



STATKRAFT SF
INTERIM REPORT
Q2/06

STATKRAFT SF GROUP

SECOND QUARTER 2006

Summary

Statkraft posted strong results both in the second quarter and in the first half of 2006. The second quarter resulted in a profit before tax of NOK 2.1 billion, NOK 0.5 billion more than in the same quarter last year. Profit after tax totalled NOK 1.3 billion, a increase of NOK 0.2 billion. For the first half year as a whole, profit before tax totalled NOK 6.2 billion, while profit after tax came to NOK 4.2 billion, a increase of NOK 2.1 billion and NOK 1.3 billion respectively compared with last year. Profit after tax increased by 45 per cent.

The power plants have, with few exceptions, had stable operations in the first half. Output levels have been high, and the electricity generated sold at high prices. Furthermore, net financial costs fell and the contribution to group profits from associated companies rose significantly. In short, the group's financial results in the first half have never been better.

A high level of electricity consumption, in addition to lower than normal levels of precipitation and snow reserves, helped push the average spot price to NOK 356/MWh, 58 per cent up on the same period last year. High fuel costs for thermal power production and high carbon prices also helped drive electricity prices up. Despite lower reservoir water levels in the first half, Statkraft's electricity output remained high. The group generated a total of 26.7 TWh during the period, a rise of 5 per cent compared with last year.

In July Statkraft signed a long-term agreement to supply Eramet Norway AS with electricity from 2011 to 2020 inclusive. The agreement, which will cover the bulk of the power needed by Eramet's smelting works at Sauda and Porsgrunn, replaces existing statutory-priced contracts with Eramet and also provides Eramet with greater volumes.

The construction of two gas-fired power plants in Germany and one in Norway continues on schedule and within budget. Construction is also underway at the Kjøllefjord Wind Farm, the Heimdal district heating facility, and the new Leirfossene power plant in Nidelven. Licence applications for the construction of additional wind and hydropower facilities in Norway are currently being considered by the appropriate authorities.

Statkraft's business development efforts outside Norway continue as planned. In the second quarter Statkraft entered into a cooperation agreement with the Serbian state-owned company Elektroprivreda Serbia (EPS), with the focus on power plant modernisation and power trading.

Statkraft SF's business

Statkraft SF's object is to own all the shares in Statkraft AS and provide that company with loans. In addition, Statkraft SF owns certain assets which may not formally be transferred to Statkraft AS. This applies to power plants which have reverted to state ownership and which have been leased out to third parties, and plants which will become the property of Statkraft SF upon their reversion to state ownership. It also applies to certain international investments (Asian Power Invest AB and Nordic Hydropower AB).

During the first quarter 2006 Statkraft SF's shareholding in HIMAL Power Limited was transferred as a contribution in kind to Statkraft Norfund Power Invest (SN Power) as part of a shareholders' agreement. Statkraft SF received shares in SN Power as compensation for the contribution in kind. These shares were transferred to Statkraft AS during the second

quarter. The co-owner, Norfund, contributed the same amount in cash, such that Statkraft's relative shareholding in SN Power remains unchanged.

Statkraft SF's consolidated financial statements will, with the exception of the retained assets, be identical to the consolidated financial statements for its subsidiary the Statkraft AS Group.

The closing balance for the first six months of 2006 showed the total assets of the Statkraft SF Group to be worth NOK 1,077 million more than those of the Statkraft AS Group. Half of this sum corresponds, in large part, to the book value of the power plants that have been leased to third parties and the above-mentioned international investments, while the remainder is made up of current items, cash and cash equivalents.

The Statkraft SF Group had NOK 3 billion more in long-term interest-bearing debt than the Statkraft AS Group since Statkraft SF has borrowed NOK 3 billion from an established line of credit in order to finance the payment of dividend for the 2004 financial year.

In the Income Statement the difference between Statkraft SF and Statkraft AS is largely composed of revenues and expenses linked to the ongoing operation of the retained assets. These differences, which are presented in the following table, are relatively modest.

Income Statement

First half of 2006

Amounts in NOK million	Statkraft SF Group	Statkraft AS Group	Difference
Power revenues	7 246	7 204	42
Other operating revenues	1 617	1 538	79
Gross operating revenues	8 862	8 741	121
Transmission costs	-567	-567	-
Net operating revenues	8 295	8 174	121
Salaries and other payroll costs	591	590	2
Compensation and licence fees	165	162	3
Other operating expenses	773	730	43
Ordinary depreciation	752	739	13
Property tax	302	298	4
Operating expenses	2 584	2 518	66
Operating profit	5 711	5 656	55
Share of profits from associates	1 191	1 177	14
Financial income	174	179	-5
Financial expenses	-918	-865	-53
Net financial items	-744	-686	-58
Profit before tax	6 158	6 147	11
Taxes	-1 936	-1 952	16
Net profit	4 222	4 195	27
Of which minority interest	165	157	7
Of which majority interest	4 057	4 038	19

Further details regarding Statkraft's operations and financial results for the first half year are presented in the enclosed quarterly report for the Statkraft AS Group.

Oslo, 16 August 2006
Board of Directors of
Statkraft SF

STATKRAFT SF GROUP

INCOME STATEMENT

Figures in NOK million	Second quarter		Year to date		The year
	2006	2005	2006	2005	2005
Power sales revenues	2 871	2 684	7 246	5 857	11 571
Other operating revenues	653	572	1 617	1 406	3 770
Gross operating revenues	3 524	3 256	8 862	7 263	15 341
Transmission costs	-199	-163	-567	-374	-746
Net operating revenues	3 325	3 093	8 295	6 889	14 595
Salaries and payroll costs	261	301	591	616	1 352
Compensation and licence fees	83	86	165	160	350
Other operating expenses	334	449	773	814	1 955
Ordinary depreciation and write-downs	361	369	752	732	1 909
Property tax	150	123	302	247	502
Operating expenses	1 189	1 328	2 584	2 569	6 067
Operating profit	2 136	1 765	5 711	4 320	8 528
Share of profits from associated companies	328	320	1 191	763	1 605
Financial income	86	607	174	708	845
Financial expenses	-461	-1 115	-918	-1 691	-2 395
Net financial items	-374	-508	-744	-984	-1 550
Profit before tax	2 091	1 576	6 158	4 099	8 582
Taxes	-756	-441	-1 936	-1 179	-2 553
Net profit	1 335	1 135	4 222	2 921	6 030
Of which minority interest	31	15	165	90	176
Of which majority interest	1 304	1 120	4 057	2 831	5 853

BALANCE SHEET

Figures in NOK million	30.06.06	30.06.05	31.12.05
ASSETS			
Intangible assets	6 573	3 280	6 270
Property, plant and equipment	49 310	46 593	47 978
Investments in subsidiaries and associates	29 659	27 716	29 047
Other financial fixed assets	566	2 609	657
Fixed assets	86 108	80 197	83 953
Inventories	49	45	50
Receivables	3 580	3 393	3 436
Short-term financial investments	340	313	335
Cash and cash equivalents	7 894	6 087	4 619
Current assets	11 863	9 838	8 441
Assets	97 971	90 035	92 394
EQUITY AND LIABILITIES			
Paid-in capital	29 250	29 250	29 250
Retained earnings	9 312	6 685	4 811
Minority interests	3 834	3 937	3 953
Equity	42 395	39 872	38 014
Provisions	11 036	9 314	10 320
Subordinated loans	-	55	54
Interest-bearing long-term liabilities	31 810	31 150	32 409
Long-term liabilities	42 846	40 519	42 782
Interest-bearing current liabilities	1 580	2 242	2 240
Taxes payable	3 499	1 736	2 237
Other non-interest-bearing liabilities	7 651	5 667	7 119
Current liabilities	12 730	9 644	11 596
Equity and liabilities	97 971	90 035	92 394

CHANGES IN EQUITY

Figures in NOK million	30.06.06	30.06.05	31.12.05
Paid-in capital 30.06/31.12	29 250	29 250	29 250
Retained earnings 01.01	4 811	3 623	3 623
Net profit for the period	4 057	2 831	5 853
Implementation of new accounting principles	367	-	-
Dividend	-	110	-4 720
Change due to acquisitions	-4	121	123
Change in translation differences	81	-	-68
Retained earnings 30.06/31.12	9 312	6 685	4 811
Minority interests 01.01	3 953	3 966	3 966
Net profit for the period	165	90	176
Implementation of new accounting principles	-18	-	-
Capital reduction	-72	-	-
Dividend	-	-	-101
Exit minority interests	-210	-	-
Change due to acquisitions	12	-114	-124
Change in translation differences	4	-5	36
Minority interests 30.06/31.12	3 834	3 937	3 953
Equity 30.06/31.12	42 395	39 872	38 014

CASH FLOW STATEMENT

Figures in NOK million	30.06.06	30.06.05	2005
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax	6 158	4 099	8 582
Gain/ loss on sales of fixed assets	-	-3	-276
Ordinary depreciation and write-downs	782	732	1 909
Share of profits from associated companies	-1 191	-763	-1 605
Taxes	-816	-649	-908
Cash flow from operating activities	4 933	3 416	7 702
Changes in long-term items	431	2 081	1 933
Changes in current items	-166	856	1 345
Dividend from associates	1 117	980	971
Net cash flow from operating activities	6 315	7 333	11 952
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	-1 797	-967	-2 238
Proceeds from sales of fixed assets	47	17	39
Loans to third parties	-18	-34	-42
Repayment of loans to third parties	-	-	98
Investments in other companies	-426	-152	-4 511
Proceeds from the sale of other companies	-	19	2 029
Net cash flow from investing activities	-2 194	-1 117	-4 625
CASH FLOW FROM FINANCING ACTIVITIES			
New long-term debt	14	217	3 992
Repayment of long-term debt	-787	-6 537	-9 483
Capital reduction	-72	-	-
Dividend paid	-	-72	-3 474
Net cash flow from financing activities	-845	-6 392	-8 965
Net change in cash and cash equivalents	3 276	-176	-1 638
Currency effect on cash flows	-1	-20	-27
Cash and cash equivalents 01.01	4 619	6 283	6 283
Cash and cash equivalents 30.06/ 31.12	7 894	6 087	4 619

SEGMENTS

	Statkraft SF Group	Generation & Hedging	Trading and Origination	Distribution grid	Retail sales	District heating	Development	Other	Group functions and eliminations
Figures in NOK million									
Second quarter 2006									
Gross operating revenues	3 524	3 113	69	353	129	55	10	67	-272
Ordinary depreciation and write-downs	361	252	-2	85	4	7	0	0	15
Other operating expenses	1 027	803	72	171	125	32	40	56	-273
Operating profit	2 136	2 058	-2	97	1	16	-31	10	-14
Share of profits from associated companies	328	57	5	46	13	-1	0	233	-24
Profit before financial items and tax	2 465	2 115	3	143	14	15	-31	244	-38
Year to date 2006									
Gross operating revenues	8 862	7 704	266	823	391	155	17	166	-660
Ordinary depreciation and write-downs	752	501	3	191	7	16	0	6	28
Other operating expenses	2 399	1 773	181	402	383	100	73	114	-627
Operating profit	5 711	5 430	82	230	1	40	-56	46	-61
Share of profits from associated companies	1 191	242	7	66	0	2	0	921	-38
Profit before financial items and tax	6 902	5 672	89	296	0	42	-57	967	-99
Balance sheet 30.06.06									
Investment in associated companies	29 659	9 317	73	1 916	338	57	5	17 499	455
Other assets	68 311	60 537	511	6 241	340	1 096	441	1 142	-1 994
Total assets	97 971	69 853	583	8 157	678	1 153	446	18 641	-1 539
Current liabilities	12 730	12 001	293	380	74	66	319	771	-1 174
Non-interest-bearing long-term liabilities	11 036	9 570	-	650	46	66	11	56	625
Interest-bearing long-term liabilities	31 810	-	-	-	-	-	-	-	31 810
Total liabilities	55 576	21 570	293	1 030	120	133	330	827	31 261
Maintenance investments	378	296	-	31	-	32	-	3	16
Investments in new capacity	1 419	1 277	-	53	-	84	-	5	-
Investments in shareholdings	426	409	-	-	-	-	-	17	-
Second quarter 2005									
Gross operating revenues	3 256	2 834	88	366	112	48	3	70	-265
Ordinary depreciation and write-downs	369	237	3	98	4	8	0	1	19
Other operating expenses	1 122	807	108	178	112	28	32	61	-204
Operating profit	1 765	1 790	-23	90	-5	12	-29	8	-79
Share of profits from associated companies	320	64	-2	2	-7	-2	-6	298	-27
Profit before financial items and tax	2 084	1 854	-25	92	-11	10	-35	306	-106
Year to date 2005									
Gross operating revenues	7 263	6 124	303	784	271	123	3	104	-449
Ordinary depreciation and write-downs	732	473	4	196	7	17	0	0	36
Other operating expenses	2 211	1 444	217	399	270	74	50	101	-343
Operating profit	4 320	4 207	83	189	-6	33	-46	3	-142
Share of profits from associated companies	763	234	0	31	-18	0	-12	569	-41
Profit before financial items and tax	5 083	4 441	83	220	-24	32	-59	572	-183
Balance sheet 30.06.05									
Investment in associated companies	27 716	8 826	0	1 943	334	63	166	16 164	221
Other assets	62 319	54 371	788	6 606	238	538	1 622	1 204	-3 049
Total assets	90 035	63 197	788	8 549	572	602	1 788	17 368	-2 828
Current liabilities	9 644	11 713	470	435	44	21	140	1 353	-4 530
Non-interest-bearing long-term liabilities	9 314	8 265	13	676	29	62	1	29	239
Interest-bearing long-term liabilities	31 205	-	-	-	-	-	-	-	31 205
Total liabilities	50 163	19 977	483	1 111	73	83	140	1 382	26 913
Maintenance investments	246	145	-	68	-	19	-	14	-
Investments in new capacity	721	570	-	62	-	89	-	-	-
Investments in shareholdings	152	2	-	-	-	-	150	-	-
The year 2005									
Gross operating revenues	15 341	13 520	579	1 634	536	235	25	218	-1 405
Ordinary depreciation and write-downs	1 909	1 339	8	377	15	33	32	1	105
Other operating expenses	4 905	3 856	436	774	531	140	131	204	-1 168
Operating profit	8 528	8 325	135	482	-10	62	-138	13	-341
Share of profit from associated companies	1 605	426	3	30	-1	-6	-	1 181	-28
Profit before financial items and tax	10 133	8 752	138	512	-11	56	-138	1 194	-369
Balance sheet 31.12.05									
Investment in associated companies	29 047	9 378	7	1 914	347	57	5	16 977	361
Other assets	63 347	60 290	703	5 985	303	1 052	1 627	1 063	-7 677
Total assets	92 394	69 668	710	7 900	650	1 110	1 632	18 040	-7 315
Current liabilities	11 596	11 007	1 185	621	79	83	178	917	-2 472
Non-interest-bearing long-term liabilities	10 320	9 435	4	639	45	60	9	45	83
Interest-bearing long-term liabilities	32 463	-	-	-	-	-	-	-	32 463
Total liabilities	54 379	20 442	1 188	1 260	124	143	186	963	30 074
Maintenance investments	471	254	-	132	-	2	-	40	43
Investments in new capacity	1 767	1 388	-	147	-	232	-	-	-
Investments in shareholdings	4 511	4 501	-	-	-	-	-	10	-

COMPANY ACCOUNTS, STATKRAFT SF

INCOME STATEMENT

Figures in NOK million	Second quarter		Year to date		The year
	2006	2005	2006	2005	2005
Net operating revenues	38	37	75	74	142
Salaries and payroll costs	-	-	-	-	4
Compensation and licence fees	2	2	3	3	8
Other operating expenses	23	24	44	43	75
Ordinary depreciation and write-downs	4	4	8	7	14
Property tax	2	2	4	4	9
Operating expenses	30	31	60	58	110
Operating profit	8	6	15	15	32
Financial income	319	655	726	1 070	6 538
Financial expenses	-311	-630	-643	-1 042	-1 711
Net financial items	8	25	83	28	4 827
Profit before tax	16	31	98	43	4 859
Taxes	20	222	16	218	-199
Net profit for the period	36	253	115	261	4 660

BALANCE SHEET

Figures in NOK million	30.06.06	30.06.05	31.12.05
ASSETS			
Intangible assets	391	391	391
Property, plant and equipment	423	415	414
Investments in subsidiaries and associates	32 046	32 177	32 165
Other long-term financial assets	18 342	21 795	19 225
Fixed assets	51 202	54 778	52 195
Receivables	5 132	645	5 215
Cash and cash equivalents	490	536	119
Current assets	5 622	1 180	5 334
Assets	56 824	55 959	57 529
EQUITY AND LIABILITIES			
Paid-in capital	29 250	29 250	29 250
Retained earnings	335	537	217
Equity	29 585	29 787	29 467
Provisions	114	41	121
Long-term interest-bearing liabilities	21 795	21 516	22 678
Long-term liabilities	21 908	21 557	22 799
Interest-bearing current liabilities	17	2 259	17
Taxes payable	28	31	40
Other interest-free liabilities	5 286	2 325	5 207
Current liabilities	5 331	4 615	5 264
Equity and liabilities	56 824	55 959	57 529

CASH FLOW STATEMENT

Figures in NOK million	30.06.06	30.06.05	31.12.05
Net cash flow from operating activities	372	-331	-337
Net cash flow from investing activities	735	6 300	-9
Net cash flow from financing activities	-736	-6 300	-402
Net change in cash and cash equivalents	371	-331	-748
Cash and cash equivalents 01.01	119	867	867
Cash and cash equivalents 30.6/ 31.12	490	536	119

CHANGES IN EQUITY

Figures in NOK million	30.06.06	30.06.05	31.12.05
Equity 01.01	29 467	29 526	29 526
Implementation of accounting principles	3	-	-
Net profit for the period	115	261	4 661
Dividend	-	-	-4 720
Equity 30.6/31.12	29 585	29 787	29 467

STATKRAFT AS GROUP

SECOND QUARTER 2006

Summary

Statkraft posted strong results both in the second quarter and in the first half of 2006. The second quarter resulted in a profit before tax of NOK 2.1 billion, NOK 0.5 billion more than in the same quarter last year. Profit after tax totalled NOK 1.3 billion, an increase of NOK 0.4 billion or 49 per cent. For the first half year, profit before tax totalled NOK 6.1 billion, an increase of NOK 2.1 billion, while profit after tax came to NOK 4.2 billion, an increase of NOK 1.6 billion or 60 per cent compared with the year before.

The power plants have, with few exceptions, had stable operations in the first half. Output levels have been high, and the electricity generated sold at high prices. Furthermore, net financial costs fell and the contribution to group profits from associated companies rose significantly. In short, the group's financial results in the first half have never been better.

A high level of electricity consumption, in addition to lower than normal levels of precipitation and snow reserves, helped push the average spot price to NOK 356/MWh, 58 per cent up on the same period last year. High fuel costs for thermal power production and high carbon prices also helped drive electricity prices up. Despite lower reservoir water levels in the first half, Statkraft's electricity output remained high. The group generated a total of 26.7 TWh during the period, a rise of 5 per cent compared with last year.

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Statkraft's business development efforts outside Norway continue as planned. In the second quarter Statkraft entered into a cooperation agreement with the Serbian state-owned company Elektroprivreda Serbia (EPS), with the focus on power plant modernisation and power trading.

Financial performance¹

Second quarter results. The group made a consolidated profit of NOK 2,103 million before tax in the second quarter 2006 (NOK 1,554 million) and NOK 1,327 million after tax (NOK 891 million). Compared with the same period last year, this corresponds to an improvement before and after tax of 35 and 49 per cent respectively. Profit in the quarter was affected by a level of output that was slightly lower than in the second quarter of last year. Prices were also high, with the spot price on average 48 per cent higher than in the same quarter of last year.

¹ Figures in parentheses show the comparable figures for the first half of 2005

Profit in the quarter was also lifted slightly by lower operating and financial costs than in the second quarter of last year.

First half year results. The group made an accumulated profit of NOK 6,147 million before tax in the first six months of the year (NOK 4,026 million) and NOK 4,195 million after tax (NOK 2,630 million). Compared with the first half of last year, this represents an improvement before and after tax of 53 and 60 per cent respectively. Excluding non-recurring items, the improvement before and after tax totalled 43 per cent. The strong performance in the first half year can largely be ascribed to a high level of output sold at high prices, stronger contributions from associated companies and reduced financial costs.

Non-recurring items are expected to have a modest net impact in 2006. Non-recurring items in 2005 were considerable, and yielded a net gain after tax of almost NOK 300 million for the year, of which almost NOK 600 million came in the second half.

Return on investment. Because Statkraft's quarterly results are subject to substantial and irregular seasonal fluctuations, return on investment is calculated on the basis of a rolling 12-month period. This makes it possible to compare whole-year periods in which the seasonal fluctuations are evened out over time.

Over the past 12 months, return on average capital employed, ROACE, totalled 23.0 per cent before tax. The corresponding figure for the 2005 calendar year was 19.3 per cent. These figures have been adjusted for significant non-recurring items, so the ROACE figures reflect the performance of ordinary operations.

Return on equity for ordinary operations in the past 12 months totalled 15.3 per cent after tax but before provisions for dividend payments. Return on total capital after tax totalled 8.5 per cent, compared with 7.8 per cent for the 2005 calendar year.

Gross operating revenues. The group had gross operating revenues of NOK 3,488 million in the second quarter 2006, NOK 311 million more than in the corresponding period last year. For the first half year, gross operating revenues totalled NOK 8,741 million. This is NOK 1,651 million higher than last year and represents an increase of 23 per cent.

The group generated a total of 26.7 TWh in the first half year, 1.2 TWh more than in the first half of last year. The average spot price rose by NOK 131/MWh to NOK 356/MWh in the first half of this year. As a result, revenues from net physical sales at spot prices were NOK 2,351 million higher than in the first half of last year. On the other hand, revenues from hedging activities fell by NOK 655 million, resulting in a zero result for the period. The change in other contracts and revenue items was significantly smaller, with net revenues for the first six months of this year roughly on a par with last year. Sales of electricity to industry at statutory prices amounted to NOK 926 million, nearly NOK 1.7 billion less than the revenue which could have been generated had the same volume been sold at spot prices.

Transmission costs rose by NOK 193 million to NOK 567 million during the first half of the year. This substantial increase is due to the fact that the variable elements of the transmission tariff rose sharply as a result of higher electricity prices and higher output than in the first half of last year.

Operating costs totalled NOK 2,518 million in the first half 2006, a rise of NOK 47 million compared with the same period the year before.

In real terms payroll costs rose, partly as a result of an increase in the size of the workforce associated with new business activities and acquisitions, and partly as a result of ordinary pay rises. In the accounts, however, the figure for payroll costs shows a reduction of NOK 18

million to NOK 590 million. This is due to the fact that approx. NOK 80 million was charged to expenses in the first half last year as a result of a revised calculation of the group's pension liabilities.

Compensation and licence fees rose by NOK 5 million during the first half of the year as a result of a general adjustment in rates.

Other operating costs fell by NOK 26 million to NOK 730 million. NOK 45 million in stamp duty, accruing from Statkraft's previously completed reorganisation, was paid in the first half year. This amount corresponds to non-recurring provisions which were made in the first half of last year. Stamp duty notwithstanding, the group's underlying operating costs were higher than last year as a result of new business ventures and development activities, including the consolidation of power plants acquired and put into operation. This increase accounts for approximately NOK 50 million in the first half of this year compared to last year. Operating costs reported by other businesses therefore fell by around NOK 75 million. A large part of this reduction is due to the fact that, with effect from 2006, a larger proportion of periodic maintenance costs are capitalised and depreciated over the period until the next round of maintenance work. This change has been implemented to comply with IFRS. With identical levels of maintenance, this will result in a permanent reduction in other operating costs deriving from ordinary operations, which will be offset by a gradual increase in the level of depreciation.

Depreciation in the first half of the year was NOK 32 million higher than last year as a result of starting the operation of new production facilities and the consolidation of new businesses in the basis for depreciation. Property tax rose by NOK 55 million as a result of the periodic adjustment of asset values.

Operating profit totalled NOK 2,129 million in the second quarter 2006, a rise of NOK 388 million compared with the same period last year. Operating profit for the first six months of the year as a whole totalled NOK 5,656 million, an increase of NOK 1,411 million or 33 per cent compared with the same period last year. The bulk of the group's operating profit, 95 per cent, derives from the Generation and Hedging segment. The Distribution Grid, the Trading and Origination and the District Heating segments contributed 4, 1 and 1 per cent respectively, while other segments and shared services broke even or made a slight loss – their combined contribution totalling minus 1 per cent.

Share of profits from associated companies. The group's share of the profits from its associated companies during the first half year totalled NOK 1,177 million (NOK 758 million). NOK 359 million of the NOK 419 million increase relates to the fact that in the first quarter last year, Statkraft's share of the profits from E.ON Sverige was reduced by non-recurring expenses for the repair of damage caused by a hurricane. For the first half 2006 Statkraft's share of the profits in E.ON Sverige is calculated at NOK 932 million, which, adjusted for the above-mentioned non-recurring expenses, is on level with last year. The other parts of the profit derive largely from Norwegian regional power utilities and show a rise of NOK 62 million.

Net financial expenses in the second quarter totalled NOK 349 million, a reduction of NOK 160 million compared with the second quarter 2005. For the first six months as a whole, net financial expenses totalled NOK 686 million (NOK 977 million). The NOK 291 improvement is largely due to a reduction in debt compared with the same period last year. Lower current interest rate on the group's debt has also made a positive contribution, as has a reduction in guarantee premium payments to the state following repayment of state-guaranteed loans.

So far this year the average current interest rate on loans in SEK was 2.1 per cent, and for loans in NOK 4.1 per cent. Including accrued losses on previously cancelled interest rate

swaps, the interest rate for loans in NOK rises to 6.7 per cent. Interest rate swaps were cancelled as part of a restructuring of the interest rate portfolio to achieve a higher proportion of floating interest rates. Just over half the debt portfolio in NOK and the entire debt portfolio in SEK is at floating interest rates.

Tax totalling NOK 1,952 million (NOK 1,396 million) was charged to expenses during the first half year. The effective tax rate was 31.8 per cent, compared with 34.7 per cent during the first half of last year. The lower tax rate is due to a significant increase in the profits from associated companies, the tax on which Statkraft is not liable for, and adjustment relating to previous financial years.

Cash flow and capital structure. Cash flow from operating activities totalled NOK 4.9 billion in the first half of 2006, an increase of NOK 1.3 billion compared with the same period last year. Changes in short and long term items added a further NOK 0.4 billion, while dividends from associated companies totalled NOK 1.1 billion. Overall, therefore, the net cash flow from operating activities totalled NOK 6.4 billion in the first six months of the year.

A total of NOK 2.2 billion was invested during the first half of the year, including NOK 1.1 billion investment in gas-power projects in Norway and Germany, NOK 0.3 billion investment in the associated company SN Power and NOK 0.2 billion investment in Kjøllefjord Wind Farm. A further NOK 0.6 billion was invested in production facilities, plant and equipment.

During the first half of the year Statkraft made net repayments of long-term debt totalling almost NOK 0.8 billion, and paid NOK 0.4 billion in group contributions to Statkraft SF.

Cash and cash equivalents increased by NOK 3 billion during the period, ending the first half at NOK 7.4 billion, compared with NOK 4.4 billion at the start of the year. In July the group paid dividends and group contributions to Statkraft SF totalling NOK 4.4 billion.

At the end of the first half Statkraft had interest-bearing debt totalling NOK 30.4 billion, compared with NOK 33.0 billion at the same time last year and NOK 31.3 billion at the start of the year. The interest-bearing debt ratio was 40.5 per cent, compared with 44.2 per cent and 43.9 per cent respectively. Current assets, excluding cash and cash equivalents, totalled NOK 4.0 billion, while short-term interest-free liabilities totalled NOK 11.0 billion.

At the end of the first half Statkraft had equity of NOK 44.6 billion before provisions for dividend payments. This corresponds to 46.0 per cent of total capital.

Statkraft AS has established a Euro Medium Term Note Programme which is registered with the London Stock Exchange. The programme allows loans to be issued both in the international and Norwegian bond markets.

Business areas

Statkraft has three operative business units, in addition to other areas responsible for group functions, financial investments and eliminations. The organisational structure is based on the group's strategic priorities and developments within its three main areas of focus.

KEY FIGURES BUSINESS AREAS (NOK million)	Statkraft AS Group		Generation & Markets		New Energy		Regional		Other *	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
RESULT PER 30.06										
Gross operating revenues	8 742	7 090	6 382	5 258	114	61	2 249	1 758	-3	13
Operating profit	5 656	4 245	4 495	3 475	-12	-26	1 211	705	-38	90
Share of profits from associated companies	1 177	758	-3	-	-2	-15	250	198	932	576
Profit before financial items and tax	6 833	5 003	4 492	3 475	-14	-41	1 461	903	894	666

FROM THE BALANCE SHEET	30.06.06	30.06.05	30.06.06	30.06.05	30.06.06	30.06.05	30.06.06	30.06.05	30.06.06	30.06.05
Property, plant, equipment, intangible assets	55 068	48 343	31 021	24 422	1 415	1 445	22 260	22 213	372	262
Investments in associated companies	29 438	27 485	480	156	813	471	10 525	10 563	17 620	16 296
Other assets	12 387	11 932	11 639	7 321	188	489	4 266	3 787	-3 705	335
Total assets	96 894	87 760	43 140	31 899	2 416	2 404	37 052	36 563	14 287	16 894
Capital employed	42 249	37 286	23 382	19 576	1 135	1 347	17 132	17 763	600	-1 400
Maintenance investments	377	246	216	131	-	-	142	115	19	-
Investments in new generating capacity	1 419	721	1 025	-	237	547	157	174	-	-
Investments in shareholdings	426	152	156	150	253	-	17	2	-	-

*Includes the investment in E.ON Sverige.

Generation & Markets

The Generation & Markets business area is engaged in extensive power trading operations in Europe. In the Nordic region it owns and operates 78 hydropower plants, as well as controlling parts of the output of 26 power plants operated by third parties. Three gas-fired power plants are under construction. Output levels from the bulk of the generating assets are easily regulated.

Highlights first half year

During the first half of the year the emphasis has been on maintaining the efficient operation of Statkraft's core business, building up the operative and market activities relating to the gas-fired power plants in Germany, as well as ongoing cooperation projects within the Nordic operative organisation.

The business area is working actively to prepare for the start-up of the three gas-fired power plants at Knapsack, Herdecke and Kårstø, which will be completed during 2007 and which will increase Statkraft's generating capacity by around 1,200 MW. Gas trading for hedging purposes has commenced, initially on a small scale, as part of the preparations for the operational phase of the gas-fired power plants. The business area will operate the wholly owned gas-fired power plant at Knapsack. A plant operation and maintenance contract with Fortum was signed in April, and the recruitment of 30 employees for the local operating unit is currently ongoing. Commercial and administrative support functions are being built up in the European market organisation. The Herdecke plant will be operated by Statkraft's joint-venture partner Mark E. The allocation of carbon quotas in the German market is in process of being finalised, and it looks as though the plants will receive quotas in line with expectations. The Kårstø facility will be operated by a separate organisation within Naturkraft AS.

On 4 July Statkraft Energi AS signed a long-term agreement to supply electricity to Eramet Norway AS during the period from 2011 to 2020 inclusive. Statkraft will supply 9 TWh over the term of the contract, which will meet the bulk of the electricity needs of Eramet's smelting works in Sauda and Porsgrunn. At the same time Eramet is cancelling the existing statutory-priced electricity contracts which are linked to the smelting facilities.

Through its subsidiary Statkraft Markets GmbH, the business area opened a trading office in Sofia, Bulgaria, in January. The office will develop trading opportunities in southeast Europe. The area is considered to be of interest due to the opening up of its markets and the potential EU membership for several countries in the region. An office will also be opened in Poland, and a person has already been recruited to develop trading opportunities there.

Financial performance

The business area posted strong results in the first half of 2006. Profit before financial items and tax was NOK 1,017 million higher than in the same period last year. The increase can largely be ascribed to higher power sales revenues due to significantly higher prices, as well as higher output levels, moderated by significantly lower profits from hedging activities.

The Generation and Hedging segment contributed NOK 4,337 million, which represents 97 per cent of the business area's profit before financial items and tax. Statutory-priced industrial contracts accounted for 7.1 TWh of first-half output, resulting in an estimated revenue loss of NOK 1,604 million compared with the sale of a corresponding amount at spot prices. Dynamic hedging resulted in a negative contribution of NOK 2 million in the first half of the year.

The Trading and Origination and the Distribution Grid segments, including the trading operations in Europe and Baltic Cable, made a profit before financial items and tax of NOK 154 million. All the portfolios performed well during the first half of the year.

Operations

Output in the first half of 2006 totalled 21.9 TWh, 1.4 TWh higher than in the same period last year. The business area production facilities had a utility-adjusted downtime of 2.2 per cent in the first half, 0.6 percentage points below target. On the whole operations and output were stable during the period. There were two major, unplanned outages at the Nedre Røssåga and Svartisen power plants. Because of the high prices, the power production in June was kept at a high level. Large power stations like SySima, Svartisen and Rana were out of production in connection with planned maintenance. In addition, Mauranger was down because of a faulty valve. These outages resulted in higher than planned downtime costs.

It is planned that Region Eastern Norway will take over the operational centre function for Skagerak Energi from 1 September 2006. In addition, other shared services will be established. The continued operational integration of the 19 Swedish and 4 Finnish power plants, which were acquired in October 2005, continued as planned, with the gradual harmonisation of standards and systems.

New Energy

The New Energy business area is responsible for the continued growth of the group's power output through the development and construction of environment-friendly generating capacity. New Energy is therefore responsible, on behalf of Generation & Markets, for supervising the construction of the three gas-fired power plants. The business area is responsible for non-flexible electricity generation, such as wind power, small-scale hydropower and other renewable technologies, as well as for managing the group's shareholdings in Småkraft AS and Statkraft Norfund Power Invest (SN Power). New Energy is also responsible for the group's R&D activities.

Highlights first half year

In May a protocol was signed with the state-owned Serbian company Elektroprivreda Serbia (EPS), focusing on a study of the modernisation of the Zvornik (100 MW) power plant, as well as energy trading. The partnership with Elektroprivreda Crne Gore (EPCG) in Montenegro is proceeding according to plan. Efforts are also being made to position Statkraft with other countries in the region. Statkraft has continued its cooperation with the Russian company Hydro OGK to identify business opportunities within the hydropower sector in Russia, after signing a letter of intent in December 2005.

In the second quarter NOK 253 million in new share capital was invested in SN Power as a result of the company's takeover of Statkraft SF's shares in Himal Power Limited in Nepal. Statkraft's co-owner in the company, Norfund, invested a similar amount, so the partners' relative shareholdings in SN Power remain unchanged.

During the period an application was filed for permission to build a new power plant in Høyanger (Eiriksdal) as a replacement for two existing power plants which is proposed to be phased out. An application was also filed for a wind farm in Fosen (Kvenndalsfjellet). Furthermore, notification has been made with respect to several wind power projects in central Norway which will all make a positive contribution to the electricity supply situation in the region.

During the last quarter five more sea eagles were found dead at the Smøla Wind Farm, killed after colliding with wind turbines. As a result, Statkraft has taken the initiative for several research projects which, in the longer term, will lead to improvement measures.

Financial performance

New Energy made a loss before financial items and tax of NOK 14 million in the first half of 2006, compared with a loss of NOK 41 million in the same period last year. Operating revenues totalled NOK 114 million, an increase of NOK 53 million compared with 2005.

New Energy owns two wind farms with a normal output of around 600 GWh. Statkraft is currently building a wind farm at Kjøllefjord in Finnmark, which will have a normal output of approx. 150 GWh when it goes into operation this autumn. The wind farms generated operating revenues of NOK 74 million in the first half of the year. Output was lower than expected in April and May, but this was offset by higher spot prices.

Revenues from the sale of development activities and consulting services has increased considerably as a result of the sale of services to Statkraft's gas-power projects. These projects are owned by Generation & Markets, and are recorded on that business area's balance sheet. The operating costs were NOK 124 million, NOK 40 million higher than in the second quarter of 2005, due to increased activity and the start-up of the second phase of the Smøla Wind Farm during the second half of 2005.

Operations

Since no predictable market regime for green power has so far been established, developing new renewable electricity generation in Norway remains challenging. This has a particular impact on the development of wind farms, since it is necessary to await government clarification with respect to future incentive schemes before any further investment decisions can be finalised.

Several of Statkraft's wind-power projects in the UK are progressing well, and three projects have now received local government approval. The projects will have a combined capacity of 211 MW, of which Statkraft owns 50 per cent. Efforts are being made through the London office to expand the portfolio.

Construction of the gas-fired power plants in Germany and Norway, as well as the Kjøllefjord wind farm and the hydropower plant at Pålshudammen, is proceeding on schedule and within budget. The Kjøllefjord wind farm will go into operation this autumn, while the gas-fired power plants are planned for completion in the autumn of 2007.

Småkraft AS made an operating loss of NOK 2 million in the first half of 2006. The company has filed 39 licence applications for a total of 618 GWh, which are currently being considered by the Norwegian Water Resources and Energy Directorate (NVE). During the second quarter a decision was made to construct the Gjerde small-scale power plant (5.7 GWh) in Kvinnherad, Hordaland.

Through SN Power, Statkraft is engaged in project development and the operation of hydropower plants in Asia, Africa and Latin America. SN Power currently has two hydropower plants under construction, which are planned for completion during the autumn of 2008. The company's net profit contribution in the first half of 2006 was NOK -2 million.

With respect to the development of new technologies, the main effort has been to develop models and business plans for Statkraft's investments in osmotic and tidal power generation, and hydrogen. In addition to new business opportunities which Statkraft has already started to develop, additional ideas are currently being evaluated by the Statkraft Alliance's joint innovation scheme (INNOSA).

Regional

The Regional business area is responsible for managing and further developing Statkraft's shareholdings in regional power utilities in Norway. Through these companies Statkraft is exposed along the entire value chain. The group's largest shareholdings are in the consolidated subsidiaries Trondheim Energiverk (100 per cent) and Skagerak Energi (66.6 per cent). The group owns less than 50 per cent of Bergenhalvøens Kommunale Kraftselskap (BKK) and Agder Energi, which are therefore treated as associated companies.

Highlights first half year

All the companies in the business area are working on developing new, profitable electricity production. This will also make a positive contribution to help meet what in some areas is a tight supply situation.

In May Skagerak Energi started commercial operations of the new Grunnåi power plant in Telemark. The power plant has a mean output of 54 GWh, and is purely a run of the river power plant. In addition, the company has filed an application for a gas-fired power plant with carbon capture and storage at Herøya. The power plant could generate up to 1,000 MW in two blocks, with an annual output of nearly 7 TWh. The plan assumes the construction of a gas pipeline to the Grenland district, as well as the creation of a carbon dioxide storage scheme.

In June Agder Energi put the Uleberg power plant in the Evje and Hornnes district into operation. This is the first new power plant it has constructed since the company's formation. The plant will have an annual output of 38 GWh and has required an investment of NOK 65 million.

Trondheim Energiverk has started the construction of the Leirfossene power plant in Nidelven. The power plant will have a production capacity of 193 GWh, and is expected to go into operation in August 2008. The project is budgeted to cost around NOK 400 million.

BKK has put into operation the first phase (42 GWh) of the Kløvtveit power plant in Gulen, Nordhordland and an agreement has been signed with Gasnor to install an additional generator at the combined heat and power plant at Kollsnes. Notification has also been sent that work to prepare an licence application for a gas-fired power plant in Gulen has started.

Financial performance

The business area had operating revenues of NOK 2,249 million in the first half of 2006, which corresponds to 26 per cent of the group's overall revenues. The business area made an operating profit of NOK 1,211 million, NOK 506 million higher than in the same period last year.

The share of the profit from associated companies totalled NOK 250 million, an increase of NOK 52 million compared with the first half of 2005.

The business area's overall profit before financial items and tax totalled NOK 1,461 million in the first half of 2006, a rise of NOK 558 million or 62 per cent compared with the same period last year. This represents 21 per cent of the group's total profit before financial items and tax. The improvement is largely due to the substantial rise in electricity prices compared with 2005.

The Generation and Hedging segment accounted for NOK 1,280 million of the profit before financial items and tax. The Distribution Grid segment contributed NOK 208 million, while the District Heating segment contributed NOK 42 million. Other segments and shared services produced a net deficit of NOK 69 million.

Operations

Business area subsidiaries generated 4.6 TWh of electricity during the first half of 2006, a reduction of 0.2 TWh compared with the same period last year. Associated companies generated 6.4 TWh, a reduction of 1.6 TWh. Water reserves are generally substantial for both subsidiaries and associated companies, though BKK experienced considerably less precipitation than normal in its catchment areas during the first half.

On the whole, the companies within the business area achieved stable operational and output levels during the first half of the year. However, the weather in January was extreme, with major snowfalls in the south of the country that affected grid operations in Agder Energi's supply area. The electricity supply was quickly resumed for the majority of customers. There were additional minor grid outages, with the supply being rapidly restored.

Construction of Trondheim Energiverk's Heimdal district heating facility is behind schedule, and the project is now expected to be completed during the fourth quarter 2007.

Market conditions

The Nordic electricity market

At the start of the year the water level in Norwegian reservoirs was higher than normal, while the snow reserves, both in Norway and Sweden, were significantly below normal levels. Precipitation during the first half year was slightly lower than normal. Temperatures during the first six months of the year were close to normal, while electricity consumption was high. High fuel prices for thermal electricity generation and high carbon quota prices were the principal price drivers. At the end of April EU carbon quota prices fell sharply, but picked up again during May. Taken together, these factors resulted in high electricity prices. Spot prices averaged NOK 356/MWh during the first half of 2006, compared with NOK 225/MWh in 2005 and NOK 246/MWh in 2004. The average spot price in March was NOK 418/MWh, which is the highest monthly average so far this year. The average spot prices in March, May and June are the highest ever recorded in those months.

Electricity consumption in the Nordic region was high during the first half of 2006: 9.1 TWh more electricity being consumed than in the same period last year, an increase of 4.5 per cent. Total consumption in Norway rose by 1.5 per cent. General consumption in Norway totalled 46.5 TWh, a rise of 5.5 per cent. The sharp increase is largely due to an extremely

mild first half of 2005, while temperatures in the first half of 2006 were close to normal. Adjusted for temperature consumption was 46.7 TWh, an increase of 2.4 per cent compared with last year.

The Nordic electricity production in the first half of 2006 was 3.4 TWh higher than in the same period last year, an increase of 1.7 per cent. The Nordic market imported 4.2 TWh net, while Norway exported 1.1 TWh net. The Nordic hydropower production was extremely high during the first six months of the year. The high level of output is due to high reservoir water levels at the beginning of the year and the relatively high level of domestic consumption. The Nordic market has imported primarily from Russia, while exporting to Germany.

Electricity generation and consumption in the Nordic region (TWh)

	<i>First half year</i>			<i>Change</i>
	2006	2005	2004	2005-2006
Consumption in the Nordic region	209,8	200,6	205,7	4,5 %
Generation in the Nordic region	205,5	202,1	198,6	1,7 %
Import into (+) / export from (-) the Nordic region	4,2	-1,5	7,2	-
Consumption in Norway	66,3	65,3	64,5	1,5 %
Generation in Norway	67,4	70,8	58,5	-4,8 %
Net import into (+) / export from (-) Norway	-1,1	-5,5	5,9	-

At the end of the first half year the aggregate water level in the Nordic region's reservoirs was 82.9 per cent of normal and 59.2 per cent of maximum capacity. The reduced volume of water corresponds to a cut in output of 15 TWh.

Operational and environmental issues

At the end of the second quarter 2006 the group had the equivalent of 1,998 full-time employees, which is 33 more than at the beginning of the year and 68 more than at the same time in 2005. The number of employees has risen as a result of the acquisition of hydropower plants in Sweden, the construction of gas-fired power plants in Germany, and the intensification of Statkraft's efforts to develop new energy. However, there are plans to continue downsizing in other areas of the business. For the group as a whole, the workforce is expected to expand during 2006.

Key figures HSE

	<i>Second quarter</i>		
	2006	2005	2004
Full-time jobs (equivalent) 30.06	1 998	1 930	1 908
H1 (lost-time injuries per million hours worked)	6,9	5,9	7,4
H2 (all injuries per million hours worked)	12,9	14,2	13,5
F (days lost through injury per million hours worked)	83,1	187,4	49,0
Sickness absence	3,4 %	4,1 %	3,9 %

A total of 13 injuries, of which 7 were lost-time injuries, were recorded during the second quarter. This resulted in a higher H1 figure than in the second quarter last year. None of the injuries was serious.

Sickness absence improved in the second quarter 2006, and was lower than in the same period last year. For the first six months of the year, sickness absence for the group totalled 4.0 per cent.

Health, safety and the environment (HSE) is a priority area, and during the second quarter an appointment was made to the newly created position of senior vice president HSE. One of the main tasks of this office will be to coordinate the HSE efforts of group companies in order to ensure they all achieve the same positive level of progress in this area.

Statkraft experienced one serious environmental incident during the second quarter: five sea eagles collided with wind turbines at the Smøla Wind Farm. A number of measures have been initiated. The measures are being implemented in cooperation with the relevant authorities and experts from the Norwegian Water Resources and Energy Directorate (NVE) and the Norwegian Institute for Nature Research (NINA).

In addition, Statkraft recorded one, less serious, environmental non-compliance relating to a violation of the minimum water-flow requirements in the Daleelva river in Høyanger. This incident has not resulted in any lasting environmental consequences and is being followed up through the company's non-compliance system.

Outlook

Based on the reservoir water levels at the end of the first half of the year, and given a relatively normal level of precipitation during the rest of the year, the group expects its total annual output to be slightly lower than in 2005. Although electricity prices were affected by the fall in carbon quota prices in the second quarter, forward-contract prices have risen sharply since May and are at a high level for the rest of the year. In recent years commercial contracts have provided substantial additional revenues. The contribution from these contracts is expected to weaken considerably in 2006, if the high price level continues. Power sales revenues as a whole, however, are expected to remain at 2005 levels. No significant changes in the group's running costs are expected. The group is therefore well placed to maintain its strong financial performance. The Board expects, however, a weaker result in the second half of the year compared to the first half.

Oslo, 16 August 2006
The Board of Directors of
Statkraft AS

Comment with respect to the enclosed financial statements:

The Statkraft AS Group will prepare its financial statements in accordance with International Financial Reporting Standards (IFRS) with effect from 1 January 2007. As a part of the transition to IFRS in 2007 Statkraft has, with effect from 1 January 2006, adjusted its accounting principles to IFRS where NGAAP permits IFRS solutions. These are largely associated with the accounting treatment of pension and maintenance costs.

When calculating net pension liabilities, Statkraft has adopted a new accounting principle, in accordance with which estimate deviations are recorded directly against equity. In previous years estimate deviations which exceeded 10 per cent of the higher of gross pension liabilities or pension fund assets (corridor) were recognised, and unamortised estimate deviations were taken into consideration when calculating net pension liabilities. In connection with the transition to the new accounting principle, unrecognised estimate deviations for the group's pension schemes as at 31 December 2005, adjusted for tax effects, have reduced equity as at 1 January 2006 by NOK 301 million.

With effect from 1 January 2006, periodic maintenance is capitalised from the date the maintenance is carried out and depreciated over the period until the next maintenance work. In previous years maintenance work has been charged as an expense when incurred. The impact of this change in accounting principle has been recorded against equity as at 1 January 2006, increasing this figure by NOK 724 million.

Comparable figures have not been changed.

STATKRAFT AS GROUP

INCOME STATEMENT

Figures in NOK million	Second quarter		Year to date		The year
	2006	2005	2006	2005	2005
Power sales revenues	2 871	2 646	7 204	5 763	11 386
Other operating revenues	617	531	1 538	1 327	3 635
Gross operating revenues	3 488	3 177	8 741	7 090	15 021
Transmission costs	-199	-163	-567	-374	-746
Net operating revenues	3 289	3 014	8 174	6 716	14 275
Salaries and payroll costs	261	296	590	608	1 342
Compensation and licence fees	81	85	162	157	342
Other operating expenses	313	417	730	756	1 865
Ordinary depreciation and write-downs	357	355	739	707	1 858
Property tax	148	121	298	243	493
Operating expenses	1 160	1 273	2 518	2 471	5 899
Operating profit	2 129	1 741	5 656	4 245	8 375
Share of profit from associated companies	323	322	1 177	758	1 577
Financial income	89	590	179	688	808
Financial expenses	-438	-1 099	-865	-1 665	-2 312
Net financial items	-349	-509	-686	-977	-1 504
Profit before tax	2 103	1 554	6 147	4 026	8 449
Taxes	-776	-663	-1 952	-1 396	-2 829
Net profit	1 327	891	4 195	2 630	5 620
Of which minority interest	32	12	157	75	147
Of which majority interest	1 295	879	4 038	2 555	5 473

BALANCE SHEET

Figures in NOK million	30.06.06	30.06.05	31.12.05
ASSETS			
Intangible assets	6 182	2 889	5 976
Property, plant and equipment	48 886	45 453	46 836
Investments in subsidiaries and associates	29 438	27 485	28 793
Other long-term financial assets	1 019	2 313	1 110
Fixed assets	85 525	78 140	82 715
Inventories	49	44	50
Receivables	3 579	3 856	3 380
Short-term financial investments	340	313	335
Cash and cash equivalents	7 400	5 405	4 374
Current assets	11 368	9 619	8 139
Total assets	96 894	87 759	90 854
EQUITY AND LIABILITIES			
Paid-in capital	31 569	31 566	31 553
Retained earnings	9 182	6 276	4 689
Minority interests	3 834	3 730	3 752
Equity	44 586	41 572	39 995
Provisions	10 922	9 273	10 300
Long-term interest-bearing liabilities	28 810	30 723	29 011
Long-term liabilities	39 732	39 996	39 311
Interest-bearing current liabilities	1 580	2 242	2 240
Taxes payable	3 471	1 704	2 196
Other interest-free liabilities	7 525	2 245	7 111
Current liabilities	12 576	6 191	11 547
Equity and liabilities	96 894	87 759	90 854

CHANGES IN EQUITY

Figures in NOK million	30.06.06	30.06.05	31.12.05
Paid-in capital 01.01	31 553	31 553	31 553
Received group contribution	-	13	-
Mergers with subsidiaries	16	-	-
Paid-in capital 30.06/31.12	31 569	31 566	31 553
Retained earnings 01.01	4 689	3 675	3 675
Consolidation effect	-4	-	-
Net profit for the period	4 038	2 555	5 473
Group contribution in subsidiaries	-	-124	-1 343
Implementation of new accounting principles	364	-	-
Change in translation differences	95	47	-139
Change due to acquisitions	-	123	123
Dividend	-	-	-3 100
Retained earnings 30.06/31.12	9 182	6 276	4 689
Minority interests 01.01/time of inc.	3 752	3 787	3 787
Consolidation effect	-2	-	-
Net profit for the period	156	75	147
Dividend	-	-	-68
Change due to disposals	-72	-	-
Implementation of new accounting principles	-18	-	-
Change in translation differences	4	-18	10
Change due to acquisitions	14	-114	-124
Minority interests 30.06/31.12	3 834	3 730	3 752
Equity 30.06/31.12	44 586	41 572	39 995

CASH FLOW STATEMENT

Figures in NOK million	Year to date		The year 2005
	2006	2005	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax	6 147	4 026	8 449
Gain/ loss on sales of fixed assets	-	-3	-276
Ordinary depreciation and write-downs	768	707	1 858
Share of profits from associated companies	-1 177	-758	-1 577
Taxes	-799	-371	-448
Cash flow from operating activities	4 939	3 601	8 006
Changes in long-term items	427	2 092	1 776
Changes in current items	5	959	1 523
Dividend from associates	1 097	963	945
Net cash flow from operating activities	6 468	7 615	12 250
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	-1 796	-967	-2 235
Proceeds from sales of fixed assets	47	17	39
Loans to third parties	-9	-34	-42
Repayment of loans to third parties	-	-	98
Investments in other companies	-426	-152	-4 511
Proceeds from the sale of other companies	-	19	2 029
Net cash flow from investing activities	-2 184	-1 117	-4 622
CASH FLOW FROM FINANCING ACTIVITIES			
New long-term debt	14	217	992
Repayment of long-term debt	-787	-6 510	-9 428
Capital reduction	-72	-	-
Dividend paid	-412	-72	-72
Net cash flow from financing activities	-1 257	-6 365	-8 508
Net change in cash and cash equivalents	3 027	133	-880
Currency effect on cash flows	-1	-20	-38
Cash and cash equivalents 01.01	4 374	5 292	5 292
Cash and cash equivalents 30.6/ 31.12	7 400	5 405	4 374

SEGMENTS

Figures in NOK million	Statkraft AS Group	Generation & Hedging	Trading & Origination	Distribution grid	Retail sales	District heating	Development	Other	Group functions and eliminations
Second quarter 2006									
Gross operating revenues	3 488	3 075	69	353	129	55	10	66	-270
Ordinary depreciation and write-downs	357	248	-2	85	4	7	0	-	15
Other operating expenses	1 002	776	72	171	125	32	40	56	-271
Operating profit	2 129	2 051	-2	97	-	16	-31	10	-14
Share of profits from associated companies	323	51	5	46	13	-1	0	233	-24
Profit before financial items and tax	2 452	2 102	3	143	13	15	-31	243	-38
Year to date 2006									
Gross operating revenues	8 741	7 620	266	823	391	155	17	124	-655
Ordinary depreciation and write-downs	739	493	3	191	7	16	-	-	28
Other operating expenses	2 347	1 720	181	402	383	100	73	110	-622
Operating profit	5 656	5 407	82	230	-	40	-56	14	-61
Share of profits from associated companies	1 177	229	7	66	0	2	-	911	-38
Profit before financial items and tax	6 833	5 636	89	296	0	42	-56	925	-99
Balance sheet 30.06.06									
Investment in associated companies	29 438	9 096	73	1 916	338	57	5	17 499	455
Other assets	67 456	57 669	511	6 241	340	1 096	441	1 142	17
Total assets	96 894	66 765	583	8 157	678	1 153	446	18 641	472
Current liabilities	12 576	6 669	293	380	74	66	319	796	3 980
Non-interest-bearing long-term liabilities	10 922	9 456	-	650	46	66	11	56	635
Interest-bearing long-term liabilities	28 810	-	-	-	-	-	-	-	28 810
Total liabilities	52 308	16 125	293	1 030	120	133	330	852	33 425
Maintenance investments	377	295	-	31	-	32	-	3	16
Investments in new capacity	1 419	1 277	-	53	-	84	-	5	-
Investments in shareholdings	426	409	-	-	-	-	-	17	-
Second quarter 2005									
Gross operating revenues	3 177	2 757	88	366	112	48	3	70	-266
Ordinary depreciation and write-downs	355	223	3	98	4	8	0	1	19
Other operating expenses	1 082	768	108	178	112	28	32	61	-206
Operating profit	1 741	1 766	-23	90	-5	12	-29	8	-79
Share of profits from associated companies	322	66	-2	2	-7	-2	-6	298	-27
Profit before financial items and tax	2 063	1 832	-25	92	-11	10	-35	306	-106
Year to date 2005									
Gross operating revenues	7 090	5 950	303	784	271	123	3	104	-449
Ordinary depreciation and write-downs	707	447	4	196	7	17	0	0	36
Other operating expenses	2 138	1 372	217	399	270	74	50	101	-343
Operating profit	4 245	4 132	83	189	-6	33	-46	3	-142
Share of profits from associated companies	758	229	0	31	-18	0	-12	569	-41
Profit before financial items and tax	5 003	4 361	83	220	-24	32	-59	572	-183
Balance sheet 30.06.05									
Investment in associated companies	27 485	8 594	0	1 943	334	63	166	16 164	221
Other assets	60 275	50 806	788	6 606	238	538	1 622	1 204	-1 528
Total assets	87 759	59 400	788	8 549	572	602	1 788	17 368	-1 308
Current liabilities	6 191	7 078	470	435	44	21	140	1 353	-3 349
Non-interest-bearing long-term liabilities	9 273	8 224	13	676	29	62	1	29	239
Interest-bearing long-term liabilities	30 723	-	-	-	-	-	-	-	30 723
Total liabilities	46 187	15 302	483	1 111	73	83	140	1 382	27 613
Maintenance investments	246	145	-	68	-	19	-	14	-
Investments in new capacity	721	570	-	62	-	89	-	-	-
Investments in shareholdings	152	2	-	-	-	-	150	-	-
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	-

COMPANY ACCOUNTS, STATKRAFT AS

INCOME STATEMENT

Figures in NOK million	Second quarter		Year to date		The year
	2006	2005	2006	2005	2005
Other operating revenues	125	71	208	135	305
Salaries and payroll costs	32	53	75	93	227
Other operating expenses	72	54	137	112	238
Ordinary depreciation and write-downs	8	13	15	25	83
Operating expenses	112	120	227	230	548
Operating profit	13	-49	-19	-95	-243
Financial income	308	589	598	1 660	5 467
Financial expenses	-381	-968	-742	-1 429	-1 866
Net financial items	-74	-379	-144	231	3 601
Profit before tax	-60	-429	-163	136	3 358
Taxes	4	-322	36	79	-255
Net profit for the period	-56	-751	-127	215	3 102

BALANCE SHEET

Figures in NOK million	30.06.06	30.06.05	31.12.05
ASSETS			
Deferred tax asset	-	67	-
Property, plant and equipment	88	127	85
Investments in subsidiaries and associates	41 522	36 139	40 601
Other financial fixed assets	26 512	22 407	26 750
Fixed assets	68 122	58 739	67 435
Receivables	2 438	5 866	5 179
Cash and cash equivalents	5 552	4 116	3 157
Current assets	7 990	9 983	8 336
Assets	76 112	68 722	75 771
EQUITY AND LIABILITIES			
Paid-in capital	31 569	31 566	31 553
Retained earnings	-138	217	5
Equity	31 431	31 783	31 558
Provisions	662	281	607
Interest-bearing long-term liabilities	27 142	28 960	27 207
Long-term liabilities	27 804	29 242	27 814
Current liabilities	16 877	7 697	16 399
Equity and liabilities	76 112	68 722	75 771

CASH FLOW STATEMENT

Figures in NOK million	30.06.06	30.06.05	31.12.05
Net cash flow from operating activities	4 076	5 960	11 149
Net cash flow from investing activities	-959	125	-4 035
Net cash flow from financing activities	-722	-6 101	-8 088
Net change in cash and cash equivalents	2 395	-16	-975
Cash and cash equivalents 01.01/time of incorp.	3 157	4 132	4 132
Cash and cash equivalents 30.06/ 31.12	5 552	4 116	3 157

Equity

Figures in NOK million	30.06.06	30.06.05	31.12.05
Equity 01.01	31 558	31 555	31 555
Changes in received group contributions	-	13	-
Net profit for the period	-127	215	3 102
Dividend	-	-	-3 100
Equity 30.06/31.12	31 431	31 783	31 558

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