøyen
0213 Oslo
Norway

DEALERS

ABN AMRO Bank N.V.

250 Bishopsgate
London EC2M 4AA

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
London E14 5LB

Danske Bank A/S

2-12 Holmes Kanal
DK-1092 Copenhagen K

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB

DnB NOR Bank ASA

Stranden 21
Aker Brygge
0021 Oslo

J.P. Morgan Securities Ltd.

125 London Wall
London EC2Y 5AJ

Nordea Bank Danmark A/S

Strandgade 3
1401 Copenhagen K

Skandinaviska Enskilda Banken AB (publ)

2 Cannon Street
London EC4M 6XX

Société Générale

29 boulevard Haussmann
75009 Paris

