



Statkraft

Q2/07 STATKRAFT SF

**INTERIM-
REPORT**

Q2

Key figures

STATKRAFT SF GROUP	Unit	Q2		Year to date		The year
		2007	2006	2007	2006	2006
Gross operating revenues	NOK mill.	2,981	3,585	8,014	8,983	16,379
Net operating revenues	NOK mill.	2,117	3,539	6,250	7,337	17,015
- of which unrealised changes in value	NOK mill.	-288	198	-305	-934	1,865
EBITDA	NOK mill.	1,044	2,729	4,075	5,593	13,313
Operating result	NOK mill.	655	2,365	3,301	4,847	11,804
Share of income from associated companies	NOK mill.	436	570	1,474	858	1,980
Net financial items	NOK mill.	-431	-406	-564	-871	-2,390
- of which unrealised changes in value	NOK mill.	-19	-107	104	-272	-1,131
Profit before tax	NOK mill.	660	2,530	4,211	4,834	11,394
Profit after tax	NOK mill.	459	1,715	3,113	3,227	7,607
EBITDA% ¹⁾	%	44.7	70.6	54.7	72.7	69.9
Net changes in cash flow from operating activities	NOK mill.	1,194	2,640	4,120	6,315	6,392
Cash and cash equivalents	NOK mill.			8,548	7,894	1,880
Assets	NOK mill.			110,758	106,783	103,449
Interest-bearing debt ratio	%			51.0	46.2	45.3
Average spot price	NOK/MWh	182	349	200	356	391
Production, volume sold	TWh	8.4	10.6	19.2	26.6	45.6
Full-time jobs (equivalents)	No.			2,114	1,998	2,087

1) Adjusted for unrealised changes in value

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Highlights in the quarter

The Group posted a profit before tax of NOK 660 million in the second quarter of the year, compared with NOK 2,530 million in the corresponding prior-year period. The profit before tax for the first six months of the year was NOK 4,211 million, while the profit after tax was NOK 3,113 million.

Electricity prices continued to fall in the second quarter of the year. The average spot price for the quarter was NOK 182/MWh, which represents a decrease of 48% compared with the second quarter of the previous year.

The test period for the gas power plants at Knapsack, Herdecke and Kårstø, which have a total installed capacity of 1,600 MW, began at the start of June, while test operation of the new turbine at the Pålbu hydropower plant also commenced in June. The power plant is expected to generate 22 GWh of electricity per annum.

On 11 May Statkraft was granted a final licence for the Kjensvatn hydropower plant in Nordland, which is expected to generate 75 GWh of electricity.

During the second quarter Småkraft AS took the decision to build a further four small-scale hydropower plants.

The new waste incineration plant at Heimdal district heating plant in Trondheim entered operation on 13 March 2007, while the plant's official test period started on 5 May. The takeover of the plant is scheduled for the middle of August.

Agder Energi AS and Statkraft AS signed a letter of intent to collaborate on wind power in June 2007. The agreement covers the development, construction and operation of wind farms in Norway and the rest of Europe.

In April SN Power (Statkraft owns 50% of the shares) took over the Magat hydropower plant in the Philippines in collaboration with the Philippine company Aboitiz Equity Ventures. The power plant, which has a capacity of 360 MW, was purchased for USD 530 million following an open, international tender process.

Statkraft SF's business

Statkraft SF's object is to own all the shares in Statkraft AS and provide that company with loans. Statkraft SF also owns certain assets that may not be formally owned by Statkraft AS. This applies to power plants that have reverted to state ownership and are leased to third parties or power plants that will belong to Statkraft on reversion to state ownership, and individual foreign investments (Asian Power Invest AB and Nordic Hydropower AB).

Statkraft SF's consolidated financial statements will, with the exception of the retained assets and individual items on the liabilities side, be identical with the consolidated financial statements for the Statkraft AS subgroup.

Total assets in Statkraft SF Group's closing balance sheet for the first six months of 2007 were NOK 783 million higher than the corresponding figure in the Statkraft AS Group balance sheet. NOK 955 million of this difference is attributable to the book value of the power plants that have been leased to third parties and international investments, while changes in current items, and cash and cash equivalents were NOK 172 million lower.

The Statkraft SF Group had almost NOK 3 billion more in long-term interest-bearing liabilities than the Statkraft AS Group, due to the fact that Statkraft SF borrowed NOK 3 billion under an established line of credit in order to finance the dividend payment for the 2004 financial year. At the end of the second quarter interest-bearing liabilities totalled NOK 38.9 billion, compared with NOK 33.0 billion at the end of the corresponding prior-year period. The interest-bearing debt ratio was 51.0%, compared with 45.3% at the end of 2006. Current assets, excluding cash and cash equivalents, totalled NOK 11.6 billion, while short-term interest-free liabilities amounted to NOK 23.7 billion.

Differences between Statkraft SF's and Statkraft AS's respective income statements largely relate to revenues and expenses linked to the ongoing operation of the retained assets. These differences, which are presented in the following table, are relatively modest.

Figures in NOK million	Statkraft SF Group	Statkraft AS Group	Difference
Sales revenues	7,476	7,476	-
Other operating revenues	538	382	156
Gross operating revenues	8,014	7,858	156
Energy purchases	-1,038	-1,039	1
Transmission costs	-421	-416	-4
Unrealised changes in value energy contracts	-305	-305	-
Net operating revenues	6,250	6,098	153
Salaries and payroll costs	-721	-721	-0
Depreciation and write-downs	-774	-766	-8
Property tax and licence fees	-515	-489	-26
Other operating expenses	-939	-892	-47
Operating expenses	-2,949	-2,868	-81
Operating profit	3,301	3,230	72
Share of income from associated companies	1,474	1,456	19
Financial income	219	225	-6
Financial expenses	-887	-824	-63
Unrealised changes in value currency and interest	104	102	2
Net financial items	-564	-497	-67
Profit before tax	4,211	4,188	23
Taxes	-1,098	-1,132	34
Net profit	3,113	3,056	57
Of which minority interests	70	70	-
Of which majority interests	3,043	2,986	57

Further details regarding Statkraft's operations and financial results for the year are presented in the enclosed quarterly report for the Statkraft A6S Group. The report is appended as an annex.

Oslo, 15 August 2007
The Board of Directors of Statkraft SF

Statkraft SF Group Interim Financial Statements

INCOME STATEMENT

Figures in NOK million	Second quarter		Year to date		The year 2006
	2007	2006	2007	2006	
Sales revenues	2,725	3,368	7,476	8,551	15,363
Other operating revenues	256	217	538	432	1,016
Gross operating revenues	2,981	3,585	8,014	8,983	16,379
Energy purchase	-388	-27	-1,038	-107	-190
Transmission costs	-188	-217	-421	-605	-1,039
Unrealised changes in value energy contracts	-288	198	-305	-934	1,865
Net operating revenues	2,117	3,539	6,250	7,337	17,015
Salaries and payroll costs	-318	-256	-721	-587	-1,322
Depreciation and write-downs	-389	-364	-774	-746	-1,509
Property tax and licence fees	-267	-224	-515	-430	-854
Other operating expenses	-488	-331	-939	-727	-1,526
Operating expenses	-1,462	-1,175	-2,949	-2,490	-5,211
Operating profit	655	2,365	3,301	4,847	11,804
Share of profit from associated companies	436	570	1,474	858	1,980
Financial income	87	28	219	76	269
Financial expenses	-499	-327	-887	-675	-1,528
Unrealised changes in value currency and interest	-19	-107	104	-272	-1,131
Net financial items	-431	-406	-564	-871	-2,390
Profit before tax	660	2,530	4,211	4,834	11,394
Taxes	-201	-815	-1,098	-1,607	-3,787
Net profit	459	1,715	3,113	3,227	7,607
Of which minority interest	-9	48	70	185	387
Of which majority interest	468	1,667	3,043	3,042	7,220

BALANCE SHEET

Figures in NOK million	30/06/07	30/06/06	31/12/06
ASSETS			
Intangible assets	7,676	8,209	7,437
Property, plant and equipment	51,456	50,227	51,511
Investments in subsidiaries and associates	30,134	28,026	30,674
Other financial fixed assets	1,362	539	1,003
Fixed assets	90,627	87,001	90,625
Inventories	57	49	55
Receivables	3,220	2,362	3,889
Short-term financial investments	383	356	505
Derivatives	7,922	9,121	6,495
Cash and cash equivalents	8,548	7,894	1,880
Current assets	20,131	19,782	12,824
Total assets	110,758	106,783	103,449
EQUITY AND LIABILITIES			
Paid-in capital	29,250	29,250	29,250
Retained earnings	5,500	5,235	9,868
Minority interests	2,632	3,843	2,934
Equity	37,382	38,328	42,052
Provisions	10,780	10,486	10,806
Long-term interest-bearing liabilities	36,965	23,260	28,333
Long-term liabilities	47,745	33,746	39,140
Short-term interest-bearing liabilities	1,970	9,719	6,438
Taxes payable	3,442	3,500	3,999
Other interest-free liabilities	8,908	6,963	2,842
Derivatives	11,311	14,527	8,979
Current liabilities	25,631	34,709	22,257
Equity and liabilities	110,758	106,783	103,449

CHANGES IN EQUITY

Figures in NOK million	30/06/07	30/06/06	31/12/06
Paid-in capital 01.01	29,250	29,250	29,250
Paid-in capital 30.06 / 31.12	29,250	29,250	29,250
Retained earnings 01.01	9,868	7,507	7,507
Net profit for the period	3,043	3,042	7,221
Dividend and Group contribution	-5,857	-4,720	-4,720
Estimate deviation pensions	-33	-	-480
Change in translation differences	-1,521	-594	779
Change in equity in associated companies	-	-	-439
Retained earnings 30.06 / 31.12	5,500	5,235	9,868
Minority interests 01.01	2,934	4,073	4,073
Net profit for the period	70	185	387
Capital reduction and dividends	-411	-176	-1,232
Estimate deviation pensions	-	-	-58
Exit minority interests	-	-211	-211
Change in translation differences	39	-28	-25
Minority interests 30.06 / 31.12	2,632	3,843	2,934
Equity 30.06 / 31.12	37,382	38,328	42,052

CASH FLOW STATEMENT

Figures in NOK million	Year to date		The year
	2007	2006	2006
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax	4,211	4,834	11,394
Gain/ loss on sales of fixed assets	-7	-	-6
Ordinary depreciation and write-downs	774	746	1,509
Share of profits from associated companies	-1,474	-858	-1,980
Unrealised changes in value contracts	201	1,206	-734
Taxes	-1,908	-817	-2,198
Cash flow from operating activities	1,797	5,111	7,985
Changes in long-term items	-14	431	-645
Changes in current items	920	-344	-2,074
Dividend from associates	1,417	1,117	1,126
Net cash flow from operating activities	4,120	6,315	6,392
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	-915	-1,797	-3,695
Proceeds from sales of fixed assets	13	47	63
Loans to third parties	-21	-18	-20
Repayment of loans to third parties	1	-	5
Investments in other companies	-906	-426	-497
Proceeds from sales of other companies	-	-	-
Net cash flow from investing activities	-1,828	-2,194	-4,144
CASH FLOW FROM FINANCING ACTIVITIES			
New long-term debt	8,980	14	6,584
Repayment of long-term debt	-4,601	-787	-5,617
Capital reduction	-	-72	-1,035
Dividend paid	-	-	-4,917
Net cash flow from financing activities	4,379	-845	-4,985
Net change in cash and cash equivalents	6,671	3,276	-2,737
Currency effect on cash flows	-3	-1	-2
Cash and cash equivalents 01.01	1,880	4,619	4,619
Cash and cash equivalents 30.06 / 31.12	8,548	7,894	1,880
Unused committed credit lines	5,450	5,200	5,450
Unused overdraft facilities	600	800	800

Comments on the financial statements

Framework conditions and important accounting policies

The consolidated interim financial statements for the second quarter of 2007, the six months ending 30 June, have been prepared in accordance with IFRSs (International Financial Reporting Standards) and include Statkraft SF, and its subsidiaries and associated companies. The interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting. The figures for 2006 have been restated in accordance with IFRSs for comparative purposes. The interim financial statements do not provide the same scope of information as the annual financial statements and must therefore be viewed in connection with the 2006 consolidated financial statements. Reference is also made to the appended stock exchange notification dated 10 May 2007, which reconciles the income statement and balance sheet for 2006 under Norwegian GAAP and IFRSs.

Unsettled issues relating to IFRSs – concessionary power sales

The correct accounting treatment to be adopted for concessionary power sales contracts with financial settlement is unclear. Statkraft has decided not to incorporate concessionary power contracts in the financial statements until a solution as to the preferred accounting treatment has been established in accordance with IAS 39. As of 30 June 2007 Statkraft's concessionary power contracts with financial settlement had a volume of 500 GWh and an average price of NOK 87/MWh.

Long-term liabilities

With effect from the second quarter hedge accounting has been applied for a loan of EUR 600 million and the associated interest rate swap that was entered into to change from fixed to floating interest rates. The adoption of hedge accounting resulted in a reduction of NOK 85 million in financial expenses in the second quarter.

Taxes

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

Estimates

Estimates and assumptions are reviewed on an ongoing basis and are based on past experience and other factors, including expectations of future events that are regarded as likely under current circumstances. The Group prepares estimates and makes assumptions/presumptions with regard to the future. By definition, the accounting estimates that are made as a result of the above processes will rarely fully correspond with the final outcome. Deviations between estimates and actual figures are recognised in the period in which these become known if such deviations relate to this period. If the deviations relate to both the current and future periods, the deviation is recognised over the various affected periods

Statkraft SF Group Segment Overview

SEGMENTS

	Statkraft AS Group	Generation & Hedging	Trading & Origination	Distribution grid	Retail sales	District heating	Development	Other	Group functions and eliminations
Figures in NOK million									
Second quarter 2007									
Gross operating revenues	2,981	2,156	27	331	577	60	14	83	-266
Operating profit	655	604	40	79	42	12	-40	-29	-53
Share of profits from associated companies	436	-596	-40	5	-3	-1	0	1,005	66
Profit before financial items and tax	1,091	8	0	84	39	11	-40	1,014	-25
Year to date 2007									
Gross operating revenues	8,014	5,666	293	796	1,645	161	23	163	-733
Operating profit	3,301	3,125	55	266	119	42	-78	10	-238
Share of profits from associated companies	1,474	490	-43	54	-10	0	0	955	29
Profit before financial items and tax	4,775	3,615	13	319	109	41	-78	965	-209
Balance sheet 30.06.07									
Investment in associated companies	30,134	8,644	0	1,487	149	70	9	19,308	466
Other assets	80,624	76,137	3,794	6,285	793	1,539	363	435	-8,722
Total assets	110,758	84,781	3,794	7,773	942	1,609	372	19,743	-8,256
Current liabilities	25,631	23,101	3,555	309	270	533	207	19	-2,364
Long-term non-interest-bearing liabilities	10,780	8,888	80	744	78	76	21	249	645
Long-term interest-bearing liabilities	36,965	-	-	-	-	-	-	-	36,965
Total liabilities	73,376	31,989	3,636	1,053	348	608	228	268	35,246
Ordinary depreciation and write-downs year to date	774	515	5	190	15	17	-	2	30
Maintenance investments	241	163	-	31	-	21	-	26	-
Investments in new capacity	674	468	-	71	-	99	17	19	-
Investments in shareholdings	906	771	26	-	-	-	5	104	-
Second quarter 2006									
Gross operating revenues	3,585	3,049	69	523	84	55	10	67	-272
Operating profit	2,365	2,180	-9	175	62	-9	-31	10	-13
Share of profits from associated companies	570	121	5	46	13	-1	0	420	-33
Profit before financial items and tax	2,935	2,300	-4	221	74	-10	-31	431	-46
Year to date 2006									
Gross operating revenues	8,983	7,609	266	1,039	391	155	17	166	-660
Operating profit	4,847	4,469	80	306	24	40	-56	46	-61
Share of profits from associated companies	858	198	7	66	0	2	0	632	-47
Profit before financial items and tax	5,705	4,667	87	372	23	42	-57	678	-108
Balance sheet 30.06.06									
Investment in associated companies	28,026	8,949	73	1,916	338	57	5	16,245	444
Other assets	78,757	69,734	524	6,337	340	1,096	441	1,142	-855
Total assets	106,783	78,682	596	8,253	678	1,153	446	17,387	-411
Current liabilities	34,709	24,981	293	380	621	66	319	771	7,278
Long-term non-interest-bearing liabilities	10,486	8,198	4	650	366	398	21	56	792
Long-term interest-bearing liabilities	23,260	-	-	-	-	-	-	-	23,260
Total liabilities	68,455	33,178	297	1,030	987	465	340	827	31,330
Ordinary depreciation and write-downs year to date	746	491	3	195	7	16	-	6	28
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	-
The year 2006									
Gross operating revenues	16,379	13,671	673	1,959	780	272	35	305	-1,317
Operating profit	11,804	10,978	335	551	84	58	-131	147	-219
Share of profits from associated companies	1,980	516	37	111	21	1	0	1,419	-124
Profit before financial items and tax	13,784	11,494	372	662	105	59	-131	1,566	-342
Balance sheet 31.12.06									
Investment in associated companies	30,674	9,345	44	1,962	299	56	4	19,028	-65
Other assets	72,775	58,685	937	5,997	543	1,552	268	490	4,304
Total assets	103,449	68,030	982	7,959	842	1,607	272	19,518	4,239
Current liabilities	22,257	14,642	503	548	-250	481	273	233	5,829
Long-term non-interest-bearing liabilities	10,806	10,965	60	795	305	104	23	93	-1,540
Long-term interest-bearing liabilities	28,333	-	-	-	-	-	-	-	28,333
Total liabilities	61,396	25,607	563	1,343	54	585	296	326	32,622
Ordinary depreciation and write-downs	1,509	995	6	400	15	32	1	1	60
Maintenance investments	574	372	-	115	2	52	-	33	-
Investments in new capacity	3,125	2,674	8	111	-	332	-	-	-
Investments in shareholdings	750	734	-	-	-	-	-	16	-

Statkraft SF Interim Financial Statements (NGAAP)

INCOME STATEMENT

Figures in NOK million	Second quarter		Year to date		The year
	2007	2006	2007	2006	2006
Other operating revenues	78	38	161	75	141
Depreciation and write-downs	-4	-4	-8	-8	-16
Property tax and licence fees	-13	-4	-26	-8	-27
Other operating expenses	-28	-23	-52	-44	-90
Operating expenses	-45	-31	-86	-60	-133
Operating profit	33	7	75	15	8
Financial income	244	319	468	726	8,773
Financial expenses	-249	-311	-505	-643	-1,268
Net financial items	-5	8	-37	83	7,505
Profit before tax	29	15	38	98	7,513
Taxes	85	21	117	17	-1,820
Net profit for the period	114	36	155	115	5,693

BALANCE SHEET

Figures in NOK million	30/06/07	30/06/06	31/12/06
ASSETS			
Deferred tax asset	522	391	391
Property, plant and equipment	432	423	418
Investments in subsidiaries and associates	32,046	32,046	32,046
Other financial fixed assets	10,818	18,342	15,068
Fixed assets	43,818	51,202	47,922
Receivables	7,872	5,132	7,847
Cash and cash equivalents	115	490	102
Current assets	7,987	5,622	7,949
Assets	51,805	56,824	55,871
EQUITY AND LIABILITIES			
Paid-in capital	29,250	29,250	29,250
Retained earnings	212	335	57
Equity	29,462	29,585	29,307
Provisions	134	113	136
Long-term interest-bearing liabilities	14,021	21,795	18,271
Long-term liabilities	14,155	21,908	18,406
Current liabilities	8,188	5,331	8,158
Equity and liabilities	51,805	56,824	55,871

CASH FLOW STATEMENT

Figures in NOK million	Year to date		The year
	2007	2006	2006
Net cash flow from operating activities	41	372	4,957
Net cash flow from investing activities	3,921	735	4,415
Net cash flow from financing activities	-3,949	-736	-9,389
Net change in cash and cash equivalents	13	371	-17
Cash and cash equivalents 01.01	102	119	119
Cash and cash equivalents 30.06 / 31.12	115	490	102

Equity

Figures in NOK million	30/06/07	30/06/06	31/12/06
Paid-in capital 01.01	29,307	29,467	29,467
Implementation of new accounting principles	-	3	3
Net profit for the period	155	115	5,693
Dividend	-	-	-5,857
Equity 30.06 / 31.12	29,462	29,585	29,307

STATKRAFT AS GROUP**Highlights in the quarter**

The Group posted a profit before tax of NOK 655 million in the second quarter of the year, compared with NOK 2,540 million in the corresponding prior-year period. The profit before tax for the first six months of the year was NOK 4,188 million, while the profit after tax was NOK 3,056 million.

Electricity prices continued to fall in the second quarter of the year. The average spot price for the quarter was NOK 182/MWh, which represents a decrease of 48% compared with the second quarter of the previous year.

The test period for the gas power plants at Knapsack, Herdecke and Kårstø, which have a total installed capacity of 1,600 MW, began at the start of June, while test operation of the new turbine at the Pålbu hydropower plant also commenced in June. The power plant is expected to generate 22 GWh of electricity per annum.

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Agder Energi AS and Statkraft AS signed a letter of intent to collaborate on wind power in June 2007. The agreement covers the development, construction and operation of wind farms in Norway and the rest of Europe.

In April, SN Power (Statkraft owns 50% of the shares) took over the Magat hydropower plant in the Philippines in collaboration with the Philippine company Aboitiz Equity Ventures. The power plant, which has a capacity of 360 MW, was purchased for USD 530 million following an open, international tender process.

Financial performance ¹

Quarterly results

In the second quarter of the year the Group posted a profit before tax of NOK 655 million (NOK 2,540 million) and profit after tax of NOK 451 million (NOK 1,705 million). These figures both represent decreases of 74% compared with the corresponding prior-year period. The result for the period was strongly impacted by significantly lower production and spot prices, which fell by 21% and 48% respectively compared with the second quarter of 2006. Unrealised changes in the value of financial instruments also made a negative contribution.

Result for the first six months of the year

The profit before tax for the first half of the year was NOK 4,188 million (NOK 4,822 million), while the profit after tax for the same period was NOK 3,056 million (NOK 3,199 million). The above figures represent respective decreases of 13% and 4% compared with the first six months of 2006. Adjusted for unrealised changes in the value of financial instruments, the decrease in the profit before tax was in excess of 30%. The above is primarily attributable to respective year-on-year falls in production and the spot price of 28% and 44%.

Return on investment

Statkraft's quarterly results are impacted by significant and irregular seasonal fluctuations. To even out the effects of these fluctuations, return figures are calculated for the previous 12-month rolling period.

The Group achieved a return on average capital employed (ROACE) before tax of 18.1%. The corresponding figure for the 2006 calendar year was 22.9%. These figures are adjusted for unrealised changes in the value of financial instruments and material non-recurring items so as to accurately reflect the performance of the Group's ordinary operations.

¹ The figures in brackets are comparative figures for 2006.

The return on equity after tax for the last 12 months was 18.4%. The total return on capital after tax was 7.9%, compared with 8.5% for the 2006 calendar year.

Operating revenues

The Group generated gross operating revenues of NOK 2,906 million in the second quarter, NOK 644 million less than in corresponding prior-year period. Gross operating revenues for the first six months of the year totalled NOK 7,858 million, which corresponds to a decrease of 11% compared with the first half of 2006.

The Group generated 19.2 TWh of electricity in the first half of the year, 7.4 TWh less than in the six months to June 2006. Reservoir levels also increased significantly during the second quarter. The average spot price decreased by NOK 156/MWh to NOK 200/MWh during the first six months of 2007. This resulted in a year-on-year decrease in the net physical spot sales of NOK 3,114 million, which was partially offset by an increase of NOK 986 million in revenues from hedging activities.

Operating revenues			
STATKRAFT AS GROUP	Year to date		The year
Figures in NOK million	2007	2006	2006
Net physical spot sales, incl. green certificates	2,328	5,442	9,239
Concessionary sales at statutory prices	105	100	195
Sales of electricity to industry at statutory prices	857	916	1,773
Long-term commercial contracts	757	615	1,494
Dynamic hedging	982	-3	28
Trading and origination	253	211	528
Distribution grid	754	923	1,451
End-users	1,625	411	806
District heating	160	155	271
Other/eliminations	-346	-260	-463
Sales revenues	7,476	8,509	15,321
Other operating revenues	382	353	879
Gross operating revenues	7,858	8,862	16,200

The increase in revenues from end-users is attributable to the consolidation of Fjordkraft, which contributed an increase in sales revenues of NOK 1,306 million compared with the first six months of 2006. Trading and origination results improved compared with the first six months of 2006.

Energy purchases totalled NOK 1,039 million in the first six months of the year. The increase of NOK 932 million compared with the corresponding prior-year period is primarily attributable to the fact that Fjordkraft is now consolidated as a subsidiary.

Transmission costs connected with the transport of power fell by NOK 189 million to NOK 416 million in the six months to June 2007. The reduction can be ascribed to the fact that the variable portions of the transmission tariff fell sharply as a result of reduced transfer volumes and lower prices.

Unrealised changes in the value of energy contracts amounted to minus NOK 305 million in the first half of the year. The strong increase in market prices in the corresponding prior-year period resulted in unrealised changes in value of minus NOK 934 million during this period.

Operating expenses

Operating expenses increased by NOK 442 million (18%) to NOK 2,868 million in the six months to June.

Salaries and payroll costs rose by NOK 135 million to NOK 721 million. The increase is attributable to the consolidation of Fjordkraft, new business, higher staffing levels in existing business, ordinary salary increases and slightly higher provision for pension liabilities.

Other operating expenses for the first six months of the year totalled NOK 892 million, where the increase of NOK 211 million is primarily attributable to the consolidation of Fjordkraft, new business, project development and higher supplier costs.

Operating profit

Operating profit in the second quarter of the year totalled NOK 625 million (NOK 2,357 million). The operating profit for the first six months of the year amounted to NOK 3,230 million. Adjusted for unrealised changes in the value of financial instruments, the above figures represent respective quarter-on-quarter and year-on-year decreases of 58% and 38%. The majority (95%) of the operating profit for the first six months of the year is attributable to the Generation and hedging segment.

Share of income from associated companies

The share of income from associated companies in the first half of the year was NOK 1,456 million. This represents an

increase of NOK 611 million compared with the corresponding prior-year period. The share of income from the regional Norwegian companies, primarily Agder Energi and BKK, is estimated at NOK 433 million, an improvement of NOK 256 million. E.ON Sverige contributed NOK 953 million in the first six months of the year, an improvement of NOK 225 million. The remainder of the improvement relates to unrealised changes in the value of long-term power sales agreements in Germany (Herdecke). Total unrealised changes in the value of financial instruments amounted to NOK 201 million in the six months to June 2007 (minus NOK 321 million).

Financial items

At minus NOK 497 million, net financial items fell by NOK 316 million compared with the first six months of 2006.

The reduction is primarily attributable to an increase of NOK 374 million in the unrealised changes in value of the Group's interest-rate and currency agreements. Unrealised currency gains on long-term items connected with liabilities denominated in SEK accounted for NOK 349 million of this increase. Unrealised gains on the currency hedging of future cash flows in EUR in the first half of 2007 were significantly higher than in the first half of 2006. This is attributable to a fall of NOK 0.24 in the EUR-NOK exchange rate during the first half of 2007, compared with a decrease of NOK 0.05 in the first six months of 2006. The change in the unrealised value of put options for E.ON Sverige also contributed to a decrease in net financial items compared with the first half of 2006. The option that expires in December this year had no value at the end of the quarter.

Interest costs on debt rose by a total of NOK 291 million compared with the first half of the previous year. The increase is attributable to higher portfolio interest charges as a result of higher market interest rates, and an increased loan volume. Higher market interest rates were also responsible for the quarter-on-quarter increase in interest income. In the first half of 2007, interest income totalled NOK 205 million, a rise of NOK 113 million.

The repayment of state-guaranteed loans resulted in a reduction in the guarantee premium payable to the Norwegian state. At the end of the first half of 2007, the overall portfolio of state-guaranteed loans amounted to NOK 11.4 billion, compared with NOK 19.5 billion as of 30 June 2006.

The Group has three active loan portfolios, denominated in NOK, SEK and EUR respectively. The latter two portfolios are held at floating interest rates, while the former portfolio is exposed to around 60% floating interest rates. The average respective interest rates incurred in the first half of 2007 on loans in NOK, SEK and EUR were 4.8%, 3.3% and 4.2 %.

With effect from the second quarter, hedge accounting has been applied for a loan of EUR 600 million and an associated interest rate swap agreement that has been entered into to change from fixed to floating interest rates. The adoption of hedge accounting resulted in a reduction in financial expenses of NOK 85 million in the second quarter.

Taxes

Taxes totalled NOK 1,132 million in the first half of 2007, resulting in an effective tax rate of 27.0 %. For comparative purposes, the respective effective tax rates for the first half of 2006 and the 2006 calendar year were 33.7% and 33.8%.

The tax expense is calculated by applying the estimated effective tax rate that is expected to be used for the annual result. The tax expense was previously calculated on the basis of the taxable profits for the period. The above change resulted in a decrease of NOK 145 million in taxes for the first half of the year.

Resource rent tax amounted to NOK 306 million in the first half of the year, which corresponds to 27% of the Group's total tax expense. The amount for the corresponding prior-year period was NOK 593 million (37% of the total tax expense). The decrease in resource rent tax is attributable to lower production and significantly lower average spot prices.

Statkraft's non-taxable income amounted to NOK 1,455 million in the first half of the year. This corresponds to 34.7% of the Group's profit before tax.

Cash flow and capital structure

Operating activities generated a cash flow of NOK 1.8 billion in the first half of 2007. This represents a decrease of NOK 3.3 billion compared with the corresponding prior-year period. Short-term and long-term committed capital increased by NOK 0.9 billion, while the dividend from associates totalled NOK 1.4 billion. In the first six months of the year, the net cash flow from operating activities was therefore NOK 4.1 billion, compared with NOK 6.5 billion in the first half of 2006.

Investments in the first half of the year amounted to NOK 1.8 billion, where NOK 0.6 billion relates to gas power projects in Norway and Germany, 0.3 billion relates to capital deposits in SN Power, 0.1 billion relates to capital deposits in Telenor Cinclus and a total of NOK 0.8 billion relates to investments in plant and operating assets.

Statkraft AS issued three bond loans under the EMTN (European Medium Term Note) scheme in the first half of the year. These are for EUR 300 million, EUR 600 million and NOK 1,500 million and have respective terms of 6, 10.5 and 15 years. The euro loans are listed on the London Stock Exchange, while the Norwegian loan is listed on the Oslo Stock Exchange. The new borrowing was taken out to finance loan maturities and new investments. Total new borrowings in the first half of 2007 amounted to NOK 9 billion, while NOK 4.6 billion was repaid in borrowings.

Net changes in cash flow increased by NOK 6.7 billion during the quarter. At the balance sheet date the Group's cash and cash equivalents totalled NOK 8.4 billion, compared with NOK 1.8 billion at the start of the year.

At the end of June 2007 interest-bearing debt totalled NOK 36.2 billion, compared with NOK 32.0 billion at the start of the year. The interest-bearing debt ratio was 47.6%, compared with 42.0% at the end of 2006. The

share of debt denominated in EUR is geared to the companies assets recognised in EUR, while the share of debt denominated in SEK fell slightly.

Current assets, excluding cash and cash equivalents, totalled NOK 11.6 billion, while short-term interest-free liabilities amounted to NOK 23.3 billion.

At the end of the first half of the year, Statkraft had equity of NOK 39.9 billion. This corresponds to 36.2% of total equity. The decrease of 6.8%-points compared with the start of the year is primarily attributable to the reclassification of the dividend from equity to short-term liabilities.

Business areas

KEY FIGURES AS PER Q2 2007					
BUSINESS AREAS	Statkraft AS	Generation	New	Regional	Other ¹⁾
Figures in NOK million	Group	& Markets	Energy		
INCOME STATEMENT Q2 2007					
Gross operating revenues	7,858	4,682	127	3,341	-293
Energy purchases and transmission costs	-1,455	-322	-6	-1,126	0
Unrealised changes in value energy contracts	-305	-356	0	111	-60
Net operating revenues	6,098	4,003	121	2,326	-353
Operating profit	3,230	2,495	-38	971	-198
Share of income from associated companies	1,456	51	18	433	953
Profit before financial items and tax	4,686	2,546	-20	1,404	755
BALANCE SHEET AS OF 30 June 2007					
Property, plant, equipment, intangible assets	58,177	32,971	1,572	23,163	471
Investments in associated companies	29,969	771	1,284	10,705	17,209
Other assets	21,829	14,051	-1,112	2,024	6,866
Total assets	109,975	47,793	1,744	35,891	24,546
Capital employed, basic	42,469	23,648	1,471	17,500	-150
Maintenance investments	239	119	0	120	0
Investments in new generating capacity	653	318	76	240	19
Investments in shareholdings	906	501	301	104	0

¹⁾ Includes the investment in E.ON Sverige

The structure of the business areas reflects Statkraft's strategic priorities, according to which activities are divided into three core operative areas. The company has further areas including Group functions and financial investments.

Generation & Markets

KEY FIGURES				
GENERATION & MARKETS	Unit	Year to date	The year	
		2007	2006	2006
Gross operating revenues	NOK mill.	4,682	6,285	11,307
Energy purchases and transmission costs	NOK mill.	-322	-565	-898
Unrealised changes in value energy contracts	NOK mill.	-356	-870	1,913
Net operating revenues	NOK mill.	4,003	4,850	12,322
EBITDA	NOK mill.	2,677	3,899	10,251
Operating profit	NOK mill.	2,495	3,526	9,519
Share of income from associated companies	NOK mill.	51	-57	-95
Profit before financial items and tax	NOK mill.	2,546	3,469	9,425
Maintenance investments	NOK mill.	119	216	271
Investments in new generating capacity	NOK mill.	318	1,025	2,195
Investments in shareholdings	NOK mill.	501	156	471
Full-time jobs (equivalents)	No.	805	702	759
Share of Group's gross operating revenues	%	60	71	70
Share of Groups's full-time jobs (equivalents)	%	38	35	36

The Generation & Markets business area ranges from the operation and maintenance of hydropower plants in the Nordic region to extensive physical and financial trading in power across the whole of Europe. The production capacity is 33 TWh of hydropower. The business is experiencing a growth phase, with the two gas power plants in Germany,

Herdecke and Knapsack, and Kårstø Power Plant in Norway due to enter operation in autumn 2007. Production levels are generally flexible.

Highlights in the quarter

The second quarter was characterised by stable operations and there were no major incidents. The business area has focused on its main long-term goals, which are the efficient operation of Statkraft's core business, the build-up of operational and market activities associated with the gas power plants, as well as continuing joint projects within the Nordic region's operating organisation.

German legislation prescribing the allocation of carbon quotas was put before the German Parliament on 6 July, but is yet to be published. It appears likely that 17% of the previously proposed allocation of 7,500 hours will be auctioned off, meaning that the actual allocation for the gas power plants in Germany will correspond to approximately 6,200 hours of annual production.

Financial performance

Generation & Markets posted a profit before financial items and tax of NOK 2,546 million for the first half of the year, which is NOK 923 million lower than in the corresponding prior-year period. This decrease is primarily attributable to the fall in sales revenues from power generation of NOK 1,610 million due to decreases in prices and production. As a result of this, transmission costs also fell by NOK 246 million. Although unrealised changes in value of energy contracts contributed negatively in the first half of 2007, the negative contribution was not as high as in the corresponding prior-year period. Workforce-related expenses increased by NOK 58 million as a result of higher staffing levels and general salary increases. The share of income from associated companies rose by NOK 108 million to NOK 51 million, primarily as a result of unrealised changes in value of energy contracts.

The Generation and hedging segment contributed NOK 2,449 million, which corresponds to 96% of the business area's profit before financial items and tax. Industrial contracts and concessionary power sales

generated 6.2 TWh of production in the first half of the year, and thus generated revenues that were NOK 304 million lower than they would have been had the same output been sold at spot prices. Dynamic hedging for the Nordic hydropower portfolio generated a profit of NOK 991 million in the six months to 30 June 2006.

The Trading and origination segment, including trading activities in the rest of Europe, recorded a profit of NOK 55 million before financial items and tax. All the portfolios are exceeding their profit targets. Baltic Cable contributed a profit of NOK 45 million before financial items and tax.

Operations

Output in the first half of 2007 totalled 15.8 TWh, 6.1 TWh less than in the corresponding prior-year period. The business area achieved a utility-adjusted downtime of 2.6% in the first half of the year, 1.0%-point better than targeted.

The sickness absence rate is stable and was 3.3% for the first half of 2007. There was one lost-time injury in the second quarter, bringing the total to two for the year to-date. There have been a further eight injuries that did not result in absence from work. Although the injury figures are better than in the previous year, they remain unsatisfactory.

No serious environmental non-compliances or serious environmental incidents were reported in the second quarter.

New Energy

KEY FIGURES

NEW ENERGY	Unit	Year to date		The year
		2007	2006	2006
Gross operating revenues	NOK mill.	127	114	286
Energy purchases and transmission costs	NOK mill.	-6	-3	-1
Unrealised changes in value energy contracts	NOK mill.	0	0	0
Net operating revenues	NOK mill.	121	111	285
EBITDA	NOK mill.	-21	22	57
Operating profit	NOK mill.	-38	-12	5
Share of income from associated companies	NOK mill.	18	-2	5
Profit before financial items and tax	NOK mill.	-20	-14	9
Maintenance investments	NOK mill.	0	0	0
Investments in new generating capacity	NOK mill.	76	237	370
Investments in shareholdings	NOK mill.	301	253	253
Full-time jobs (equivalents)	No.	56	42	51
Share of Group's gross operating revenues	%	2	1	2
Share of Groups's full-time jobs (equivalents)	%	3	2	2

The purpose of the New Energy business unit is to safeguard future growth in the Group's electricity output through the development and construction of environment-friendly generating capacity. New Energy is therefore responsible for the construction of the three gas power plants at Knapsack, Herdecke and Kårstø on behalf of Generation & Markets. The business unit covers wind power, small-scale hydropower (through Småkraft AS), other renewable technologies and the Group's ownership of SN Power. Statkraft aims to be a leading player in the development of environment-friendly energy in Europe. New Energy is also responsible for the Group's research and development activities.

Highlights in the quarter

On 11 May the Norwegian Ministry of Petroleum and Energy (OED) granted Statkraft a final licence for the Kjennsvatn hydropower plant in Nordland, which is expected to generate 75 GWh of electricity. A licence application for the project was submitted in February 2004. The increase in prices in the supplier market that has taken place since then, along with specific factors relating to the licence application, are making this a demanding project to implement.

On 5 June the 400 MW gas turbine at the Herdecke Power Plant that is jointly owned with the German power company Mark-E was started up for the first time. The two gas

turbines at the Knapsack plant (total capacity 800 MW) were started for the first time on 11 and 12 July, while the turbine at the Kårstø plant (400 MW) was started on 27 July. All three power plants are expected to be completed during the fourth quarter of 2007.

As planned, the water inlet at the Pålсбу hydropower plant was completed before the snow started to melt. The power plant tested the turbine for the first time on 22 June, and the project is expected to be handed over and enter normal operation during August.

On 25 April SN Power (Statkraft owns 50% of the shares) took over the Magat hydropower plant in the Philippines in collaboration with the Philippine company Aboitiz Equity Ventures. The power plant, which has a capacity of 360 MW, was purchased for USD 530 million following an open, international tender process. The power plant has operated satisfactorily to date.

In June Statkraft signed a letter of intent with Norsk Solkraft to develop and establish power plants based on solar technology. The possibility of collaborating to build larger commercial facilities will be assessed in the future.

Financial performance

The business area posted a loss before financial items and tax of NOK 20 million for the first half of the year, compared with a loss of NOK 14 million for the corresponding prior-year period. In the first half of 2007 gross operating revenues amounted to NOK 127 million, compared with NOK 114 million in the first six months of 2006.

New Energy owns three wind farms with a total installed capacity of 244 MW. These met production expectations in the second quarter. Generally low prices resulted in a year-on-year decline in operating revenues of NOK 3 million to NOK 71 million, despite the fact that there were only two wind farms in operation in the corresponding period in 2006.

Operating expenses increased by NOK 35 million to NOK 159 million in the first six months of the year due to the commissioning of Kjøllefjord Wind Farm and higher activity

levels within project development, innovation and technology monitoring.

Operations

The Ministry of Petroleum and Energy is yet to make a final decision on the granting of licences for the Skallhalsen and Magerøya wind farms in Finnmark, following an appeal by the Norwegian Defence, and the Selbjørn wind farm in Hordaland, following an appeal by the Austevoll local authority and the Green Warriors of Norway.

New Energy is responsible for constructing the gas power plants in Knapsack and Herdecke in Germany and Kårstø in Norway. All the projects are proceeding in line with budget, while, as previously reported, the Knapsack and Herdecke projects are behind schedule due to welding problems being experienced by a subcontractor to the Siemens EPC contractor. The extra costs associated with the delayed delivery are covered by daily fines. The Kårstø project is on schedule. The projects are owned and accounted for by the Generation & Markets business area.

A further two dead sea eagles were found at Smøla Wind Farm during the second quarter, bringing the total number of dead sea eagles found since the wind farm opened to 12. The initiative to extend the research programme that Statkraft launched at the beginning of 2006 is now being realised in the form of several research projects under the guidance of the Norwegian Institute for Nature Research (NINA) with support from the Research Council of Norway (NFR) and other players.

Together with its partner, Catamount Energy Corporation, Statkraft was granted a licence for the Blaengwen Wind Farm in Wales at the end of March 2007. Detailed projecting work and preparation of the tender documentation has now started. The price of wind turbines has increased dramatically during recent years. However, in part thanks to a robust, predictable and long-term support scheme in the United Kingdom, it is highly likely that the project will be completed. The investment decision is planned for autumn 2007. Together with its partners, Statkraft has a total of four projects with licence applications pending in the United Kingdom. These have a total

capacity of 211 MW. A further project for 29 MW is also subject to an appeal hearing.

New Energy has continued its work identifying and developing hydropower projects in Southeast Europe and has now established its own office in Belgrade. Plans to establish offices in two other countries during the autumn are also being formulated. Major interest is being shown in hydropower in the region, and the formulation and establishment of an energy policy in the new countries is expected to be accompanied by high levels of activity within the development and construction of hydropower. Statkraft has pre-qualified to tender for the Cebren and Galiste hydropower projects in Macedonia, which will probably be put out to public tender during 2007.

In line with the Group's more ambitious aims within innovation and research, Statkraft is reinforcing its efforts to produce new environment-friendly power generation technologies, and is in particular focusing on different forms of ocean energy, osmotic power and bioenergy. Innovation work within the Statkraft Alliance is also being reinforced and Statkraft is leading the group appointed by the Ministry of Petroleum and Energy that has been mandated to produce a coordinated strategy for increased research and development work in the Norwegian energy industry (Energi21).

During the second quarter Småkraft AS took the decision to construct a further four small-scale hydropower plants. At the end of the quarter, the company had ten hydropower plants with a total expected annual production of 145 GWh under construction. The company recorded a small loss in the second quarter, in part due to generally low and falling electricity prices.

Work relating to project development is being implemented in Asia and Latin America through SN Power. The company's operational plants generated good earnings in the first half of the year as a result of efficient operations and high electricity prices. As previously mentioned, budget overruns and delays have been experienced at the jointly owned construction projects in Chile (50%) and India (44%). Electricity prices have followed

an upward trend in Chile and India in 2006 and 2007 and so helped safeguard the profitability of both projects. Statkraft's share of income (50%) from SN Power amounted to NOK 18 million in the first half of 2007, which represents an improvement of NOK 20 million compared with the first six months of 2006.

The sickness absence rate in the business area is low, and was 1.0% in the first half of 2007. There were no injuries in the first half of the year.

Regional

KEY FIGURES

REGIONAL	Unit	Year to date		The year
		2007	2006	2006
Gross operating revenues	NOK mill.	3,341	2,466	4,711
Energy purchases and transmission costs	NOK mill.	-1,126	-143	-140
Unrealised changes in value energy contracts	NOK mill.	111	-65	-47
Net operating revenues	NOK mill.	2,326	2,258	4,333
EBITDA	NOK mill.	1,144	1,646	3,019
Operating profit	NOK mill.	971	1,315	2,351
Share of income from associated companies	NOK mill.	433	177	753
Profit before financial items and tax	NOK mill.	1,404	1,492	3,103
Maintenance investments	NOK mill.	120	142	35
Investments in new generating capacity	NOK mill.	240	157	0
Investments in shareholdings	NOK mill.	104	17	0
Full-time jobs (equivalents)	No.	1,088	1,089	1,095
Share of Group's gross operating revenues	%	43	28	29
Share of Groups's full-time jobs (equivalents)	%	51	55	52

The Regional business unit is responsible for managing and developing Statkraft's shareholdings in Norwegian regional power utilities. Statkraft participates in the entire value chain through its shareholdings in these companies. Trondheim Energi, Skagerak Energi and Fjordkraft are included in the consolidated financial statements. BKK and Agder Energi are reported as associated companies.

Highlights in the quarter

The power trading company Fjordkraft has been included in the consolidated financial statements since 1 January 2007. Fjordkraft and Trondheim Energi Kraftsalg are responsible for the Group's power sales to private customers and smaller enterprises. Fjordkraft posted an operating profit of NOK 115 million in the first half of the year, where an amount of NOK 57 million relates to unrealised changes in value of energy contracts.

The new waste incineration plant at Heimdal district heating plant in Trondheim started operation on 13 March 2007, while the official test period started on 5 May. The takeover of the plant is scheduled for the middle of August. The plant will more than double the capacity for waste incineration and will ensure the proper utilisation of waste from households and industry in the region. District heating production is currently just under 500 GWh

and covers one third of the heating requirements in Trondheim. Production is expected to increase to just under 600 GWh by 2010. The new plant will cater for this increase and also boost the share of waste energy to around 75%. The business unit places a strong emphasis on minimising the impact on the environment and ensuring efficient energy utilisation when choosing technical solutions.

Trondheim Energi Nett has taken a number of initiatives to bundle grid distribution companies in Central Norway in the first six months of the year, and has proposed a merger of power and end-user activities at TrønderEnergi, Malvik Everk and Orkdal Energi.

Statkraft has previously taken legal action relating to the tax treatment of interest on the purchase of shares in Agder Energi in 2001/2002. The amount in dispute is just over NOK 100 million. Statkraft was unsuccessful in the High Court and the case has now been referred to the Supreme Court. The High Court ruling will not result in an increased tax expense for the Group, as the amount in question has been recognised in the income statement and paid.

The Norwegian Water Resources and Energy Directorate (NVE) has recommended the expansion of full-scale construction of two-way communications in Norway. If implemented as a requirement, the NVE believes that expansion could be completed before 2013, at a cost of between NOK 4 billion and NOK 5 billion. Skagerak Energi's associated company Telenor Cinclus is well positioned to play a leading role in the expansion in Norway. The subsidiary NOTA signed its first external contract connected with two-way communication in June. This will provide the company with a good opportunity to test out its concepts for service sales and position itself favourably in relation to the further development of this market.

Agder Energi AS and Statkraft AS signed a letter of intent to collaborate on wind power projects in June 2007. The agreement covers the development, construction and operation of wind farms in Norway and the rest of Europe. The agreement was signed on the basis of a common desire to coordinate and leverage the

potential offered by the company's combined skills base and financial capacity. The collaboration is intended to cover joint ownership of the parties' existing and planned wind farms.

Financial performance

The business unit posted a total profit before financial items and tax of NOK 1,404 million. This represents a fall of NOK 88 million compared with the corresponding prior-year period and corresponds to 30% of the Group's total profit before financial items and tax.

Gross operating revenues in the first half of the year totalled NOK 3,341 million, which corresponds to 43% of the Group's revenues. The business area posted an operating profit of NOK 971 million during the same period, compared to NOK 1,315 million in the first six months of 2006. There was a significant year-on-year reduction in the market price of electricity compared with the same period in 2006, which particularly adversely impacted the subsidiary Skagerak Energi.

The associated companies, primarily Agder Energi and BKK, contributed a share of income estimated at NOK 433 million, which represents an increase of NOK 256 million compared with the first six months of 2006.

The Generation and hedging segment accounted for NOK 1,057 million of the Regional business unit's profit before financial items and tax. Grid operations contributed NOK 275 million, power sales to end-users NOK 109 million and district heating NOK 41 million. The net effect from the other segments and shared services was a negative contribution of NOK 78 million.

Operations

On the whole, the business unit's companies maintained stable operations and production levels in the first half of the year. However, the subsidiary Skagerak Energi experienced a turbine breakdown at Åbørja Power Plant in May, in which a large section of a turbine blade fell off. The damage was repaired in two weeks, and the net losses were limited to less than NOK 2 million.

The subsidiaries generated 4.7 TWh of electricity during the first half of the year,

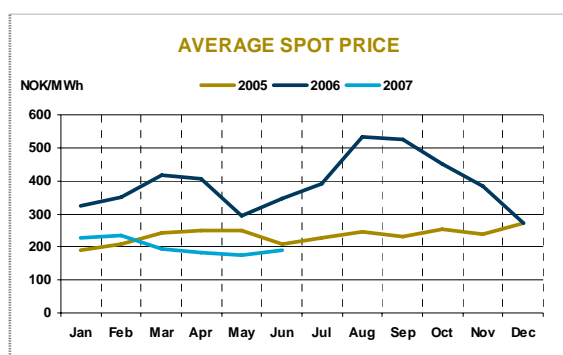
which represents an increase of 0.1 TWh compared with the first six months of 2006.

The sickness absence rate in the business area was 4.7% in the first half of 2007. There were two lost-time injuries in the second quarter.

Markets

The Nordic power market

The spot price on the Nordic market was significantly lower in the first half of 2007 than in the first six months of 2006. Prices in the period were primarily impacted by a strong hydrologic balance. Precipitation was higher than normal and consumption was low due to the relatively warm weather. The average spot price for the first half of 2007 was NOK 200/MWh, compared with NOK 356/MWh for the first half of 2006 and NOK 225/MWh for the first half of 2005.



Year-on-year consumption fell in the first half of 2007. Total power consumption in the Nordic region was down 5.8 TWh (-2.8%) in the first half of 2006. Total year-on-year consumption in Norway fell by 2.4%, primarily as a result of a decrease in general consumption and electric boiler consumption. At the end of the first six months of the year, general consumption in Norway totalled 44.4 TWh, which represents a fall of 4.4% compared with the corresponding prior-year period. The first half of the year, and in particular the first quarter, were significantly milder than normal and general consumption adjusted for temperature fluctuations in the first six months of the year was 46.9 TWh, a like-for-like increase of 0.5% compared with the previous year.

The Nordic power generation area produced 2.3 TWh less (-1.1%) electricity in the first half of the year than in the first six months of 2006. In the first half of the year Norway made net exports of TWh 2.1, compared with net exports of TWh 1.1 in the six months to June 2006. Net imports to the Nordic market in the

first six months of 2007 totalled 0.8 TWh. Although low production and high imports were expected in light of the low level of water in the reservoirs at the start of 2007, large volumes of precipitation and low consumption meant that the opposite proved to be the case. The Nordic market primarily imported from Russia and Estonia, while it made net exports to Germany.

POWER CONSUMPTION AND OUTPUT IN THE NORDIC AREA

TWh	Q2			Change 2006-2007
	2007	2006	2005	
Nordic consumption	204.0	209.8	200.6	-2.8 %
Nordic output	203.2	205.5	202.1	-1.1 %
Net Nordic imports (+) / exports (-)	0.8	4.3	-1.5	-
Norwegian consumption	64.7	66.3	65.3	-2.4 %
Norwegian output	66.8	67.4	70.8	-0.9 %
Norwegian imports (+) / exports (-)	-2.1	-1.1	-5.5	-

Sources: "Nord Pool Nordic electricity market information" for the weeks 26/2007, 26/2006 and 26/2005, and "Nord Pool Landsrapport Norge" (Nord Pool Country Report Norway) for the weeks 26/2007, 26/2006 and 26/2005.

At the end of June 2007 the total water level in the Nordic region's reservoirs was 105.2% of normal levels and 72.3% of maximum reservoir capacity.

HSE and the workforce

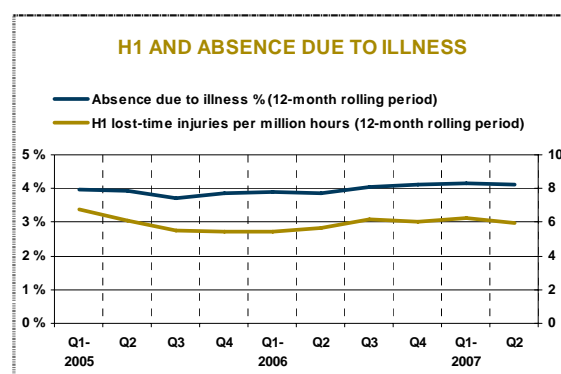
As of 30 June 2007 the Group employed the equivalent of 2,114 full-time employees, 27 more than at the end of 2006. The increase is attributable to project development, innovation activities and the development of gas expertise.

KEY FIGURES, HSE

STATKRAFT AS GROUP	Q2		
	2007	2006	2005
Full-time jobs (equivalent) 30 June	2,114	1,998	1,930
H1 (lost-time injuries per million hours)	3.1	6.9	5.9
H2 (all injuries per million hours)	9.2	12.9	14.2
F (days lost through injury per million hours)	38	83	187
Absence due to illness (%)	3.3	3.4	4.1

Three lost-time injuries were recorded in the Group in the second quarter of 2007, compared with seven in the second quarter of 2006. The H1 indicator for the second quarter of the year was 3.1. This represents a significant improvement on the result for the second quarter of 2006 (6.9). Two of the lost-time injuries occurred at Trondheim Energi while one lost-time injury was experienced in Generation & Markets. The causes of all the incidents were investigated, and remedial measures were taken where relevant. No lost-time injuries were reported at the Group's suppliers in the second quarter.

The sickness absence rate for the second quarter was 3.3%, 0.1%-point lower than in the corresponding prior-year period. The target for the Statkraft Group is to achieve a sickness absence rate of less than 4% in 2007. A joint health project, "Energy for Life", which aims to encourage physical activity and health-promoting measures in each unit is being implemented throughout the Group in 2007.



The Group experienced no serious environmental non-compliances or serious environmental incidents in the second quarter. However, there were nine less serious environmental non-compliances; three, two, one and one non-compliance(s) with minimum water flow rate requirements at Daleelva, Stennäs (Sweden), Hogga dam and Hyljehyl respectively, inadequate cleaning of outlet water from Bjerka gene bank and one non-compliance with internal routines for waste sorting. There were also seven less serious environmental non-compliances, primarily in connection with minor oil discharges and two dead sea eagles. No serious environmental consequences were recorded, and the non-compliances were managed in accordance with the units' non-compliance systems.

The Group established a specialist environmental network during the second quarter of 2007. The purpose of the network is to improve the coordination of the Group's specialist environmental work at both operating and strategic level. The network is due to start operations during the third quarter of 2007.

Outlook

High inflows into the water reservoirs during the first half of the year and relatively good snow reservoirs have resulted in a robust resource situation and low spot prices. Forward contract prices are higher for the end of the year. Assuming normal future inflow conditions, production is expected to be lower than in 2006. The Group therefore expects to generate lower revenues from ongoing production in 2007 than in the previous year, but to achieve a higher contribution from hedging operations. In overall terms, the forecasts point to a further good annual result for the Statkraft Group in 2007. However, significant uncertainty attaches to price developments and thus revenue and profit forecasts.

The Group focuses strongly on innovation and the development of new technologies for power production, and places particular emphasis on ocean energy, osmotic power and bioenergy. Work on the development of profitable new investments in water, wind and gas power in the Norwegian and European markets will be continued.

On the development side, the focus is on testing and commissioning of Statkraft's two gas power plants in Germany and Naturkraft's plant at Kårstø in Norway. All three gas power plants are scheduled to start operation in autumn 2007.

Following the merger of Statoil and Hydro, the merged company will be joint owners in and co-toller and gas suppliers to the Kårstø gas power plant. This development further highlights the need for a flexible option for selling gas to the market. Statkraft is actively working to find solutions to this problem.

The Norwegian government presented its Ownership Policy on 13 June, which confirmed the guidance contained in the Ownership Report presented in December 2006. Both support Statkraft's vision of being a European leader in environment-friendly energy and participating in industrial developments in Norway and the rest of Europe.

Important future framework conditions for climate policy are currently being established in both the EU and Norway. The most important result to date can be seen in the establishment of ambitious targets for the reduction of greenhouse gas emissions. The formulation of targets and establishment of policy instruments to be used as part of the climate policy will have an important bearing on power markets and the choice of energy carriers for new investments in power production. More ambitious targets and further development of the European carbon quota market are expected to underpin Statkraft's focus on environment-friendly energy in the years to come.

Oslo, 15 August 2007
The Board of Directors of Statkraft AS

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