



Statkraft

**STATKRAFT MARKETS GMBH
ANNUAL REPORT 2006**

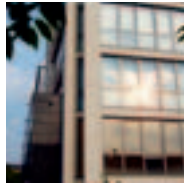
**PURE
ENERGY**

KEY INDICATORS OF STATKRAFT MARKETS GMBH

	2006	2005	2004	2003
Amounts in million €				
Sales	1,940.0	1,266.0	901.1	1,191.6
EBIT	13.3	8.0	2.6	13.0
Profit before taxes	4.9	7.7	3.9	16.1
Profit after taxes	2.7	5.5	3.0	13.7
Cash flow of continuous operations	-45.0	77.3	14.9	31.3
Cash and cash equivalents	8.8	7.5	49.3	49.6
Net working capital	-29.8	-67.1	48.8	61.0
Balance sheet total	408.6	294.7	91.9	121.1
Equity	180.1	162.4	60.0	66.9
Equity ratio (%)	44.1	55.1	65.3	55.3
Number of employees	59	44	45	40

EVENTS IN 2006

Foundation of Statkraft South East Europe EOOD in Bulgaria



Creation of new divisions, Portfolio and Asset Management



Statkraft was awarded for being one of the best investors by the Society for Economic Promotion of North-Rhine Westphalia (Gesellschaft für Wirtschaftsförderung NRW)

Continuous construction of the combined-cycle power plant (CCGT) in Knapsack



Employment of 30 new members of staff at the Knapsack plant

Continuous construction of the combined-cycle power plant in Herdecke



Set-up of the new business area Multi-Commodity Trading



Signing of contract with Fortum for plant management in Knapsack

In 2006, we set up new offices, took up new business activities and put many new things in motion. To achieve all this, we needed people that were able to support us: energy traders and technicians, power station engineers and risk managers.

Each of these new employees has made us stronger and contributed to accomplish even more.

This is what we call pure energy.

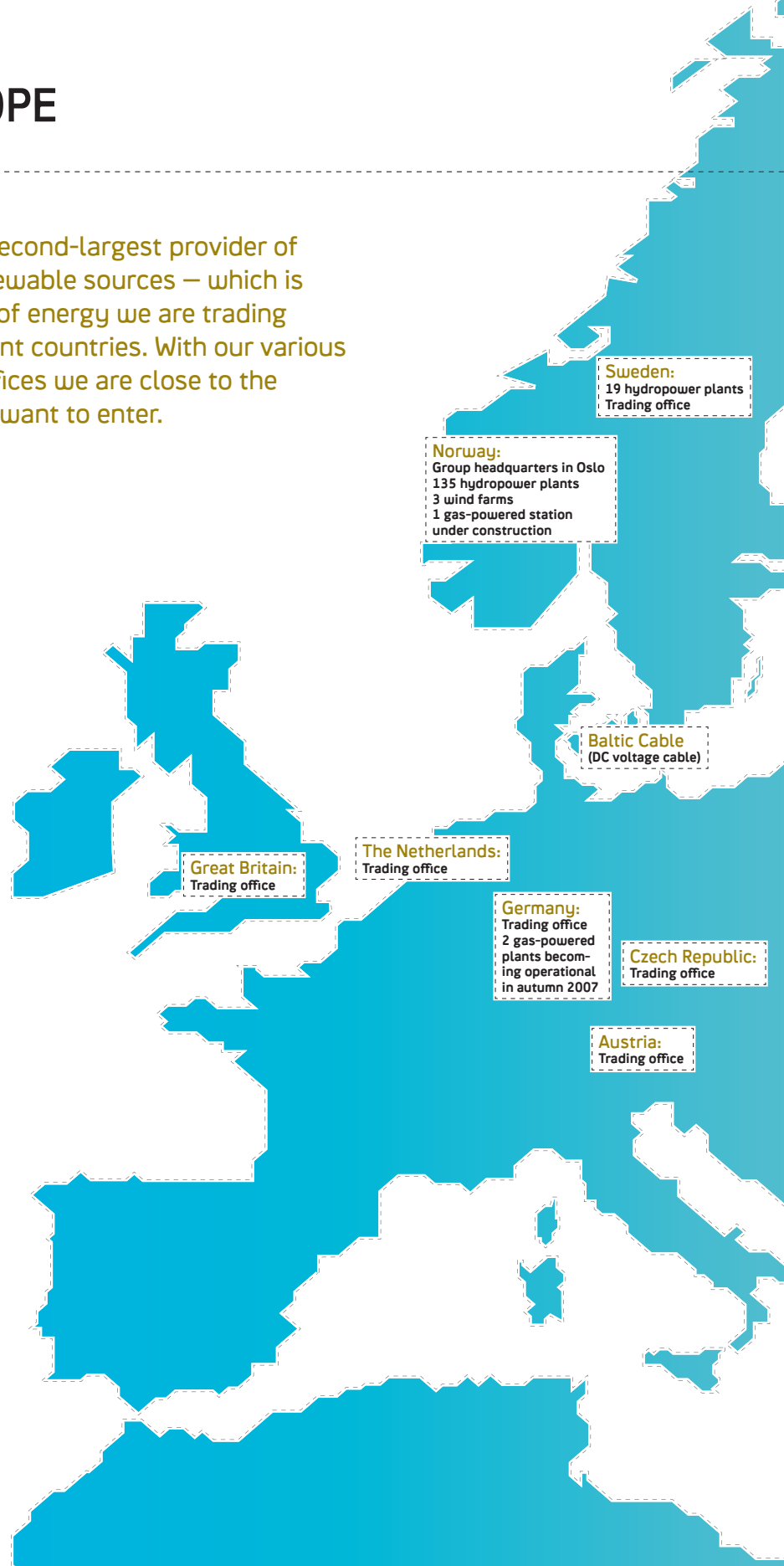


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STATKRAFT IN EUROPE

Statkraft is the second-largest provider of energy from renewable sources – which is exactly the kind of energy we are trading across 15 different countries. With our various branches and offices we are close to the markets that we want to enter.



Finland:
4 hydropower plants

Slovakia:
Trading office

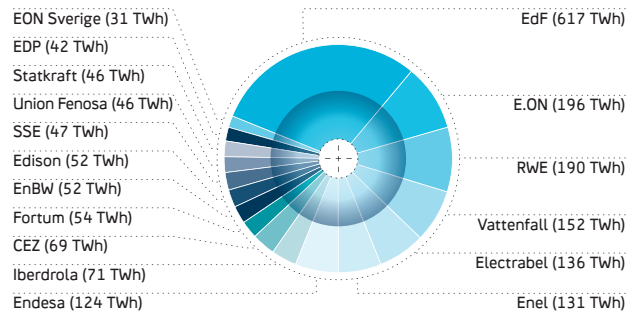
Hungary:
Trading office

Romania (from 2007):
Trading office

Serbia (from 2007):
Trading office

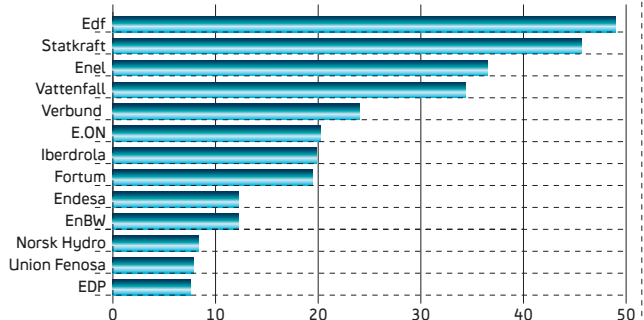
Bulgaria:
Trading office

THE LARGEST EUROPEAN ELECTRICITY COMPANIES IN 2006



Source: Financial presentations and 2006 Annual reports.

ELECTRICITY PRODUCED FROM RENEWABLE ENERGY SOURCES, EUROPE 2006 (TWh)



Source: Annual reports

KEYNOTE ADDRESS FROM JØRGEN KILDAHL, CEO OF STATKRAFT ENERGI AS

Pure energy. This statement aligns our proven business concepts with the demands of the future. Especially in light of the inevitable liberalisation of markets in continental Europe on the one hand, and the challenges due to climate change on the other.

We focus on the long-term creation of value based on three main areas: firstly, environmentally friendly power generation; secondly, operations, maintenance and energy optimisation; and last but not least, trading and origination. We manage these activities in an integrated manner in one business unit throughout the whole of Europe, as we view that Europe will become an integrated market in the future.

Accordingly, we will follow our growth ambitions in continental Europe. Our continental trading operations have been very successful since the start-up in 1998 – and 2006 has proven to be the best year ever. This organisational set-up is the basis for our competitive edge, and illustrates that we have acquired a thorough understanding of the market. Equally important are the processes that we are currently establishing in order to operate our three combined-cycle power plants in Knapsack, Herdecke and Karstø, where production will commence in autumn 2007. We will then have integrated generation, energy management, including gas procurement, and our existing trading operations.

This will be our platform for expansion throughout the continent as the market facilitates further growth in generation, both in terms of selected acquisitions and organic growth. In this respect, I hope that we can continue the close cooperation with our customers and partners, for which I am extremely grateful. Statkraft will go on with providing the very best support – with pure energy.



JØRGEN KILDAHL
CEO, Statkraft Energi AS



“ 2006 WAS THE BEST YEAR EVER. THIS SHOWS
THAT WE HAVE GAINED A THOROUGH
UNDERSTANDING OF THE MARKET. ”

FOREWORD FROM THE MANAGEMENT TEAM



Our business is all about pure energy. In a world that faces both growing energy demand and serious challenges in climate change, our core product – providing energy from environmentally friendly sources – is in more demand than ever. Climate change and energy forms a part of global politics, but it is also a source of concern for each individual. Together with our customers and our partners, we can make a difference and be part of the solution. It is time for pure energy.

Pure energy also means that we stay focused on our continental Europe activities: we want to grow in the environmentally friendly production and trading of energy and related commodities. We will continue our search for partners that are willing to cooperate with us to set up new hydropower plants, wind power and, last but not least, CCGT plants. We offer a broad range of solutions in this respect. Moreover, we regard Europe as one market where, eventually, the best expertise and skills of our staff, as well as the know-how, will be the crucial factor in our success.

“ CLIMATE CHANGE AND ENERGY FORMS A PART OF GLOBAL POLITICS, BUT IT IS ALSO A SOURCE OF CONCERN FOR EACH INDIVIDUAL. TOGETHER WITH OUR CUSTOMERS AND OUR PARTNERS, WE CAN MAKE A DIFFERENCE AND BE PART OF THE SOLUTION. ”



DR TORSTEN AMELUNG
Managing Director

STEFAN-JÖRG GÖBEL
Head of Origination
Continental Europe

VIRPI LEHTINEN-GREIS
Head of Finance and
Controlling

HELGE-JÜRGEN BEIL
Head of Energy
Projects

FREDERIC BEUCHER
Head of Trading

STEF PETERS
Head of Renewables
and Emissions

In retrospect, when we look back on 2006 we see a year that has been our best in terms of trading results, and we are indebted both to our partners and customers that chose to develop innovative and intelligent solutions with us. Moreover, we want to say thank-you to our employees – the decisive factor in our past, present and future development.

pure

Communication is the most important thing in our business. Understanding what our partners want. Gathering information. Offering our products and solutions. Sharing our experiences. It is always about two sides that will need to understand each other. The aim is simply, in the end, to achieve an agreement and a solution – ideal for both parties.



dialogue



The energy business changes on a daily basis. What works well in the market today may well be out of fashion tomorrow. That is why we constantly develop new and improved solutions. And it is our highly qualified staff from 16 countries, with all its experience and skills, which is our creative force and highest value.

pure

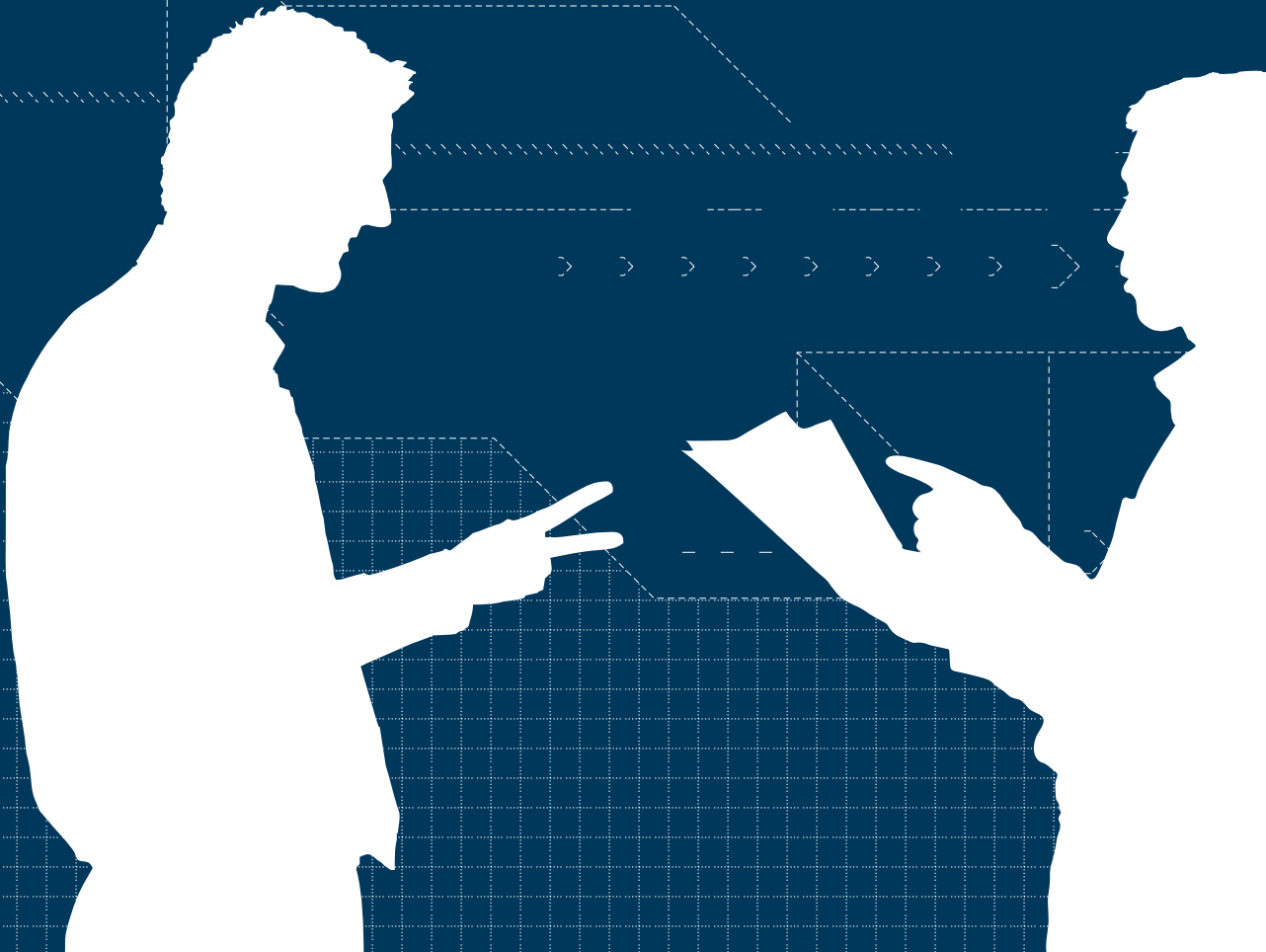


creativity



In the energy industry, we produce thousands of figures every day. With 15 years of experience in liberalised markets, we help our partners to understand the stories and reasons behind pure facts. This enables our customers and our partners to make the right decisions. That is real value.

pure



values

	2003	EEX	2004	EEX	2005	2006
	23.83		25.57		40.20	
	21.10		26.51		37.81	
	29.05		27.35		46.67	
	35.90		27.32		45.34	
	31.29		29.25		38.16	
	29.18		31.63		48.24	
	33.98		29.74		47.54	
	30.93		29.42		69.63	
	28.47		29.74		62.62	
	29.51		28.50		45.99	
						30.81
EEX	2003	EEX	2004	EEX	2005	2006
	11.66		36.17		39.90	97.34
			40.09		52.16	83.84
	30.99		32.12		60.50	80.77
	30.19		38.11		50.72	88.17
	48.79		40.11		47.03	40.73
	57.93		37.47		66.76	84.14
	49.35		37.71		59.29	134.34
	39.43		40.51		49.08	80.17
	47.35		39.70		63.32	84.35
	42.71		38.78		63.12	80.41
	37.56		38.46		109.03	78.72
	42.83		37.69		94.15	57.85
					62.92	73.38
EEX	2003	EEX	2004	EEX	2005	2006
	19.89		23.26			
	28.69					

MANAGEMENT REPORT FOR THE BUSINESS YEAR 2006

Last year was certainly an eventful year, and the future also holds many changes for us. Our move into energy production on the continent means a paradigm shift, which also brings us to the increasingly important issue of CO₂. Now additional trading offices are set up in South-East Europe. That's for sure: Statkraft Markets has arrived in the middle of Europe.

As in previous years, the business unit Statkraft Markets Continental has proven to be successful in 2006. This business unit comprises of Statkraft Markets GmbH in Düsseldorf, as well as its subsidiaries, Statkraft Markets B.V. in Amsterdam, Knapsack Power GmbH & Co. KG in Düsseldorf as well as Statkraft South East Europe EOOD in Sofia. As in previous years, the activities of Statkraft Markets Continental comprised of trading with power, fuels and CO₂ in continental Europe, as well as supporting our parent company, Statkraft AS located in Oslo, in the development of power plant projects in continental Europe.

In 2006, Statkraft Markets Continental trading activities were successful as never before.

The trading of energy and related commodities reached the highest profits since the establishment of Statkraft Markets Continental. This success was mainly due to the trading with structured products, CO₂ and related derivatives and electricity spot trading. Moreover, the construction of Statkraft's two combined-cycle power plants in Knapsack and Herdecke continued according to plan. The structure and the organisation of the enterprise were adjusted to prepare for the power plants becoming operational and the regional expansion towards East and South-East Europe.

MARKET DEVELOPMENT

The European energy markets have faced a lot of changes. One reason for this has been the regulating of the electricity, gas and CO₂ markets. However, another reason has been the number of takeovers and mergers of some market players, which caused a movement in the distribution of power. This, in turn, has resulted in increasing demands from the regulators for more transparency.

In 2006 as in previous years, we have seen a consolidation of the various markets because of increased activities in mergers and acquisitions. For the trading business, this results in a decline in the number of eligible trading partners. This effect, however, was more than compensated for by more and more companies from outside the industry, such as banks and funds increasing their business activity in the energy trading market. This has led to an increase in liquidity in trading volume on all European wholesale markets.

The regulating authorities are pushing for a quick opening up of the electricity markets in Central Europe.

The set-up of the European power markets shows a high involvement of the European Commission and the national regulators, demanding further steps in opening the market in Central Europe. As a result, the standards for market transparency, fair access to markets as well as the non-discriminatory behaviour of transmission companies have improved substantially in North-West Europe. As the integration of the formerly national power markets is proceeding, one can increasingly observe a correlation of the spot and term markets. However, the transparency in electricity trading, as well as the situation with regard to the grid connection of new power plants in Germany, continue to be an issue. In this respect, the continental power markets continue to be underdeveloped when compared with the Nordic market.

The gas market is being stimulated due to regulations and is changing noticeably.

The impact of the regulator can also be seen on the gas markets. The adjustment of the regulatory framework in Germany and the respective introduction of the entry-exit system can be regarded as a milestone in the development of a truly European gas market. However, the large number of balancing zones does not allow wholesale trading on the national level for the time being. In Benelux, liberalisation has changed the business already. The share of short-term deliveries has increased substantially, whilst we see growing gas-to-gas competition on the continental market that is not contractually tied to oil and coal prices. This is the positive impact of the gas market in the UK that is developed ahead in terms of openness and liberalisation.

A lack of transparency in the CO₂ market leads to large price fluctuations.

The market for CO₂ Emissions Trading Allowances (EUAs) revealed a substantial increase of trading volume in comparison to 2005. The emissions market still shows large price fluctuations reflecting concerns regarding the political risk and the respective lack of transparency involved. Therefore, the publications and the resulting expectations regarding the allocated EUAs in spring 2006 led to a dramatic decline in prices for the first trading period. However, the prices for CO₂ certificates remain so high that they lead to a realignment of power plant dispatch and the merit order resource planning.

Another source of uncertainty in the medium term is the modification of the allocation mechanism for the second trading period 2008 to 2012. Initially the German government had promised to allocate all the necessary EUAs for 14 years for new power plants to be built in Germany ex-post and for free. This law was the basis of the investment decision of Statkraft to build two combined cycle gas turbine (CCGT) plants in Germany. However, in the meantime, this legislation has been rejected by the European Commission, which highlighted possible discriminatory applications as well as subsidy issues.

The current version of the National Allocation Plan II of Germany would only settle the free allocation of CO₂ allowances for the second trading period 2008 to 2012, thus adding substantial political risk to newly built projects.



The trading floor
in Düsseldorf

BUSINESS DEVELOPMENT

Throughout 2006, our business operations have developed positively. In the production area we have continued to follow in the previous year's chosen route and have developed our own production sites. With regard to trading, there has also been a lot of change. Our traders now utilise many new opportunities and are active in new business fields.

Generation and portfolio and asset management

In 2006, the construction works for the two CCGT power projects in Herdecke (near Dortmund) and Hürth-Knapsack (close to Cologne) continued. Both power plants are built on brown-field sites, thus replacing old coal- and lignite-fired power plants. This replacement leads to an annual CO₂ reduction of three million tons.

Both new power plants are anticipated to become operational in 2007.

The 400-MW power plant in Herdecke is a joint venture with Mark E, a regional utility with its headquarters in Hagen/Germany. Each partner has a 50% share in the project. The 800-MW plant in Knapsack is 100% owned by Statkraft. A long-term power purchase agreement has been concluded with Essent Energy Trading B.V., a subsidiary of the Dutch utility Essent, which thus became an important partner in this project.

Both power plants will be operational toward the end of 2007. In order to operate the power plants 30 new employees have been recruited in Knapsack. Moreover, an operation agreement has been signed with Fortum. In order to secure the resource planning and the asset management, a new portfolio and asset management business area was established in September 2006. Hence, the number of employees in Statkraft Markets GmbH in Düsseldorf increased by about 20.

Energy trading

The energy trading of Statkraft Markets experienced further expansion in 2006. This was particularly due to the success in spot trading and cross-border trading. In 2006, Statkraft Markets Continental traded across 16 national borders in Europe. Originally, the starting point of this activity was the Baltic Cable, which is 67% owned by Statkraft Energi AS and managed by Statkraft Markets GmbH. In addition, substantial contributions to the business have been attributed to the buying and structuring of so-called "virtual power plants". Statkraft Markets is actively trading all energy-related commodities and thus can enter and manage contractual agreements on the purchasing capacity of gas and coal-fired plants and hydropower.

The gas trading activities focused on trading the National Balancing Point (NBP) in Great Britain, the Dutch Title Transfer Facility as well as the Zeebrugge-Hub in Belgium. As a consequence of the two new gas-fired projects in Germany, gas trading will receive increased attention. For those customers who want to hedge their oil-price risk, Statkraft Markets GmbH is offering fixed-for-floating agreements. These deals have been concluded by the Statkraft Markets Financial Services GmbH, as they hold the necessary banking licence.

Furthermore, a new trading area, Multi-Commodity Trading, was set up. Its goal is to model the correlation between electricity and related commodities like gas, oil, coal and CO₂, and to use this for trading purposes.

Origination and business development

The origination business of Statkraft Markets focuses on all non-standard transactions in power and gas. In particular, schedules have been quite successful in contributing to the power business. In the gas business, Statkraft Markets Continental did its first transactions within Germany by delivering quantities of gas to regional utilities.

Another major activity has been business development in East and South-East Europe. As a result of Statkraft's expansion, regional entities have been set up in Sofia/Bulgaria on 30 January 2006, and on 9 March 2006 in Budapest/Hungary, Statkraft Markets Hungária Kft. It is planned to open additional trading offices to support the business.

The close cooperation with ewz (Switzerland), Braunschweiger Versorgungs-AG & Co. KG BVAG (Germany) and Salzburg AG (Austria) has continued in 2006. Statkraft Markets GmbH provides market analysis as well as portfolio and risk management know-how to these regional utilities.

New subsidiaries in Bulgaria and Hungary are important steps to enter the eastern and south-eastern power market.

New products in the CO₂ area have stimulated trading in 2006 significantly.

Renewable energy and emissions

Trading with renewable energy and emission certificates was very successful in 2006. Amongst other factors, this was also due to the strong growth in trading volumes of European Carbon Emission Allowances (EUAs) and respective derivatives. Statkraft Markets successfully launched new products in this segment, such as EUA leasing and EUA options. Thus, the trading with emission certificates has been a successful business from the very start. The trading of emission certificates also looks quite promising in terms of further growth ambitions.

Especially the trading with those certificates derived from the Clean Development Mechanism (CDM) and the Certified Emission Reductions (CER) offers new business opportunities. Statkraft Markets GmbH is managing a broad portfolio of CDM projects and has been successful in offering CER-EUA swaps. In the future, this portfolio will be supplemented by emission certificates from joint implementation projects developed under the Kyoto protocol. Another important contribution was due to the marketing and trading of renewable energy certificates to utilities that need or want to sell green power to their retail customers. Statkraft is in the position to procure certified renewable energy throughout Europe, and sell this green electricity across national borders. Statkraft Markets GmbH has concluded sales contracts with British, German and Dutch customers, while the green power is mainly sourced from Scandinavia.

Energy projects

Energy projects is to focus on the commercial origination of assets and investment-type projects in continental Europe. In the first half of 2006, a major emphasis was placed on contractual and regulatory aspects regarding the two CCGT projects in Germany. New projects like the development of power generation on the basis of bio fuels had been started and later discontinued as a result of potential environmental issues due to the production of the bio-fuels. In addition, infrastructure projects like sub-sea cables and gas storage projects have been initiated.

Operating result

Statkraft Markets GmbH traded 38 TWh of electricity in 2006. This is an increase of 27% compared to 2005. Turnover increased by more than 50% to EUR 1.9 billion. The trading result was the best since the establishment of the company in 1998. However, according to the accounting principles of the German Commercial Code (HGB), unrealised profits are not taken into account. Hence, the results from trading according to the German Commercial Code (HGB) show a decline of the gross margin of EUR 7.0 million. Also, on account of the high positive market value of the portfolios, we anticipate also in future profits from trading business to be on a stable level. Personnel expenses increased from EUR 5.0 million in 2005 to EUR 6.3 million in 2006. Other operating expenses declined from EUR 13.5 million to EUR 8.5 million. This decline is due to provisions of EUR 5.5 million in 2005 for the assumption of losses from the power plants. Disregarding this effect, the operating expenses only increased by EUR 0.5 million. Amortisation and depreciations significantly increased due to high investments in IT systems.

The financing of the power plant projects in Germany have been taken over by Statkraft Markets GmbH. As a result, interest expenses increased from EUR 1.1 million to EUR 3.5 million. In addition, income from participations and profit and loss transfer agreements contributed EUR 0.4 million to the results.

The results from ordinary activities amount to EUR 4.9 million in 2006, which is EUR 2.8 million less than in 2005.

Statkraft Markets GmbH realised a total net income for the year of EUR 2.7 million in 2006.

The balance sheet total increased by EUR 113.9 million to EUR 408.6 million. The increase notably results from the investments in power plants.

The equity of Statkraft Markets GmbH is solid and its credit standing with banks is excellent.

Net asset position and financial position

The construction of the power plants has led to a strong increase of the capital needs of Statkraft Markets GmbH. This has been fulfilled by a capital increase in the order of EUR 15 million, and to the largest extent, through long-term parent company loans. The increase of the latter caused the decline of the equity ratio from 55% in 2005 to 44% in 2006. The equity amounted to EUR 180.1 million as of 31 December 2006. Statkraft Markets GmbH is embedded into the cash pool system of the parent group. The company is endowed with sufficient internal credit lines in order to ensure the financing of the power plant projects. The profit of the business year 2006 is carried forward onto new account. Given the outstanding endowment with equity and liquidity, Statkraft Markets GmbH maintains a very high credit standing and counterparty rating.

Human resources development

The number of staff was 59 as of 31 December 2006, and averaged 52 in 2006. The employees and the quality of their work leverage the value of the company most importantly. Continuous training and human resources development programmes are to guarantee the high qualification of our staff in the future.

Information is a resource for us and is the basis for our business activities.



Risk management identifies and evaluates all financial and economical risks that arise from Statkraft Markets Continental's trading activities.

Risk management

Statkraft Markets GmbH engages in trading activities involving various risks with respect to commodity prices and IT systems. Risk management is given a high priority at Statkraft Markets GmbH.

The business of Statkraft Markets GmbH, and thus the risk policy, encompasses trading in standard-term contracts as well as structured products. A large part of the scheduled deals and structured products are hedged. Moreover, term contracts are concluded for speculative trading complemented by short-term hedges. The sum of these activities should result in a positive margin. Thus, Statkraft Markets GmbH is exposed to risks that can lead to fluctuations in profit, equity and cash flow. In order to identify and manage these risks in time, risk management guidelines have been set up that are part of the corporate management.

The risk management policy regarding the different business segments is decided by the Risk Management Committee. The Middle Office has a pivotal role in risk management, performing the day-to-day running of Statkraft Markets GmbH's risk management system and providing independent professional advice. Middle Office managers analyse all new deal opportunities and prepare risk assessments to support the management team in making decisions. This increases risk awareness and ensures efficient risk mitigation. Moreover, Middle Office prepares daily and weekly risk reports on Statkraft Markets GmbH's market positions. These reports are discussed and evaluated by Statkraft Markets' management team.

Risk is managed within a system of mandates and limits. Contracts can only be closed within these limits. These limits are defined both for counterparty risk and for market risk, the latter being measured by using the value-at-risk (VAR) or the profit-at-risk (PAR) methodologies. Middle Office supervises the portfolio as well as the total risk of the company. In order to avoid breach of limits, Middle Office takes care that open positions are closed in time to limit the risks, as defined in the limits and the mandates.

Counterparty risk is managed through an internal rating process. The credit limit for each counterparty is monitored and periodically reviewed, whilst current exposures are reported regularly. The rating and limit system helps to focus on counterparties and customers with a good rating. Counterparty risk for financial derivatives is measured by taking into account positive market values.

Risks arising from the fluctuation of liquidity resulting from the use of financial instruments such as forward contracts, are managed by regular monitoring of medium- and long-term cash flow and the daily management of cash flow.

The Murex trading platform has been implemented to a large extent and is opening up new opportunities for our business.

In autumn 2005, Statkraft Markets GmbH started to migrate the MX trading platform. This new trading and risk management system, developed by Murex for energy companies, benefits from Murex's expertise in the financial markets. The system enables an even more timely and transparent risk assessment of all portfolios. At Statkraft Markets GmbH, live testing for a number of key trading books was performed in 2006. That phase showed a delay of the migration process. Completion of the planned migration is scheduled for 1 July 2007.

Statkraft Markets GmbH's systems have a high degree of redundancy for all core operations. Extending this philosophy, multiple staff members are trained in all key processes, to ensure that essential skills are always available. The risk management system is monitored by internal auditing verified by external auditors at the year end audit.

OUTLOOK

Two new power plants, new sites in South-East Europe, a new trading platform, an increasing climate debate and public awareness of CO₂, as well as a growing self-confidence on the basis of our success: Statkraft Markets' position for the future is excellent.

In February 2007, Statkraft launched its new strategic platform for 2007 to 2009. The strategy follows the guideline "Pure Energy and Sustainable Growth". Statkraft Markets Continental's future activities in continental Europe will focus on growth in environmentally friendly power generation as well as expansion of trading in energy and all related commodities. Given this strategy, Statkraft is in an excellent position to take advantage of the continuing liberalisation of energy markets in Europe and the challenges following the debates on climate change, as this will result in the inevitable reduction of CO₂ emissions and the resulting price increases in emissions certificates.

In spring 2007, Statkraft Markets will finalise the preparations for the commercial management of the two new power plants that are planned to be operational at the end of 2007. At the same time, high priority will be given to project development for new power plants. In this respect, the main focus is on the new combined cycle gas power plants (CCGTs) in North-West Europe, wind projects in the UK and hydropower projects in South-East Europe. The aim is to realise these projects together with partners in the respective region.

In trading, Statkraft Markets will look for both geographical and business diversification. More resources will be allocated to Multi-Commodity Trading. A sophisticated understanding of all physically connected power markets and the underlying commodities including CO₂ and fuels, is an essential prerequisite to maintain our competitive edge in the years to come. In cross-border trading, we will have to migrate our business approach to new markets to compensate for the erosion of margins in our current business.

The liberalisation of markets and the improvements in cross-border capacity will continue to reduce the price differences between countries and thus, also the margins in cross-border trading. Geographically, South-East Europe will be at the centre of our business development, as we plan to open trading offices in Belgrade and in Bucharest.



Our gas trading activities will focus on the supply of spot gas for our new CCGTs. In this respect, the slow and hesitant process of market growth in Continental Europe, and specially in Germany, constitutes a risk that will challenge the business of Statkraft Markets GmbH in the future.

In the field of emissions trading, we will offer new and innovative products to our customers. A clear downside on the emissions trading market is the continued political risk regarding the national allocation plans for the second trading period and the political commitment for the post-Kyoto era. Given the importance of the emissions market for power production, this segment will become a core business for Statkraft Markets.

In conclusion, there will be both, opportunities and risks, resulting from the new architecture of European energy markets that will be triggered by competition policy and tax aspects. Even though these changes will impose challenges, they are necessary to facilitate an integration of European energy markets.

Düsseldorf, May 2007

A handwritten signature in black ink, appearing to read 'T. Amelung', written in a cursive style.

Dr Torsten Amelung
Managing Director

BALANCE SHEET AS OF 31 DECEMBER 2006

Assets	31 Dec. 2006 (EUR)	Previous year (EUR '000)
A. Non-current assets		
I. Intangible assets		
Software	84,094.54	79
II. Property, plant & equipment		
Operational and business equipment	1,071,174.09	976
III. Financial assets		
Shares in associated companies	323,962,263.89	225,719
	325,117,532.52	226,774
B. Current assets		
I. Receivables and other assets		
1. Trade accounts receivable	46,658,411.01	51,792
2. Receivables from associated companies	489,458.31	415
3. Miscellaneous assets	12,723,722.44	5,432
	59,871,591.76	57,639
II. Liquid assets, cash balances in banks and cheques		
	8,752,707.69	7,474
	68,624,299.45	65,113
C. Accruals and deferrals		
	14,309,386.65	252
D. Accruals and deferrals for deferred tax liabilities		
	543,240.00	2,540
	408,594,458.62	294,679

Equity and liabilities	31 Dec. 2006 (EUR)	Previous year (EUR '000)
<hr style="border-top: 1px dashed black;"/>		
A. Net equity		
I. Subscribed capital	4,000,000.00	4,000
II. Capital reserves	167,104,558.71	152,105
III. Income carried forward	6,323,447.60	858
IV. Net income	2,701,108.64	5,465
	<hr style="border-top: 1px solid black;"/> 180,129,114.95	<hr style="border-top: 1px solid black;"/> 162,428
B. Provisions		
1. Deferred tax liabilities	2,052,999.74	5,833
2. Other provisions	4,608,926.95	10,850
	<hr style="border-top: 1px solid black;"/> 6,661,926.69	<hr style="border-top: 1px solid black;"/> 16,683
C. Liabilities		
1. Trade accounts payable	54,060,694.78	50,351
2. Accounts payable to associated companies	167,661,095.92	65,042
3. Miscellaneous liabilities	81,626.28	175
of which deferred tax liabilities: EUR 0.00 (previous year: TEUR 11)		
of which deferred social security liabilities: EUR 1,317.95 (previous year: TEUR 12)		
	<hr style="border-top: 1px solid black;"/> 221,803,416.98	<hr style="border-top: 1px solid black;"/> 115,568
	<hr style="border-top: 1px solid black;"/> 408,594,458.62	<hr style="border-top: 1px solid black;"/> 294,679
<hr style="border-top: 1px dashed black;"/>		

STATEMENT OF INCOME

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2006

	2006 (EUR)	Previous year (EUR '000)
1. Revenues	1,940,022,578.94	1,266,034
2. Other operating income	9,181,223.99	330
3. Cost of materials		
Expenses for third-party services	1,920,658,515.72	1,239,589
4. Personnel expenses		
a) Salaries	5,654,659.30	4,426
b) Social security payments and contributions to pension schemes and for support of which for pension schemes: EUR 47,071.26 (previous year: TEUR 12)	670,283.51	554
5. Depreciation and amortisation of intangible assets of non-current assets and property, plant & equipment	414,264.31	277
6. Other operating expenses of which transfer of losses from subsidiary: EUR 0.00 (previous year: TEUR 5,483)	8,519,818.78	13,482
7. Income from profit transfer agreements	692,735.20	76
8. Income from participations of which from associated companies: EUR 424,914.87 (previous year: TEUR 0)	424,914.87	0
9. Other interest and similar income of which from associated companies: EUR 25,713.33 (previous year: TEUR 0)	240,656.28	705
10. Expenses from transfer of losses	6,214,541.29	0
11. Other interest and similar expenses of which to associated companies: EUR 3,542,087.80 (previous year: TEUR 1,120)	3,542,908.43	1,132
12. Income from normal business activities	4,887,117.94	7,685
13. Tax on income and earnings	2,186,009.30	2,220
14. Net income	2,701,108.64	5,465

1002540

TRADE RECORD

523 613 614
YES
YES

PF-Code:
Physical:
Financial:
Trader: SPEK
Treden: SPEK

and time: 25.7.2002

Contract Quantity MWh	Contract Quantity MWh	Contract Quantity MWh	Contract Quantity MWh
6	166		

NOTES TO THE FINANCIAL STATEMENTS FOR THE BUSINESS YEAR 2006

General information

The annual financial statements have been prepared in compliance with §§ 242 et seq. and §§ 264 et seq. of the German Commercial Code (HGB) as well as with the relevant provisions of the German Law on Limited Liability Companies (GmbHG). The statements are subject to the regulations governing large public limited companies.

The type of expenditure format has been applied to the income statement.

Accounting and valuation rules

The following accounting and valuation rules were applied in the preparation of these annual financial statements.

Intangible assets and **property, plant and equipment** have been recognised at acquisition cost or production cost less, as far as concerned scheduled amortisation and depreciation, respectively, according to their useful lives between 3 and 13 years.

Low-value items, i.e. those assets with purchase cost of up to EUR 410.00, are fully depreciated in the year of acquisition, their immediate disposal is presumed.

All depreciation and amortisation options, permitted under tax law, are applied.

Financial assets have been recognised at acquisition cost or at lower fair value, respectively.

Receivables and **other assets** have been capitalised at their nominal values. Appropriate allowances have been made in order to cover all risks identifiable as at the balance sheet date.

Liquid funds have been recognised at nominal value.

Prepaid expenses have been valued at the nominal value of the expenses incurred before the balance sheet date to the extent these constitute expenditure for a certain time after this date.

A separate item for **deferred taxes** were set up as the tax provision of this business year is too high, i.e. the taxable profit under fiscal regulations is higher than the book profit and this difference will probably be balanced in subsequent business years.

The **other accruals** are based on sound business judgement. They cover all risks and contingent liabilities as well as impending losses from pending transactions identifiable as at the balance sheet date.

Provisions for impending losses result from existing pending transactions, also known as exposures. In order to anticipate such likely losses, their prices at the closing date are matched to the market values on the balance sheet date. Due to the fulfilment of the prerequisites for the formation of valuation units in the portfolio, unrealised profits from exposures could partially be offset against loss-generating items. In accordance with the lower of cost or market principle, the mutual offset of profit- and loss-generating items within the valuation units is limited to a maximum provision of zero. Negative and positive valuation units have not been offset against each other, so that the addition of all negative valuation units yields the sum of anticipated loss provisions. No positive portfolio values have been capitalised. As in the previous year, this method has been applied to all valuation units.

The **liabilities** have been recognised at the amounts at which they will be repaid.

Receivables and credits denominated in foreign currency as well as foreign exchange reserves have been recognised at the rates in effect at the date of transaction or at the rates in effect at the balance sheet date where these are lower.

Payables denominated in foreign currency have been principally recognised at the rates in effect at the date of transaction or at the rates in effect at the balance sheet date where these are higher, respectively.

Affiliated enterprises are all companies included in the consolidated financial statements of Statkraft AS, Oslo/Norway, and companies in which Statkraft AS, Oslo/Norway, either directly or indirectly, holds a majority holding, but that are not included in the consolidated financial statements on account of a voting right.

NOTES TO THE BALANCE SHEET

Fixed assets

The movements in fixed assets and their amortisation and depreciation, respectively, are presented in the statement of movements in fixed assets attached as Exhibit to the notes to the financial statements.

List of shareholdings

Name of the company	Share-holding	Results of the business year 2006 (EUR '000)	Shared capital/ liable capital as of 31 Dec. 2006 (EUR '000)	Equity as of 31 Dec. 2006 (EUR '000)
Statkraft Energy Austria GmbH, Vienna/Austria	100%	-11***)	50	38***)
Statkraft Markets Financial Services GmbH, Düsseldorf	100%	0*)	25	2,593
Statkraft Markets B.V., Amsterdam/Netherlands	100%	-2,200	3,995	1,795
Statkraft Holding Herdecke GmbH, Düsseldorf	100%	0*)	25	14,925
Statkraft Holding Knapsack GmbH, Düsseldorf	100%	0*)	25	302,275
Knapsack Power GmbH & Co. KG, Düsseldorf **)	100%	-7,892	25	264,940
Knapsack Power Verwaltungs GmbH, Düsseldorf **)	100%	2	25	34
Kraftwerksgesellschaft Herdecke GmbH & Co. KG, Hagen **)	50%	-4,515	28,724	21,514
Kraftwerksverwaltungsgesellschaft Herdecke mbH, Hagen **)	50%	1	25	27
Statkraft Markets Hungária Kft., Budapest/Hungary	100%	-17	198	174
Statkraft South East Europe EOOD, Sofia/Bulgaria	100%	-9	3	-6

*) With this company a profit and loss transfer agreement was closed

**) Indirectly hold participation

***) Preliminary results

Receivables and other assets

As in the previous year, all receivables have a residual term of less than one year. Receivables from affiliated enterprises consist of trade receivables as well as a loan receivable.

Prepaid expenses

Prepaid expenses notably include the expenses for option premiums, network fees and IT services relating to the business year 2007.

Other accruals

The other accruals were notably set up for impending losses from pending transactions (EUR 1,358 thousand; previous year: EUR 866 thousand), employee bonuses (EUR 1,000 thousand; previous year: EUR 1,330 thousand), legal and consultancy fees (EUR 268 thousand; previous year: EUR 995 thousand), IT services (EUR 72 thousand; previous year: EUR 76 thousand), network fees (EUR 1,640 thousand; previous year: EUR 1,669 thousand), office rentals/reconstruction (EUR 60 thousand; previous year: EUR 176 thousand) and residual vacation (EUR 153 thousand; previous year: EUR 160 thousand).

Liabilities

The loan from the parent company (EUR 130,000 thousand) has a residual term of 10 years; all other liabilities have a residual term of up to one year. The liabilities are partially secured by collaterals from the parent company. In the previous year, all liabilities had a residual term of up to one year.

The liabilities to affiliated enterprises consist of trade payables as well as short-term financing and loans. As at balance sheet date, payables to the parent company Statkraft AS, Oslo/Norway, comprise of liabilities from the cash pool of EUR 13,515 thousand (previous year: EUR 0 thousand), liabilities from loans of EUR 130,038 thousand (previous year: EUR 0), liabilities from sureties of EUR 84 thousand (previous year: EUR 0 thousand) and no trade payables (previous year: EUR 278 thousand).

Other financial commitments

As at 31 December 2006, the total amount of other financial commitments under existing tenancy agreements and leases was EUR 1,453 thousand (previous year: EUR 1,562 thousand). A letter of support has been presented to a clearing office in Austria for the accounting grid obligations of Statkraft Energy Austria GmbH. There was no liability to this clearing office as at the balance sheet date.

NOTES TO THE INCOME STATEMENT

Turnover

The turnover in the business year amounted to EUR 1,940,023 thousand, of which EUR 1,868,645 thousand related to electricity, EUR 28,197 thousand to gas and EUR 37,480 thousand to emissions. In addition, sales include income from Group services to Statkraft Energi AS, Oslo/Norway, of EUR 3,089 thousand, as well as other services to customers of EUR 2,612 thousand.

Classified by regional markets, the bulk of sales was generated in Germany (EUR 1,217,921 thousand), France (EUR 335,419 thousand), the Netherlands (EUR 156,224 thousand), Switzerland (EUR 93,657 thousand), Great Britain (EUR 74,077 thousand) and Austria (EUR 20,714 thousand). The remaining sales were generated in the countries in the EU or EEA.

Other operating income

The other operation income amounted to EUR 9,181 thousand. It notably consists of income from the netting of internal cost for projects and services to Group companies of EUR 1,659 thousand and income from the release of provisions of EUR 6,493 thousand. Furthermore, it includes income from former periods of EUR 1,283 thousand, which comprises a release of a provision for Green Audit Tax & Legal fees of EUR 552 thousand as well as income from the sale of receivables of EUR 731 thousand.

Other operating expenses

The item other operating expenses includes, above all, expenses for legal and consultancy fees (EUR 1,083 thousand), rental costs (EUR 328 thousand), expenses from Group services (EUR 3,532 thousand), IT-related expenses (EUR 627 thousand), travel expenses (EUR 212 thousand), expenses for telephone and data transmission (EUR 172 thousand), membership fees (EUR 278 thousand), warranty expenses (EUR 544 thousand) and expenses for external employees (EUR 359 thousand).

Taxes on income

The taxes on income amounted to EUR 2,186 thousand, of which EUR 1,996 thousand relate to deferred taxes.

Derivative financial instruments

The business activities of Statkraft Markets GmbH include the marketing and sale of electricity, gas, emission rights and commodities. For this purpose, forward contracts are closed that are settled before maturity (at the latest) against hedged transactions. The individual forward contracts are listed in the corresponding portfolios. The market valuation is performed by means of forward rates and internally developed models that comply with industry standards or, if the market price cannot be reliably determined, at costs of procurement. The key variables in these models are the anticipated changes in prices on the energy markets, the historical trend in prices, the volatility of market prices as well as the general trend in interest rates.

The valuation under commercial law of the derivative financial instruments as at the balance sheet date is performed by strict application of the lower of cost or market principle. Positive market values are indicated with "0" and negative values under the heading "Provisions for impending losses".

	Nominal volume 31 Dec. 2005 (EUR '000)	Market value 31 Dec. 2006 (EUR '000)	Recognised as at 31 Dec. 2006 (EUR '000)	Balance sheet item 31 Dec. 2006
Commodity derivate	2,082,667	20,413	-1.358	Other accruals

Management

As in the previous year, Dr Torsten Amelung, merchant, Düsseldorf, remains as the Managing Director.

Total remuneration of the management

In respect of the remuneration of the Managing Director, the company takes advantage of the protective clause of § 286 Para. 4 HGB.

Employees

In 2006, the company had an average of 52 employees (2005: 44).

Group affiliation

The company's annual financial statements are included in the consolidated financial statements of Statkraft AS, Oslo/Norway, as of 31 December 2006. The management intends to file the consolidated financial statements of Statkraft AS in the German language for inclusion at the commercial register of the Düsseldorf Local Court, according to the relevant provisions for consolidated financial statements and Group management reports. In this case, the obligation of Statkraft Markets GmbH to prepare its own consolidated financial statements and Group management report according to § 290 German Commercial Code (HGB) will not apply.

Deviations from German legal requirements with respect to the annual financial statements of Statkraft Markets GmbH may arise in the area of fixed assets due to different definitions of useful life, differing valuations of pending transactions, the capitalisation of deferred taxes on losses carried forward as well as from the set up of provisions for deferred taxes thereon.

Proposed appropriation of profit

The net income of EUR 2,701 thousand shall be carried forward onto new account.

Düsseldorf, March 2007



Dr Torsten Amelung

STATEMENT OF CHANGES IN NON-CURRENT ASSETS

FOR THE 2006 BUSINESS YEAR

Gross asset values	Status on 1 Jan. 2006 (EUR)	Additions (EUR)	Disposals (EUR)	Status on 31 Dec. 2006 (EUR)
I. Intangible assets				
Software	576,286.86	40,000.00	0.00	616,286.86
II. Property, plant & equipment				
Operational and business equipment	1,812,650.13	473,302.15	40,132.99	2,245,819.29
III. Financial assets				
Shares in associated companies	225,719,750.30	100,742,513.59	2,500,000.00	323,962,263.89
	228,108,687.29	101,255,815.74	2,540,132.99	326,824,370.04
Cumulative depreciations				
	Status on 1 Jan. 2006 (EUR)	Additions (EUR)	Disposals (EUR)	Status on 31 Dec. 2006 (EUR)
I. Intangible assets				
Software	497,539.34	34,652.98	0.00	532,192.32
II. Property, plant & equipment				
Operational and business equipment	836,876.86	379,611.33	41,842.99	1,174,645.20
III. Financial assets				
Shares in associated companies	0.00	0.00	0.00	0.00
	1,334,416.20	414,264.31	41,842.99	1,706,837.52
Net asset values				
	Status on 31 Dec. 2006 (EUR)	Previous year (EUR '000)		
I. Intangible assets				
Software	84,094.54	79		
II. Property, plant & equipment				
Operational and business equipment	1,071,174.09	976		
III. Financial assets				
Shares in associated companies	323,962,263.89	225,719		
	325,117,532.52	226,774		

INDEPENDENT AUDITORS' REPORT

We have audited the annual financial statements – comprising the balance sheet, the income statement and the notes to the financial statements – together with the bookkeeping system, and the management report of Statkraft Markets GmbH, Düsseldorf, for the business year from 1 January to 31 December. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and on the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ("German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements of Statkraft Markets GmbH, Düsseldorf, comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 20 June 2007

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Hülsberg
Auditor

Frank
Auditor

Note: German version prevails

CONTACTS

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c/o Royal Norwegian Embassy
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Innovation Norway
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1027 Budapest
Hungary

Statkraft Markets GmbH

Organizacni Slozka (Czech branch)
Na Prikope 21
110 01 Prague 1
Czech Republic

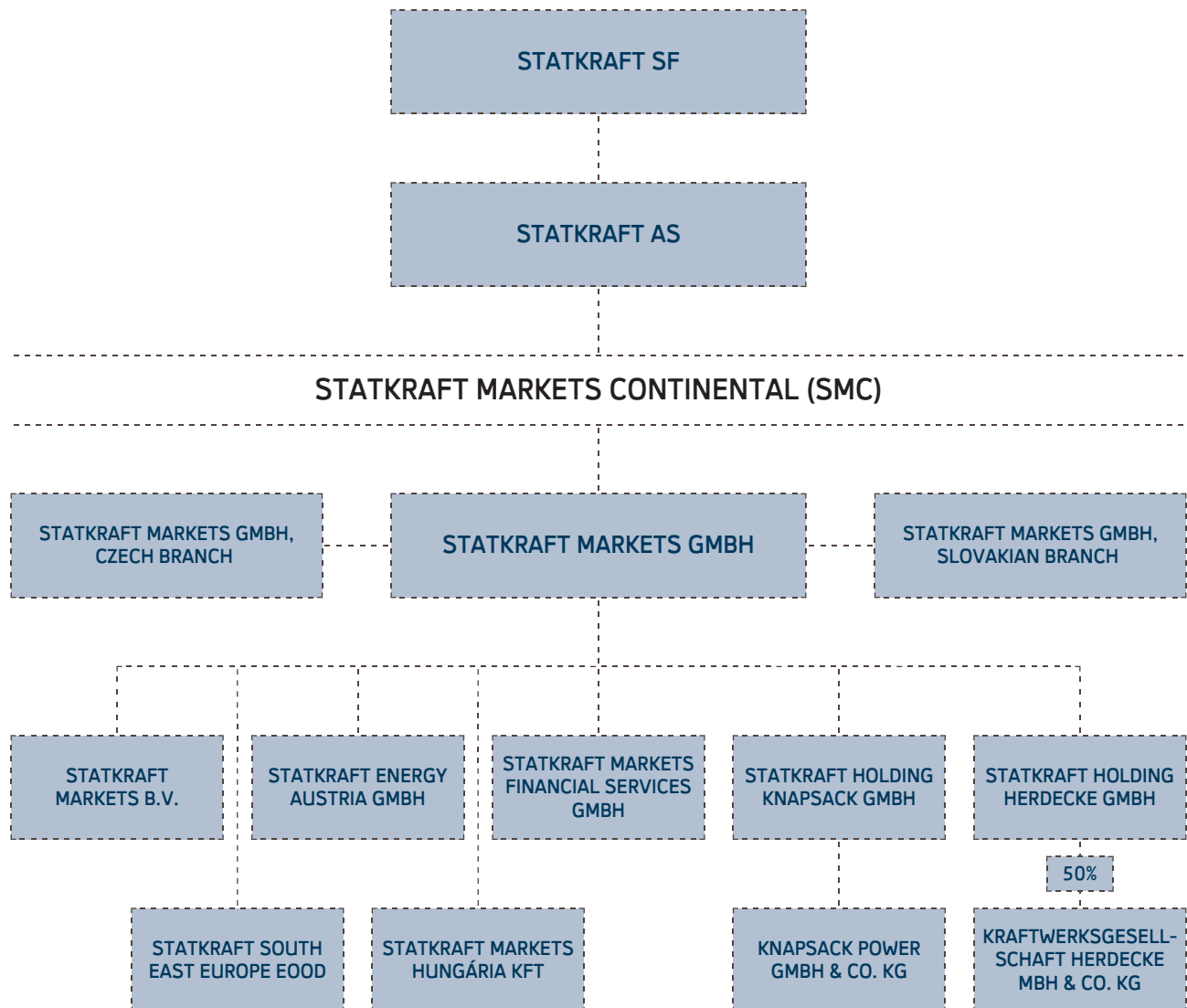
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Bucharest
Romania

CORPORATE STRUCTURE



As at: 31 December 2006



Statkraft

