



## STATKRAFT AS

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

€6,000,000,000

## EURO MEDIUM TERM NOTE PROGRAMME

Under this €6,000,000,000 Euro Medium Term Note Programme (the **Programme**), Statkraft AS (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed €6,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 7 and any additional Dealer appointed under the Programme from time to time (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

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

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

Application has been made to the Financial Conduct Authority in its capacity as competent authority (the **UK Listing Authority**) for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market.

References in this Offering Circular to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange’s regulated market and have been admitted to the Official List. VPS Notes will be listed on the Oslo Stock Exchange’s regulated market and, in this case, **listed** (and all related references) shall be construed accordingly. Each of the London Stock Exchange’s regulated market and the Oslo Stock Exchange’s regulated market are regulated markets for the purposes of the Markets in Financial Instruments Directive 2004/39/EC.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a final terms document (the **Final Terms**) which, in relation to Notes to be listed on the London Stock Exchange’s regulated market, will be delivered to the UK Listing Authority and the London Stock Exchange.

Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service.

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

As at the date of this Offering Circular, the Issuer has been rated A- (negative outlook) by Standard & Poor’s Credit Market Services Europe Ltd (**S&P**) and Baa1 (stable outlook) by Moody’s Investors Service Ltd (**Moody’s**). Each of S&P and Moody’s is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).

Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. Please also refer to “*Credit ratings may not reflect all risks*” in the “*Risk Factors*” section of this Offering Circular.

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**Arranger**  
**BNP PARIBAS**  
**Dealers**

**Barclays**  
**Deutsche Bank**  
**Goldman Sachs International**  
**J.P. Morgan**  
**SEB**

**Danske Bank**  
**DNB Bank**  
**Handelsbanken Capital Markets**  
**Nordea**  
**Société Générale Corporate & Investment Banking**

**UniCredit Bank**

The date of this Offering Circular is 15 June 2016

## IMPORTANT INFORMATION

This Offering Circular comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

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

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

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

Subject as provided in the applicable Final Terms, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

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

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

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

## **IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY**

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuer, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and Norway) and Japan (see “*Subscription and Sale*” below).

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

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

### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

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

### **AVAILABLE INFORMATION**

To permit compliance with Rule 144A under the Securities Act in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuer has undertaken in the Trust Deed (as defined below) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act, if at the time of the request, any of the Notes remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3)

of the Securities Act and the Issuer is neither a reporting company under Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

Unless otherwise provided with respect to a particular Series of Registered Notes, Registered Notes of each Tranche of such Series sold outside the United States in reliance on Regulation S will be represented by a permanent global note in registered form, without interest coupons (a **Regulation S Global Note**), deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (**DTC**). With respect to all offers or sales by a Dealer of an unsold allotment or subscription and in any case prior to expiry of the period that ends 40 days after the later of the date of issue and completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue (the **Distribution Compliance Period**), beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person (save as otherwise provided in Condition 2) and may be held only through Euroclear Bank SA/NV as operator of the Euroclear system (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**). Registered Notes of each Tranche sold in private transactions to QIBs pursuant to Rule 144A will be represented by a restricted permanent global note in registered form, without interest coupons (a **Restricted Global Note** and, together with a Regulation S Global Note, **Registered Global Notes**), deposited with a custodian for, and registered in the name of a nominee of, DTC. Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive registered form (**Definitive Registered Notes**), registered in the name of the holder thereof. Definitive Registered Notes will, at the request of the holder (save to the extent otherwise indicated in the applicable Final Terms), be issued in exchange for interests in a Registered Global Note upon compliance with the procedures for exchange as described in “*Form of the Notes*” below.

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

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

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of indices and financial markets; and

- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

#### **PRESENTATION OF INFORMATION**

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

#### **PRESENTATION OF FINANCIAL INFORMATION**

Certain financial information set out herein has been extracted from the Issuer's annual audited consolidated financial statements for either the years ended 31 December 2015 or 2014, including the notes thereto, which have been incorporated by reference herein. The Issuer's annual audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**) and the interpretation of these standards as adopted by the European Union.

Certain financial information set out herein has been extracted from the Issuer's unaudited condensed consolidated financial statements for three months ended 31 March 2016 and 2015, including the notes thereto, which have been incorporated by reference herein. The Issuer's unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34 Interim Financial Information (**IAS 34**).

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### STABILISATION

In connection with the issue of any Tranche of Notes, one or more relevant Dealers (the **Stabilisation Manager(s)**) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

## DESCRIPTION OF THE PROGRAMME

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

<b>Issuer:</b>	Statkraft AS
<b>Description:</b>	Euro Medium Term Note Programme
<b>Arranger:</b>	BNP Paribas
<b>Dealers:</b>	Barclays Bank PLC BNP Paribas Danske Bank A/S Deutsche Bank AG, London Branch DnB Bank ASA Goldman Sachs International J.P. Morgan Securities plc Nordea Bank Danmark A/S Skandinaviska Enskilda Banken AB (publ) Société Générale Svenska Handelsbanken AB (publ) UniCredit Bank AG  and any other Dealers appointed in accordance with the Programme Agreement.
<b>Risk Factors:</b>	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” below and include risks relating to electricity generation capacity, weather related risks, environmental risks, policy risks (as the Issuer is a state owned entity), regulatory risks and risks relating to hedging, trading and structured sales. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” and include certain risks relating to the structure of particular Series of Notes and certain market risks.
<b>Certain Restrictions:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ” below), including the following restrictions applicable at the date of this Offering Circular.  <b>Notes having a maturity of less than one year</b>  Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see “ <i>Subscription and Sale</i> ” below).
<b>Trustee:</b>	Citicorp Trustee Company Limited
<b>Issuing and Principal Paying Agent:</b>	Citibank, N.A.
<b>Exchange Agent and Transfer Agent:</b>	Citibank, N.A.

<b>Registrar:</b>	Citigroup Global Markets Deutschland AG
<b>VPS Account Manager:</b>	DnB Bank ASA, Verdipapirservice
<b>Size:</b>	Up to €6,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Issuer and the relevant Dealer, including, without limitation, Australian dollars, Canadian dollars, Czech koruna, Danish kroner, euro, Hong Kong dollars, Japanese Yen, New Zealand dollars, Norwegian kroner, Sterling, South African Rand, Swedish kronor, Swiss francs and United States dollars (as indicated in the applicable Final Terms).
<b>Maturities:</b>	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
<b>Issue Price:</b>	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	<p>Notes may be issued in bearer form, registered form or, in the case of VPS Notes, uncertificated book entry form, as specified in the applicable Final Terms. Notes in bearer form will not be exchangeable for Notes in registered form, and Notes in registered form will not be exchangeable for Notes in bearer form. VPS Notes will not be evidenced by any physical note or document of title. Entitlements to VPS Notes will be evidenced by the crediting of VPS Notes to accounts with the VPS. See “<i>Form of the Notes</i>” below.</p> <p>Each Tranche of Bearer Notes will initially be represented by a Temporary Global Note or a Permanent Global Note (as indicated in the applicable Final Terms) which in either case, will</p> <ol style="list-style-type: none"> <li>(a) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the <b>Common Safekeeper</b>) for Euroclear and Clearstream, Luxembourg; and</li> <li>(b) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the <b>Common Depositary</b>) for, Euroclear and Clearstream, Luxembourg,</li> </ol> <p>and subject, in each case, to such restrictions as are contained in the relevant Global Note and summarised below. Temporary Global Notes will be exchanged not earlier than 40 days after their issue only upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a Permanent Global Note either (i) is exchangeable (in whole but not in part) for definitive Notes upon not less than 60 days’ notice or (ii) is only exchangeable (in whole but not in part) for definitive Notes upon the occurrence of an Exchange Event, as described in “<i>Form of the Notes</i>” below. Any interest in a Temporary Global Note or a Permanent Global Note will be transferable only in accordance with the rules and procedures for the time being of</p>



Euroclear, Clearstream, Luxembourg and/or any other agreed clearance system, as appropriate.

Each Tranche of Registered Notes which is sold outside the United States in reliance on Regulation S will, unless otherwise specified in the applicable Final Terms, be represented by a Regulation S Global Note which will be deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date for the accounts of Euroclear and Clearstream, Luxembourg. With respect to all offers or sales by a Dealer of an unsold allotment or subscription and in any case prior to the expiry of the Restricted Period beneficial interests in a Regulation S Global Note of such Tranche may be held only through Clearstream, Luxembourg or Euroclear. After the expiry of the Distribution Compliance Period (as defined in Condition 1), beneficial interests in a Regulation S Global Note may be held through DTC directly by a participant in DTC or indirectly through a participant in DTC. Regulation S Global Notes will be exchangeable for Definitive Registered Notes only in the limited circumstances as more fully described in Condition 2.

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

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

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

**Fixed Rate Notes:**

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

**Floating Rate Notes:**

Floating Rate Notes will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the

relevant Series; or

- (ii) on the basis of the reference rate set out in the applicable Final Terms,

as indicated in the applicable Final Terms.

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

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Final Terms).

Interest on Floating Rate Notes in respect of each Interest Period, as selected prior to issue by the Issuer and the relevant Dealer, will be payable on the Interest Payment Dates specified in, or determined pursuant to, the applicable Final Terms and will be calculated on the basis of the relevant Floating Day Count Fraction unless otherwise indicated in the applicable Final Terms.

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount, at par or at a premium to their nominal amount and will not bear interest other than in the case of late payment.

**Redemption:**

The Final Terms relating to each Tranche of Notes will indicate either that the Notes of such Tranche cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving not less than 30 nor more than 60 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms.

If Make-Whole Redemption is specified as being applicable in the relevant Final Terms, the Issuer will have the option to redeem the Notes, in whole or in part, at any time or from time to time, prior to their stated maturity, at the Make-Whole Redemption Amount.

In addition, if Change of Control Put is specified as being applicable in the relevant Final Terms, the Notes may be redeemed before their stated maturity at the option of the Noteholders in the circumstances described in Condition 7(e)(ii).

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.

**Denomination of Notes:**

Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency at the time of issue of such Notes).

Notes in registered form sold pursuant to Rule 144A shall be issued in denominations of U.S.\$200,000 (or its equivalent in any other currency) and higher integral multiples of U.S.\$10,000 (or its equivalent as aforesaid). Definitive Registered Notes sold in the

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

- Taxation:** All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within the Kingdom of Norway, subject as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
- Negative Pledge:** The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
- Cross Default:** The terms of the Notes will contain a cross-default provision as further described in Condition 10.
- Status of the Notes:** The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
- Rating:** Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating assigned to the Programme.
- Listing and admission to trading:** Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange.
- Applications may be made to list VPS Notes on the Oslo Stock Exchange. Any such applications will be in accordance with applicable laws and regulations governing the listing of VPS Notes on the Oslo Stock Exchange from time to time.
- The applicable Final Terms will state on which stock exchanges and/or markets the relevant Notes are to be listed and/or admitted to trading.
- Governing Law:** The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.
- VPS Notes must comply with the Norwegian Securities Register Act of 5 July 2002 no. 64, as amended from time to time, and the holders of VPS Notes will be entitled to the rights and are subject to the obligations and liabilities which arise under this Act and any related regulations and legislation.
- Selling Restrictions:** There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and Norway) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See “*Subscription and Sale*” and “*Notice to Purchasers and Holders of Restricted Notes and Transfer Restrictions*” below.

## **RISK FACTORS**

*In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Offering Circular a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.*

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

*Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.*

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

#### ***Risk factors specific to the Issuer***

##### ***General***

The Issuer operates in a capital intensive, competitive market. In addition to the traditional hydro-power based production and supply of electricity within the domestic market, the Issuer has over time expanded into the international markets, and made significant investments into renewable energy projects. Statkraft's performance and prospects depend on a number of factors, some of which may be beyond its control, in whole or in part, such as general market trends and developments, changes in the competitive landscape, regulatory changes and/or developments regarding stimuli for alternative energy sources, implicit dependency on climate and resulting exposure to changes in climate or precipitation patterns and general market conditions. No assurance can be given that the Issuer will be able to continue its profitable track-record on a consistent basis in the medium term.

##### ***Competitive situation***

Statkraft is increasingly competing in the international marketplace where renewable energy and other sources of power are on the rise in a competitive marketplace. Domestically, the Norwegian competition authority is monitoring the Norwegian electricity market. Competition law requirements as well as the general commercial competition may affect Statkraft and its subsidiaries' (the **Group**) ability to maintain and develop its business.

##### ***State-ownership of Statkraft***

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

##### ***Business specific risk factors***

###### ***Regulatory Issues***

The business framework within which Statkraft operates is influenced by political decisions, including (but not limited to) tax regulations (including environmental taxes), grid regulation (including the revenue scheme), the reversion scheme, changes in the minimum water flow regulations and instructions from the Norwegian Water Resources and Energy Directorate (**NVE**), as well as the general conditions and regulations set for the industry at large in the Norwegian and other relevant markets. These factors may influence Statkraft's hydro power production capacity, revenue or profits.

In addition, the EU and international regulatory framework may influence the supply and demand for electricity and hence the price of electricity as well as generation costs. This is true both for greenhouse gas emission allowances and for support schemes for new renewable generation capacity. Although Statkraft's hydropower and wind production is carbon dioxide free, the price of emission rights is transferred into the wholesale electricity market and will influence Statkraft indirectly through the power

price. Governments within and outside Europe have high ambitions to increase the share of renewables in the electricity generation mix. In order to incentivise investments in new renewables, attractive support schemes have been established to enhance the profitability of otherwise non-competitive technologies. For any investments, Statkraft is relying on such support. Therefore, the retention of support schemes and markets is important, and changes in or abolishment of these schemes may have a direct influence on Statkraft's revenue or profits.

### ***Environmental Issues***

Statkraft is subject to a number of different environmental laws, regulations, environmental expectations and reporting requirements. Costs are incurred for prevention, control, abatement or elimination of releases into the air and water, as well as in the disposal and handling of wastes at operating facilities. Expenditures of a capital nature include (but are not limited to) remedial measures on existing power facilities, measures arising from the construction of new power facilities and power lines and the regulation of water flow all of which could impact materially on Statkraft's results, as could liability due to failure for any reason to satisfy applicable requirements.

### ***Generation***

#### ***Hydrological balance***

A major part of the current electricity generation capacity of the Group comes from hydropower plants, most of which are situated in Norway. The hydro reservoir levels can vary considerably from year to year, and the hydrological balance may affect both the price of electricity and the capacity available and may significantly impact upon Statkraft's revenues.

#### ***Gas fired generation facilities***

Besides the hydropower plants, the gas fired generation facilities account for a substantial portion of Statkraft's total generation capacity. Through these facilities Statkraft is exposed to risk factors such as the differential between gas and electricity prices. A negative development in the price differential between electricity and gas may negatively impact upon Statkraft's financial performance. The plants also emit carbon dioxide and other so called greenhouse gases. Availability and price changes on emission rights may also negatively impact upon Statkraft's financial performance.

#### ***Generation asset downtime and Third Party Liability***

Operational irregularities or failure to keep hydro generation or other production assets running (whether due to accident or otherwise) may cause a drop in generation revenues.

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

#### ***Substitute energy sources***

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

#### ***Weather Related Risks***

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

#### ***Counterparty Risks***

The Group has major customers and substantial counterparty exposures in its energy sales and trading operations. Default by one or more of such customers or counterparties may adversely affect the financial results of the Group.

### ***Demand for electricity***

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

### ***Risks Related to Investment Activities***

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

In order to prepare for the future, and to comply with its stated strategy of being an innovative and leading player in the energy market, the Group has invested in projects within renewable energy. Inherent project risk, and changes to regulatory conditions, financing regimes and political trends, may affect the liability of these investments, and as a result, the financial condition of the Group.

### ***Hedging, Trading and Structured Sales***

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

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

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

### ***Risk of Losses in Treasury Operations***

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

- (i) Statkraft uses interest rate and currency instruments in its management of its interest rate and foreign exchange exposure. Movements in interest rates and/or the value of currencies could cause losses on the hedging transactions.
- (ii) Incorrect trade collection and/or reporting, intentional or unintentional, caused by errors in either the front or back-offices could have the effect that internal risk measurement systems are unable to correctly measure the Group's exposure, which in turn could lead to unexpected losses.
- (iii) Statkraft may assume counterparty exposure in its treasury operations by entering into financial contracts. Default by a counterparty under such a contract could put Statkraft's claims at risk and/or cause losses by settlement exposure with such counterparty.

### ***Funding and refinancing risk***

Statkraft depends on the availability of funding and credit to finance future development plans and projects and/or to refinance existing facilities and debt. No assurance can be given that the capital markets and/or syndication markets in which banks operate will be accessible and able to provide debt finance in such amounts and on such terms as may be required at the relevant time.

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

### ***Risks related to the structure of a particular issue of Notes***

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

#### *Notes subject to optional redemption by the Issuer*

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

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

#### *Fixed/Floating Rate Notes*

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

#### *Floating Rate Notes*

A holder of Floating Rate Notes is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of Floating Rate Notes in advance. In the event that the reference rate used to calculate the applicable interest rate turns negative, the interest rate will be below the margin, if any, and may be zero and accordingly, the holders of Floating Rate Notes may not be entitled to interest payments for certain or all interest periods. Neither the current nor the historical value of the relevant floating rate should be taken as an indication of the future development of such floating rate during the term of any Notes.

#### *Notes issued at a substantial discount or premium*

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

### ***Risks related to Notes generally***

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

#### *Modification and Waiver*

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

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

### *Change of law*

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

### *Withholding Tax White Paper/Potential Issuer Redemption for Tax Reasons*

In a White Paper to the Parliament in October 2015 (*Meld. St. 4 (2015-2016)*), the Norwegian Government advised that it will look further into the possible introduction of a Norwegian withholding tax on interest. In due course, a detailed proposal is expected to be submitted for public consultation when ready.

In the event of the withholding tax being implemented and the payments of interest in respect of an issue of Notes is subject to withholding tax, the Issuer would be required to gross up the payments in accordance with (but subject to the exceptions set out therein) Condition 8. If the Issuer has or will become obliged to pay additional amounts as provided in Condition 8, the Issuer may (subject to the conditions set out therein) exercise its right to redeem the pursuant to Condition 7(b).

### *Notes where denominations involve integral multiples: definitive Notes*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### *Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures*

Notes issued under the Programme may be represented on issue by one or more Global Notes that may be deposited with a common depositary, or as the case may be, a common safekeeper for Euroclear and Clearstream, Luxembourg or may be deposited with a custodian for and registered in the name of a nominee of DTC. Interests in a Global Note will only be exchangeable for Notes in definitive form in the circumstances described in the relevant Global Note. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

### ***Risks related to the market generally***

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



### *The secondary market generally*

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

### *Exchange rate risks and exchange controls*

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

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

### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that if subsequent changes in market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

### *Credit ratings may not reflect all risks*

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

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the Auditors report and audited consolidated and non-consolidated annual financial statements of the Issuer for each of the financial years ended 31 December 2014 (which appear on pages 38 to 105 of the annual report of the Issuer for the year ended 31 December 2014) and 31 December 2015 (which appear on pages 38 to 107 of the annual report of the Issuer for the year ended 31 December 2015);
- (b) the interim unaudited condensed and consolidated financial statements of the Issuer for the three months ended 31 March 2016; and
- (c) the Terms and Conditions of the Notes contained in the previous Offering Circulars dated 15 May 2015 (on pages 29 to 59 (inclusive)), 12 June 2012 (on pages 37 to 67 (inclusive)), 28 May 2009 (on pages 34 to 61 (inclusive)), 23 May 2008 (on pages 34 to 61 (inclusive)), 27 June 2007 (on pages 33 to 58 (inclusive)) and 15 June 2006 (on pages 32 to 56 (inclusive)) prepared by the Issuer in connection with the Programme.

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

Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in London and have been made available at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Offering Circular.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

## FORM OF THE NOTES

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

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

Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions: (i) to QIBs; or (ii) to Institutional Accredited Investors and who execute and deliver an IAI Investment Letter (as defined in the *Terms and Conditions of the Notes*) in which they agree to purchase the Notes for their own account and not with a view to the distribution thereof.

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

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

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

Each Tranche of Bearer Notes will be initially represented by a Temporary Global Note or a Permanent Global Note (as specified in the applicable Final Terms) without interest coupons or talons. If the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, the Temporary Global Note will be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**), and if the Global Notes are not intended to be issued in NGN form, the Temporary Global Note will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for, Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system. Where the Global Notes issued in respect of any Tranche are in NGN form, Euroclear and Clearstream, Luxembourg will be notified as to whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit

operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria.

Whilst any Bearer Note is represented by a Temporary Global Note, payments of principal and interest (if any) and any other amount payable in respect of the Notes prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg, as applicable, and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either (a) for interests in a Permanent Global Note of the same series without interest coupons or talons or (b) for definitive Bearer Notes of the same series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms) in each case against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Bearer Notes is improperly withheld or refused. Each exchange of an interest in a Temporary Global Note for an interest in a Permanent Global Note or definitive Bearer Notes, as the case may be, and each exchange of an interest in a Permanent Global Note for definitive Bearer Notes, shall be made outside the United States.

Payments of principal, interest (if any) or any other amount on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

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

Tranches of Bearer Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.

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

the CUSIP number, common code and ISIN, as the case may be, thereafter applicable to the Notes of the relevant Series will be notified by the Principal Paying Agent to the relevant Dealer.

All Notes, other than VPS Notes, will be issued pursuant to the Agency Agreement.

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

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

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

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

The following legend will appear on all global Bearer Notes and definitive Bearer Notes (other than Temporary Global Notes), and on all interest coupons and talons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

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

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

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

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

## APPLICABLE FINAL TERMS

[Date]

### STATKRAFT AS

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the €6,000,000,000  
Euro Medium Term Note Programme**

### PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 15 June 2016 which[, as modified by a supplement to the Offering Circular dated [ ]], constitutes a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular is available for viewing during normal business hours at and copies may be obtained from the registered office of the Issuer and at the specified offices of the Paying Agents for the time being currently at Citibank, N.A., 13th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and Citigroup Global Markets Deutschland AG, Reuterweg 16, 60323 Frankfurt am Main, Germany. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [ ] which are incorporated by reference in the Offering Circular dated 15 June 2016 and are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 15 June 2016 [and the supplement to it dated [ ]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. Copies of the Offering Circular are available for viewing during normal business hours at and copies may be obtained from the registered office of the Issuer and the specified offices of the Paying Agents for the time being currently at Citibank, N.A., 13th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and Citigroup Global Markets Deutschland AG, Reuterweg 16, 60323 Frankfurt am Main, Germany. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.]

- |    |  |  |
|----|--|--|
| 1. | Issuer:  | Statkraft AS   |
| 2. | (i) Series Number:   | [ ]  |
|    | (ii) Tranche Number:   | [ ]  |
|    | (iii) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [ ]][Not Applicable] |
| 3. | Specified Currency or Currencies:  | [ ]  |

4. Aggregate Nominal Amount:
- (i) Series: [ ]
- (ii) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6. (a) Specified Denominations: [ ]/[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].]
- (b) Calculation Amount: [ ]
7. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [[ ]/Issue Date/Not Applicable]
8. Maturity Date: *Fixed rate – specify date/*  
*Floating rate – Interest Payment Date*  
falling in or nearest to [ ]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[[ ] month  
LIBOR/EURIBOR/STIBOR/NIBOR] +/-  
[ ] per cent.  
Floating Rate]  
[Zero Coupon]  
(see paragraph [14] [15] [16] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [99] [100] [101] per cent. of their nominal amount
11. Change of Interest Basis or Redemption/Payment Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [ ] paragraph [14/15] applies and for the period from (and including) [ ], up to (and including) the Maturity Date, paragraph [14/15] applies][Not Applicable]
12. Put/Call Options: [Not Applicable]  
[Investor Put]  
[Change of Control Put]  
[Issuer Call]  
[Make-Whole Redemption]  
[see paragraph [18] [19] [20] [21] below)]
13. [Date [Board] approval for issuance of Notes obtained: [ ]]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date]
- (ii) Interest Payment Date(s): [ ] in each year, commencing on [ ], up to and including the Maturity Date
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount  
(Applicable to Notes in Definitive form)
- (iv) Broken Amount(s): [[ ] per Calculation Amount, payable on

(Applicable to Notes in Definitive form)	the Interest Payment Date falling [in/on]] [Not Applicable]
(v) Day Count Fraction:	[30/360][Actual/Actual (ICMA)]
(vi) Determination Date(s):	[[ ] in each year][Not Applicable]
<b>15. Floating Rate Note Provisions</b>	[Applicable/Not Applicable]
(i) Specified Period(s)/Specified Interest Payment Dates:	[ ] [subject to adjustment in accordance with the Business Day Convention set out in (ii) below/ not subject to adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]
(ii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/][Not Applicable]
(iii) Additional Business Centre(s):	[ ]
(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(v) Party responsible for calculation the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[ ] [Not Applicable]
(vi) Screen Rate Determination:	
– Reference Rate:	[ ] month [LIBOR/EURIBOR/STIBOR/NIBOR]
– Interest Determination Date(s):	[ ]
– Relevant Screen Page:	[ ]
– Financial Centre Time	[ ] [London/Brussels/Stockholm/Oslo] time
(vii) ISDA Determination:	
– Floating Rate Option:	[ ]
– Designated Maturity:	[ ]
– Reset Date:	[ ]
(viii) Linear Interpolation	[Not Applicable/Applicable – the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
(ix) Margin(s):	[+/-] [ ] per cent. per annum
(x) Minimum Rate of Interest:	[ ] per cent. per annum
(xi) Maximum Rate of Interest:	[ ] per cent. per annum
(xii) Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)]
<b>16. Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
(i) Accrual Yield:	[ ] per cent. per annum



- (ii) Reference Price: [ ]
- (iii) Day Count Fraction in relation to Early Redemption Amounts and late payment: [30/360]  
[Actual/360]  
[Actual/365]

**PROVISIONS RELATING TO REDEMPTION**

- 17. Notice periods for Condition 7(b): Minimum period: [30] days  
Maximum period: [60] days
- 18. Issuer Call [Applicable/Not Applicable]
  - (i) Optional Redemption Date(s): [ ]
  - (ii) Optional Redemption Amount(s): [[ ] per Calculation Amount]
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [ ]
    - (b) Higher Redemption Amount: [ ]
  - (iv) Notice periods: Minimum period: [15] days  
Maximum period: [30] days
- 19. Investor Put [Applicable/Not Applicable]
  - (i) Optional Redemption Date(s): [ ]
  - (ii) Optional Redemption Amount: [ ] per Calculation Amount
  - (iii) Notice periods: Minimum period: [15] days  
Maximum period: [30] days
- 20. Change of Control Put: [Applicable/Not Applicable]
- 21. Make-Whole Redemption: [Applicable/Not Applicable]
  - (i) Make-Whole Redemption Date(s): [ ]
  - (ii) Make-Whole Redemption Margin: [[ ] basis points/Not Applicable]
  - (iii) Reference Bond: [CA Selected Bond/[ ]]
  - (iv) Quotation Time: [5.00 p.m. [Brussels/London/[ ]]]  
time/Not Applicable]
  - (v) Reference Rate Determination Date: [The [ ] Business Day preceding the  
relevant Make-Whole Redemption Date/Not  
Applicable]
  - (vi) If redeemable in part: [Applicable/Not Applicable]
    - (a) Minimum Redemption Amount: [ ]
    - (b) Maximum Redemption Amount: [ ]
  - (vii) Notice periods (if other than as set out in the Terms and Conditions of the Notes): [ ]
- 22. Final Redemption Amount: [ ] per Calculation Amount
- 23. Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

24. Form of Notes:

(a) Form

[Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event]

[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Bearer Global Note exchangeable for Definitive Notes only upon an Exchange Event]

[Registered Notes:

Regulation S Global Note ([currency] [ ] nominal amount)/Restricted Global Note ([currency][ ] nominal amount)/Definitive Registered Notes([ ])

[VPS Notes issued in uncertificated book entry]

(b) New Global Note:

[Yes][No]

25. Additional Financial Centre(s):

[Not Applicable][ ]

26. Talons for future Coupons to be attached to Definitive Notes:

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No.]

**THIRD PARTY INFORMATION**

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

Signed on behalf of Statkraft AS:

By .....  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [London Stock Exchange's][Oslo Stock Exchange's] regulated market [and listing on the Official List of the UK Listing Authority] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [London Stock Exchange's][Oslo Stock Exchange's] regulated market [and listing on the Official List of the UK Listing Authority] with effect from [ ].]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings: The Notes to be issued [[have been]/[are expected to be]] rated [ ] by [ ].

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to [ ] (the [Managers/Dealers]), so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. Manager[s]/Dealer[s] and [its/their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Issuer and its affiliates in the ordinary course of business.]

### 4. YIELD (Fixed Rate Notes only)

- Indication of yield: [ ] per cent. per annum
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 5. OPERATIONAL INFORMATION

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) US ISIN Code: [ ]
- (iv) 144A CUSIP: [ ]
- (v) Regulation S CINS: [ ]
- (vi) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/[ ]/Verdipapirsentralen, Norway. VPS identification number: [ ]. The Issuer shall be entitled to obtain certain information from the register maintained by the VPS for the purposes of performing its obligations under the issue of VPS Notes]
- (vii) Delivery: Delivery [against/free of] payment
- (viii) Names and addresses of additional Paying Agent(s) (if any): [ ][Not Applicable]

### 6. U.S. SELLING RESTRICTIONS

U.S. Selling Restrictions:

[Reg. S Compliance Category 2; TEFRA  
D/TEFRA C/TEFRA not applicable]

**7. USE OF PROCEEDS**

Use of Proceeds:

[ ]

## TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by Statkraft AS (the **Issuer**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 15 June 2006 made between the Issuer and Citicorp Trustee Company Limited (the **Trustee**, which expression shall include any successor as Trustee). References herein to the **Notes** shall be references to the Notes of this Series and shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency, (ii) definitive Bearer Notes issued in exchange for a global Note, (iii) any global Note, (iv) in relation to any Notes represented by definitive Registered Notes, units of the lowest Specified Denomination in the Specified Currency, (v) any definitive Registered Notes, and (vi) Notes cleared through the Norwegian Central Securities Depository, the *Verdipapirsentralen* (**VPS Notes** and the **VPS**, respectively). References herein to **NGN** shall mean a Temporary Global Note or a Permanent Global Note in either case where the applicable Final Terms specify the Notes as being in NGN form. The Notes (other than the VPS Notes) and the Coupons (as defined below) have the benefit of an Agency Agreement dated 15 June 2016 (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, the Trustee, Citibank, N.A., as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and as exchange agent (the **Exchange Agent**, which expression shall include any successor exchange agent) and as transfer agent (the **Transfer Agent** and, together with Citigroup Global Markets Deutschland AG, the **Transfer Agents**, which expressions shall include any successors in their capacity as such and any substitute or any additional transfer agents appointed in accordance with the Agency Agreement), Citigroup Global Markets Deutschland AG, as registrar (the **Registrar**, which expression shall include any successor registrar) and Citigroup Global Markets Deutschland AG as paying agent (together with the Principal Paying Agent, the **Paying Agents**, which expression shall, unless the context otherwise requires, include any successors in their capacity as such and any substitute or any additional paying agents appointed in accordance with the Agency Agreement). Each Tranche of VPS Notes will be created and held in uncertificated book entry form in accounts with the VPS. DnB Bank ASA, Verdipapirservice (the **VPS Account Manager**) will act as agent of the Issuer in respect of all dealings with the VPS in respect of VPS Notes.

Interest bearing definitive Bearer Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms, and which are (except in the case of VPS Notes) attached to or endorsed on this Note, which complete these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms**, unless otherwise stated, are to Part A of the Final Terms (or the relevant provisions thereof) which (except in the case of VPS Notes) are attached to or endorsed on this Note. The expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the relevant Member State.

The Trustee acts for the benefit of the holders for the time being of the Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a Global Note, and in relation to VPS Notes, be construed as provided below), and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the

provisions of the Trust Deed. Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered in the register and shall, in relation to any VPS Notes or Notes represented by a global Note, be construed as provided below. VPS Notes are in dematerialised form: any references in these Terms and Conditions to Coupons and Talons shall not apply to VPS Notes and no global or definitive Notes will be issued in respect thereof. These Terms and Conditions shall be construed accordingly.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Agency Agreement and the Trust Deed are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 15 June 2016 at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of each of the Paying Agents, the Registrar and the Transfer Agents. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Trust Deed and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

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

In these Terms and Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended.

## **1. Form, Denomination and Title**

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

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

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

Each Tranche of Bearer Notes will be initially represented by a temporary global Note or a permanent global Note (as so specified in the applicable Final Terms) each without Coupons or Talons (each, a **Temporary Global Note** or a **Permanent Global Note** as applicable). If the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, the Temporary Global Note will be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**), and if the Global Notes are not intended to be issued in NGN Form, the Temporary Global Note will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for, Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system. On or after the fortieth day after the date of its issue beneficial interests in a Temporary Global Note will be exchangeable upon a request as described therein either for interests in a Permanent Global Note or for definitive Bearer Notes (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification to the effect that the beneficial owner of interests in such

Temporary Global Notes is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations. A Permanent Global Note will, as specified in the applicable Final Terms, be exchangeable (free of charge), in whole but not in part for definitive Bearer Notes with, where applicable Coupons and Talons attached either upon not less than 60 days' written notice to the Principal Paying Agent as described therein or only upon the occurrence of an Exchange Event as specified therein.

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

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

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

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

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

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

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

Notes are issued in the Specified Denomination(s) set out in the applicable Final Terms which, in the case of Registered Notes sold other than pursuant to Regulation S, shall be the Authorised Denomination (as

defined below) and, in the case of Notes having a maturity of 183 days or less, the Specified Denomination shall be at least U.S.\$500,000 (or the equivalent in any other currency or currencies).

**Authorised Denomination** means:

- (i) in the case of a Restricted Note U.S.\$200,000 (or its equivalent rounded upwards as specified in the applicable Final Terms) and higher integral multiples of U.S.\$10,000, or the higher denomination or denominations specified in the applicable Final Terms; and
- (ii) in the case of a Definitive Registered Note which is initially offered and sold to Institutional Accredited Investors pursuant to Section 4(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act, U.S.\$500,000 (or its equivalent rounded upwards as specified in the applicable Final Terms) and higher integral multiples of U.S.\$1,000, or the higher denomination or denominations specified in the applicable Final Terms.

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

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

For so long as any of the Bearer Notes is represented by a bearer global Note held by a common safekeeper or a common depositary on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear, or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg, as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg, as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, any Paying Agent, the Registrar, the Exchange Agent, any Transfer Agent and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer, any Paying Agent, the Registrar, the Exchange Agent, any Transfer Agent and the Trustee as the holder of such Notes in accordance with and subject to the terms of the relevant global Note; for so long as any Note is a VPS Note, each person who is for the time being shown in the records of the VPS as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by the VPS as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, any Paying Agent, and the Trustee as the holder of such nominal amount of such Notes for all purposes; for so long as any of the Notes is represented by a Registered Global Note, DTC or its nominee, as the case may be, will be considered the sole holder of Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership right may be exercised by its participants or beneficial owners through its participants; (and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly). In determining whether a particular person is entitled to a particular nominal amount of notes as aforesaid, the Trustee may rely on such certificate or other document as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error or proven error, be conclusive and binding on all concerned. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Creation Online System) in accordance with its usual procedures and in which the holder of a particular principal amount of Notes is clearly identified together with the amount of such holding. The Trustee shall not be liable to any person by reason of having accepted as valid or not



having rejected any certificate or other document to such effect purporting to be issued by Euroclear or Clearstream, Luxembourg and subsequently found to be forged or not authentic.

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

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

## 2. Exchange and Transfers of Registered Notes and VPS Notes

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

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

### (b) *Transfers of Registered Global Notes*

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

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

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

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

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

In the case of (i) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (ii) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (a) beneficial interests in Regulation S Notes may be held through DTC directly by a participant in DTC or indirectly through a participant in DTC and (b) such certification requirements will no longer apply to such transfers.

### (d) *Transfers of interests in Legended Notes*

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

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

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

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

(e) *Transfers of Interests in VPS Notes*

Settlement of sale and purchase transactions in respect of VPS Notes will take place two Oslo business days after the date of the relevant transaction. VPS Notes may be transferred between accountholders at the VPS in accordance with the procedures and regulations of the VPS from time to time. A transfer of VPS Notes which is held through Euroclear or Clearstream, Luxembourg is only possible by using an account operator linked to the VPS.

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

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

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

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

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

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

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

(g) *Registration of transfer upon partial redemption*

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

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

In the event of partial redemption of VPS Notes under Condition 7(c), the Issuer shall not be required to register the transfer of any VPS Note, or part of a VPS Note, called for partial redemption.

(h) *Closed periods*

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

(i) *Costs of exchange or registration*

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

### **3. Status**

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

### **4. Negative Pledge**

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

the creation of or create itself, an encumbrance upon any of its power generating facilities (the **Facilities**) as security for a Note Issue by one or more such Co-owners where the maximum amount of the security created by the Co-owners over such Facility does not exceed the amount paid or payable by the Co-owners to the Issuer for such co-ownership of the Facility.

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

## 5. Interest

- (a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

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

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

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and in each case multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denominations without any further rounding.

In these Terms and Conditions:

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

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

- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and

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

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

(b) *Interest on Floating Rate Notes*

(i) Interest Payment Dates

A Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

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

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

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

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to interest payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is New Zealand dollars shall be Auckland) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open. In these Conditions, **TARGET2 System** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

(ii) Rate of Interest

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

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as amended and updated as at the Issue Date of the first Tranche of the Notes and published by the International Swaps and Derivatives Association, Inc. (the **ISDA Definitions**) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is the day specified in the applicable Final Terms.

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

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(B) Screen Rate Determination for Floating Rate Notes

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

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

(expressed as a percentage rate per annum) for the Reference Rate (being either the London inter-bank offered rate (**LIBOR**), the Euro-zone inter bank offered rate (**EURIBOR**), the Stockholm inter-bank offered rate (**STIBOR**) or the Norwegian inter-bank offered rate (**NIBOR**), as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Financial Centre Time specified in the applicable Final Terms on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent or, in the case of VPS

Notes, the Calculation Agent (pursuant to the terms of a calculation agency agreement between the Calculation Agent and the Issuer). If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if in the case of Condition 5(b)(ii)(B)(1) above, no such offered quotation appears or, in the case of Condition 5(b)(ii)(B)(2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Principal Paying Agent (in the case of Notes other than VPS Notes) or the Calculation Agent (in the case of VPS Notes) (the **Relevant Agent**), shall request each of the Reference Banks (as defined below) to provide the Relevant Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Relevant Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Relevant Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Relevant Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Relevant Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Relevant Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Stockholm inter-bank market (if the Reference Rate is STIBOR) or the Norwegian inter-bank market (if the Reference Rate is NIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Relevant Agent with such offered rates, the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Relevant Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Stockholm inter-bank market (if the Reference Rate is STIBOR) or the Norwegian inter-bank market (if the Reference Rate is NIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

In these Terms and Conditions:

- (A) **Reference Banks** means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in the case of a determination of STIBOR, the principal Stockholm office of four major banks in the Stockholm inter-bank market and, in the case of a determination of NIBOR, the principal

Oslo office of four major banks in the Oslo inter-bank market, in each case selected by the Relevant Agent and approved in writing by the Trustee; and

- (B) **Specified Time** means 11.00 a.m. (London time, in the case of a determination of LIBOR, Brussels time, in the case of a determination of EURIBOR or Stockholm time, in the case of a determination of STIBOR) or 12.00 noon (Oslo time, in the case of a determination of NIBOR).

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(iii) **Minimum and/or Maximum Interest Rate**

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

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

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

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

The Principal Paying Agent or, in the case of Floating Rate Notes which are VPS Notes the Calculation Agent, will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes by applying the Rate of interest to:

- (A) in the case of Floating Rate Notes the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denominations without any further rounding.

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

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365” (Sterling) is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;



- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

(v) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent or, in the case of VPS Notes, the Calculation Agent, by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent or the Calculation Agent, as applicable, shall determine such rate at such time and by reference to such sources as it determines appropriate.

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(vi) Notification of Rate of Interest and Interest Amounts

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

(vii) Determination or Calculation by Trustee

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

(viii) *Certificates to be final*

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

(c) *Accrual of Interest*

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

**6. Payments**

(a) *Method of payment*

Subject as provided below:

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

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

(b) *Presentation of Notes and Coupons*

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

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

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

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

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

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

Payments of principal and interest (if any) in respect of Notes represented by any bearer global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant bearer global Note (against presentation or surrender, as the case may be, of such bearer global Note if the bearer global Note is not intended to be issued in NGN form at the specified office of any Paying Agent). A record of each payment made against presentation or surrender of such bearer global Note, distinguishing between any payment of principal and any payment of interest, will be made on such bearer global Note by such Paying Agent to which it was presented (or in the records of Euroclear and Clearstream, Luxembourg as applicable) and such record shall be *prima facie* evidence that the payment in question has been made.

(d) *Payments in respect of Registered Notes*

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

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

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

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

(e) *Payments in respect of VPS Notes*

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

(f) *General provisions applicable to payments*

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

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

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

(g) *Payment Day*

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

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Notes in definitive form only, the relevant place of presentation;
  - (B) each Additional Financial Centre specified in the applicable Final Terms;
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is New Zealand dollars shall be Auckland), or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and
- (iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(h) *Interpretation of Principal and Interest*

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

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

- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) the Make-Whole Redemption Amount(s) (if any) of the Notes;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and
- (vii) any premium and any other amounts other than interest which may be payable by the Issuer under or in respect of the Notes.

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

## **7. Redemption and Purchase**

### **(a) *At maturity***

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

### **(b) *Redemption for tax reasons***

Subject to Condition 7(f), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Principal Paying Agent (or, in the case of VPS Notes, the Trustee and the VPS Account Manager) and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

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

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

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

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

- (i) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i) above, notice to the Trustee and to the Principal Paying Agent or (in the case of a redemption of VPS Notes) the Trustee and the VPS Account Manager;

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

(d) *Make-Whole Redemption*

If Make-Whole Redemption is specified as being applicable in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 30 nor more than 60 days' notice (or such other notice period as may be specified in the applicable Final Terms) to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i) above, notice to the Trustee and to the Principal Paying Agent or (in the case of a redemption of VPS Notes) the Trustee and the VPS Account Manager;

(which notice shall be irrevocable and shall specify the date fixed for redemption (the **Make-Whole Redemption Date**)), redeem all or (if redemption in part is specified as being applicable in the applicable Final Terms) some only of the Notes then outstanding on any Make-Whole Redemption Date and at the Make-Whole Redemption Amount together, if appropriate, with interest accrued to (but excluding) the relevant Make-Whole Redemption Date. If redemption in part is specified as being applicable in the applicable Final Terms, any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Redeemed Notes will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, and in accordance with the rules of the VPS, in the case of VPS Notes, in each case on a Selection Date not more than 30 days prior to the Make-Whole Redemption Date. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the Make-Whole Redemption Date. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the Make-Whole Redemption Date pursuant to this paragraph (d) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least 15 days prior to the Selection Date.

In this Condition 7(d), **Make-Whole Redemption Amount** means (A) the outstanding principal amount of the relevant Note or (B) if higher, the sum, as determined by the Calculation Agent, of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed (not including any portion of such payments of interest accrued to the date of redemption) discounted to the Make-Whole Redemption Date on an annual basis at the Reference Rate plus the Make-Whole Redemption Margin specified in the applicable Final Terms, where:

**CA Selected Bond** means a government security or securities (which, if the Specified Currency is euro, will be a German Bundesobligationen) selected by the Calculation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes;

**Calculation Agent** means an independent investment, merchant or commercial bank or financial institution selected by the Issuer for the purposes of calculating the Make-Whole Redemption Amount, and notified to the Noteholders in accordance with Condition 14;

**Reference Bond** means (A) if CA Selected Bond is specified in the applicable Final Terms, the relevant CA Selected Bond or (B) if CA Selected Bond is not specified in the applicable Final Terms, the security specified in the applicable Final Terms, provided that if the Calculation Agent advises the Issuer that, for reasons of illiquidity or otherwise, the relevant security specified is not appropriate for such purpose, such other central bank or government security as the Calculation Agent may, with the advice of Reference Market Makers, determine to be appropriate;

**Reference Bond Price** means (i) the average of three Reference Market Maker Quotations for the relevant Make-Whole Redemption Date, after excluding the highest and lowest Reference Market Maker Quotations, (ii) if the Calculation Agent obtains fewer than three, but more than one, such Reference Market Maker Quotations, the average of all such quotations, or (iii) if only one such Reference Market Maker Quotation is obtained, the amount of the Reference Market Maker Quotation so obtained;

**Reference Market Maker Quotations** means, with respect to each Reference Market Maker and any Make-Whole Redemption Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Reference Bond (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent at the Quotation Time specified in the applicable Final Terms on the Reference Rate Determination Day specified in the applicable Final Terms;

**Reference Market Makers** means three brokers or market makers of securities such as the Reference Bond selected by the Calculation Agent or such other three persons operating in the market for securities such as the Reference Bond as are selected by the Calculation Agent in consultation with the Issuer; and

**Reference Rate** means, with respect to any Make-Whole Redemption Date, the rate per annum equal to the equivalent yield to maturity of the Reference Bond, calculated using a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Make-Whole Redemption Date. The Reference Rate will be calculated on the Reference Rate Determination Day specified in the applicable Final Terms.

(e) *Redemption at the option of the Noteholders*

(i) Redemption at the option of the Noteholders (other than a Change of Control Put)

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period and not more than the maximum period of notice the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg and DTC, deliver at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an



address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. Holders of Notes represented by a Global Note or in definitive form and held through Euroclear or Clearstream, Luxembourg or DTC must exercise the right to require redemption of their Notes by giving notice (including all information required in the applicable Put Notice) through Euroclear or Clearstream, Luxembourg or the DTC, as the case may be (which notice may be in electronic form) in accordance with their standard procedures.

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

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

(ii) Change of Control Put

If Change of Control Put is specified in the applicable Final Terms, this Condition 7(e)(ii) shall apply.

(A) If at any time while any Note remains outstanding:

- (1) a Change of Control occurs; and
- (2) within the Change of Control Period (x) if the Notes are rated with the agreement of the Issuer, a Rating Downgrade in respect of that Change of Control occurs, or (y) if the Notes are not rated, a Negative Rating Event in respect of that Change of Control occurs (in either case, a **Put Event**),

the holder of each Note will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Notes (i) under Condition 7(b) or (ii) pursuant to the provisions of Condition 7(e)(i)) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Optional Redemption Date (Put) (as defined below) at its principal amount together with (or, where purchased, together with an amount equal to) accrued interest to but excluding the Optional Redemption Date (Put).

(B) A **Change of Control** shall be deemed to have occurred if at any time:

- (1) any person or group of persons acting in concert acquires control of at least 50 per cent. of the issued share capital of the Issuer; and
- (2) the Kingdom of Norway controls (either directly or indirectly) less than 50.1 per cent. of the issued share capital of the Issuer.

(C) For the purpose of this Condition 7(e)(ii):

**acting in concert** means acting together for the purpose of exercising joint control over the Issuer;

**Change of Control Period** means the period commencing on the earlier of (a) the date of the relevant Change of Control and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any) and ending 180 days after the public announcement of the Change of Control having occurred;

**control** means the power to direct the management and policies of the Issuer through the ownership of voting capital;

**Investment Grade Rating** means a rating of at least BBB- (or equivalent thereof) in the case of S&P or a rating of at least Baa3 (or equivalent thereof) in the case of Moody's or the equivalent rating in the case of any other Rating Agency;

a **Negative Rating Event** shall be deemed to have occurred if (i) the Issuer does not within the Change of Control Period seek, and thereafter use all reasonable endeavours to obtain from a

Rating Agency, a rating or (ii) if it does so seek and use such endeavours, it has not at the expiry of the Change of Control Period and as a result of such Change of Control obtained an Investment Grade Rating, provided that the Rating Agency publicly announces or publicly confirms in writing that its declining to assign an Investment Grade Rating was the result of the applicable Change of Control;

**Optional Redemption Date (Put)** means the date which is the seventh day after the last day of the Put Period;

**Rating Agency** means Standard & Poor's Credit Market Services Europe Ltd (**S&P**) and Moody's Investors Service Ltd (**Moody's**) or any of their respective successors or any other rating agency of equivalent international standing specified from time to time by the Issuer;

a **Rating Downgrade** shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period the rating previously assigned to the Notes by any Rating Agency at the invitation of the Issuer is (x) withdrawn and not subsequently reinstated within the Change of Control Period, (y) changed from an Investment Grade Rating to a non Investment Grade Rating (for example, from BBB- to BB+ by S&P, or its equivalents for the time being, or worse) and not subsequently upgraded to an Investment Grade Rating within the Change of Control Period or (z) (if the rating assigned to the Notes by any Rating Agency at the invitation of the Issuer shall be below an Investment Grade Rating) lowered one full rating category (for example, from BB+ to BB by S&P or such similar lower or equivalent rating) and not subsequently upgraded within the Change of Control Period, provided that a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply does not publicly announce or publicly confirm that the reduction was the result of the applicable Change of Control; and

**Relevant Potential Change of Control Announcement** means any formal public announcement or statement by or on behalf of the Issuer or any actual or potential bidder or any advisor thereto relating to any potential Change of Control where, within 180 days of the date of such announcement or statement, a Change of Control occurs.

- (D) If a Put Event has occurred, the Issuer shall within 21 days of the end of the Change of Control Period give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 14 specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option contained in this Condition 7(e)(ii).
- (E) To exercise the right to require redemption or, as the case may be, purchase of a Note under this Condition 7(e)(ii) the holder of that Note must, if this Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg and DTC, deliver at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the **Put Period**) of 30 days after a Put Event Notice is given, a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a **Put Option Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 7(e)(ii) accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Option Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg or DTC, to exercise the right to require redemption or, as the case may be, purchase of this Note under this Condition 7(e)(ii), the holder of this Note must, within the Put Period, give notice to a Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be) (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common safekeeper or common depositary for them or DTC or its nominee to such Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or DTC, as applicable, from time to time.

If this Note is a VPS Note, to exercise the right to require redemption or, as the case may be, purchase of a Note under this Condition 7(e)(ii), the holder of the VPS Note must, within the Put Period, give notice to the relevant account operator of such exercise in accordance with the standard procedures of the VPS from time to time.

The Paying Agent to which such Note and Put Option Notice are delivered or the Principal Paying Agent, as the case may be, will issue to the holder concerned a non-transferable receipt (a **Put Option Receipt**) in respect of the Note so delivered or, in the case of a Global Note or Note in definitive form held through Euroclear, Clearstream, Luxembourg or DTC, or a VPS Note, notice received. The Issuer shall redeem or at the option of the Issuer purchase (or procure the purchase of) the Notes in respect of which Put Option Receipts have been issued on the Optional Redemption Date (Put), unless previously redeemed and purchased. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Put Option Notice to which payment is to be made, on the Optional Redemption Date (Put) by transfer to that bank account and in every other case on or after the Optional Redemption Date (Put), in each case against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt at the specified office of any Paying Agent in accordance with the provisions of this Condition 7(e)(ii).

- (F) If 95 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 7(e)(ii), the Issuer may, having given not less than 30 days' notice to the Noteholders in accordance with Condition 14, such notice to be given within 30 days after the Optional Redemption Date (Put), redeem or, at the Issuer's option, purchase (or procure the purchase of) all but not some only of, the Notes then outstanding at their principal amount together with (or, where purchased, together with an amount equal to) interest accrued to but excluding the date of such redemption or purchase (as the case may be). The notice referred to in the preceding sentence shall be irrevocable and shall specify the date fixed for redemption or purchase (as the case may be) (which shall not be more than 60 days after the date of the notice). Upon expiry of such notice, the Issuer will redeem, purchase or procure the purchase of the Notes (as the case may be).
- (G) Any Put Option Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg, DTC or the VPS given by a holder of any Note pursuant to this Condition 7(e)(ii) shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 10, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition.

(f) *Early Redemption Amounts*

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

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price of the first Tranche of the Series, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price of the first Tranche of the Series, at the amount specified in the applicable Final Terms or, if no such amount is so specified in the Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{EarlyRedemptionAmount} = \text{RP} \times (1 + \text{AY})^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

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

360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

(g) *Purchases*

The Issuer or any of its subsidiaries may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, (in the case of Notes other than VPS Notes) surrendered to any Paying Agent for cancellation or in the case of VPS Notes, cancelled by causing such VPS Notes to be deleted from the records of the VPS.

(h) *Cancellation*

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

(i) *Late payment on Zero Coupon Notes*

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

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

## **8. Taxation**

### **8.1 *Taxation provisions applicable to Notes other than VPS Notes***

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

- (i) presented for payment by or on behalf of a Noteholder or Couponholder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the Kingdom of Norway other than the mere holding of such Note or Coupon; or
- (ii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(g)).

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

## 8.2 *Taxation provisions applicable to VPS Notes*

All payments of principal and interest in respect of the VPS Notes under the Trust Deed by the Issuer will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of VPS Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the VPS Notes in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any VPS Note in respect of a holder who is liable for such taxes or duties in respect of such VPS Notes by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such VPS Notes.

As used herein **Tax Jurisdiction** means the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax.

## 9. **Prescription**

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

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

## 10. **Events of Default and Enforcement**

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

- (a) if default is made in the payment in the Specified Currency of any principal due in respect of the Notes or any of them and the default continues for a period of 7 days or if default is made in the payment of any interest due in respect of the Notes or any of them and the default continues for a period of 14 days; or
- (b) if the Issuer fails to perform or observe any of its other obligations under the Conditions of the Notes or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied;
- (c) if any other indebtedness for borrowed money of the Issuer or any Principal Subsidiary becomes due and repayable prematurely by reason of an event of default (however described) or the Issuer or any Principal Subsidiary fails to make any payment in respect of any other indebtedness for borrowed money on the due date for payment as extended by any originally applicable grace period or any security given by the Issuer or any Principal Subsidiary for any other indebtedness for borrowed money becomes enforceable or if default is made by the Issuer or any Principal Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any other indebtedness for borrowed money of any other person, provided that no event shall

constitute an Event of Default unless the indebtedness for borrowed money or other relative liability either alone or when aggregated with other indebtedness for borrowed money and/or other liabilities relative to all (if any) other events which shall have occurred and be at the relevant time outstanding shall amount to at least U.S.\$30,000,000 (or its equivalent in any other currency); or

- (d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any Principal Subsidiary save for the purposes of a reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or
- (e) if the Issuer or any Principal Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for the purposes of a reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution or the Issuer or any Principal Subsidiary stops or threatens to stop payment of, or is unable to or admits inability to pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if (i) proceedings are initiated against the Issuer or any Principal Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any Principal Subsidiary or, as the case may be, in relation to the whole or a part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets of any of them and (ii) in any case (other than the appointment of an administrator) is not discharged within 60 days; or if the Issuer or any Principal Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

#### *Enforcement*

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

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

#### *Definitions*

For the purposes of these Terms and Conditions:

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

- (a) whose gross operating revenues (consolidated in the case of a subsidiary which itself has subsidiaries) or whose total assets (consolidated in the case of a subsidiary which itself has subsidiaries) represent in each case (or, in the case of a subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated gross operating revenues of the Issuer, or, as the case may be, consolidated total assets, of the Issuer and its subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such subsidiary and the then latest audited consolidated accounts of the Issuer and its subsidiaries, provided that, in the case of a subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its subsidiaries relate, the reference to the then latest audited consolidated accounts of the Issuer and its subsidiaries for the purposes of the

calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

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

all as more particularly defined in the Trust Deed.

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

#### **11. Replacement of Notes, Coupons and Talons**

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

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

The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Exchange Agent, the initial Registrar and the other initial Transfer Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent, Exchange Agent, Registrar, Transfer Agent, VPS Account Manager or Calculation Agent and/or appoint additional or other Paying Agents, Registrars, Exchange Agents or

Transfer Agents, VPS Account Managers or Calculation Agents and/or approve any change in the specified office through which any of the same acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, or admitted to listing by any other relevant authority there will at all times be a Paying Agent and, if appropriate, a Registrar and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (ii) there will at all times be a Transfer Agent having a specified office in New York City;
- (iii) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City;
- (iv) there will at all times be a Principal Paying Agent; and
- (v) in the case of VPS Notes, there will at all times be a VPS Account Manager authorised to act as an account operating institution with the VPS and one or more Calculation Agent(s) where the Terms and Conditions of the relevant VPS Notes so require.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 6(f). Notice of any variation, termination, appointment or change in the Paying Agent will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

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

### **13. Exchange of Talons**

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

### **14. Notices**

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

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

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



Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg or DTC.

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

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

## **15. Meetings of Noteholders, Modification and Waiver**

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

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

### *(b) Holders of VPS Notes*

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the VPS Notes or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the VPS Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding a certificate (dated no earlier than 14 days prior to the meeting) from either the VPS or the VPS Account Manager stating that the holder is entered into the records of the VPS as a Noteholder or representing not less than 50 per cent. in nominal amount of the VPS Notes for the time being outstanding and providing an undertaking that no transfers or dealing have taken place or will take place in the relevant VPS Notes until the conclusion of the meeting, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the VPS Notes or the Trust Deed (including modifying the date of maturity of the VPS Notes or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the VPS Notes or altering the currency of payment of the VPS Notes), the quorum shall be one or more persons holding or representing not less than three quarters in aggregate nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one third in aggregate nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting.

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

(c) *Modification and Waiver*

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

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

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

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

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

**17. Further Issues**

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

**18. Contracts (Rights of Third Parties) Act 1999**

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

**19. Governing Law and Submission to Jurisdiction**

(a) *Governing law*

The Trust Deed, the Notes and the Coupons, any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and the Coupons and all rights and duties of the Noteholders, the Couponholders, the Issuer and the Paying Agents are governed by, and shall be construed in accordance with, the laws of England. VPS Notes must comply with the Norwegian Securities Register Act of 5 July 2002 no. 64, as amended from time to time and the holders of

VPS Notes will be entitled to the rights and are subject to the obligations and liabilities which arise under this Act and any related regulations and legislation.

(b) *Jurisdiction*

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

(c) *Other jurisdiction*

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

(d) *Appropriate forum*

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

(e) *Process agent*

The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to the London office of Innovation Norway, The Norwegian Trade and Tourism Office, which at the date hereof is at West End House, 11 Hills Place, London W1F 7SE. If such person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of the Trustee addressed to the Issuer and delivered to the Issuer, appoint a further person in England approved by the Trustee to accept service of process on its behalf. Nothing in this paragraph shall affect the right of the Trustee or any Noteholder to serve process in any other manner permitted by law.

(f) *Waiver of immunity*

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

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, unless otherwise specified in the applicable Final Terms.

## DESCRIPTION OF THE GROUP

### Introduction

Statkraft AS (**Statkraft**) and its subsidiaries (collectively the **Statkraft Group** or the **Group**) is a leading company in hydropower internationally. The Group produces hydropower, wind power, gas power and district heating and is a global player in energy market operations.

The Statkraft Group is the second largest producer of electricity in the Nordic region and is Europe's largest producer of renewable energy. Outside Europe activities are concentrated in South America and South Asia. Statkraft's power generation capacity of 18,471 MW (Statkraft's ownership share) is based on 81.3 per cent. hydropower, 14.1 per cent. gas power, 4.4 per cent. wind power and 0.2 per cent. bio power. As of 2015 69.9 per cent. of the capacity is located in Norway, 8.6 per cent. in the Nordic region outside Norway, 16.6 per cent. in Europe outside the Nordic region, and 4.9 per cent. outside Europe. In addition to power generation Statkraft has district heating capacity in Norway and Sweden.

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

In the Annual Report 2015 the Group reported a good operating result in spite of the lowest Nordic power prices in 15 years. Total power production was 56.3 TWh, on a level with 2014, and the Nordic prices were down 29 per cent. Sound operations, long-term contracts and contributions from market activities contributed to partly offset the lower power prices and all segments contributed positively to the Group's underlying EBITDA. Net underlying revenues of NOK 19.3 billion were down from 2014. Underlying EBITDA was 16 per cent. down, reaching NOK 10.2 billion. Impairments and substantial negative currency effects under the financial items resulted in a net loss of NOK -2.4 billion. Currency effects were caused by weaker NOK. The effects were fully offset by translation effects in the equity.

Statkraft's equity ratio at year-end 2015 was 49.9 per cent. and the interest-bearing debt ratio was 33.6 per cent. At year-end 2015 cash and cash equivalents amounted to NOK 9.1 billion.

In December 2015 Statkraft revised the strategy and reduced the investment plan for the years 2016-2020. The back-drop for the decision was the fall in market prices, and the Norwegian Parliament's decision to increase future dividends from Statkraft for the years 2016 to 2018. The strategy and investment plan was therefore adapted to the new reality in order to maintain Statkraft's financial solidity. The main change is that Statkraft will no longer invest in new offshore wind projects, due to the large amounts of capital that is required. In addition, some international hydropower projects will be postponed.

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

Lilleakerveien 6  
0283 Oslo  
Norway  
Tel.: +47 24 06 70 00

### Statkraft history

Historically, the business of the Statkraft Group was carried out through a business unit within a governmental directorate; the Norwegian Water Resources and Energy Directorate. Until 1991, there were few commercially operated private companies in the Norwegian electricity sector, which was highly regulated. In 1991, the Energy Act dated 29 June 1990, no. 50 was introduced, which divided the electricity sector into two separate areas; distribution grid infrastructure, with monopoly control, and electricity production and sales, which became fully deregulated. Through the new legislation, a well-functioning domestic – and later Nordic – market for power production and trading was established, giving a framework for a more flexible and efficient utilisation of Norway's hydropower resources.

In order to comply with the new legislation, the business of the former Statkraft was split into two separate companies in 1992, with the state-owned enterprise Statkraft SF assuming responsibility for generation and sales. The distribution grid operations were organised in the state-owned enterprise Statnett SF. Through the establishment of Statkraft SF, the Norwegian Government founded a company with the aim and potential to successfully compete both in the Norwegian and the international electricity markets, with an ambition to further develop and strengthen this important part of Norwegian infrastructure.

Statkraft SF was later reorganised by way of transferring substantially all of the business, assets and liabilities to the limited liability company Statkraft and its subsidiaries on 1 October 2004, thus making Statkraft the operating holding company and the financial vehicle of the Statkraft Group. The Statkraft Group continues the business activities previously organised under Statkraft SF. All shares in Statkraft are owned by the state-owned enterprise Statkraft SF, which in turn is owned by the Norwegian state through the Ministry of Trade, Industry and Fisheries.

Statkraft's business has evolved through several stages since 1992. The very first years were characterised by low investment activity and a high focus on market orientation. From 1996 to 2002 the company accomplished a considerable expansion through acquiring stakes in several Norwegian utilities in addition to a large stake in the Swedish utility Sydkraft AB (currently E.ON Sverige AB). At the same time, the arbitrage and trading business was expanded through the establishment of companies in Holland, Germany and Sweden. From 2003 the Statkraft Group sold out certain Norwegian ownership stakes, while acquiring hydropower generation assets in Sweden and Finland, and constructing wind power generation in Norway and gas-fired generation plants in Norway and Germany. Through an asset swap with E.ON in 2008, Statkraft acquired ownership of a significant portfolio of generation assets in Sweden, Germany and the United Kingdom.

In the following years large investment activities were carried out according to Statkraft's strategy for continued growth within renewable energy. The majority of the investments were concentrated on the strategic areas; European flexible generation, hydropower in emerging markets and wind power. In 2010, Statkraft's owner, Statkraft SF, injected NOK 14 billion in new equity to provide support for the company's growth strategy. A further equity strengthening came in 2014 with an injection of NOK 5 billion.

In 2014 and 2015, several wind farms in Sweden and the UK together with two hydropower plants in Peru and Turkey were completed, as well as hydropower and district heating projects in Norway. Statkraft also acquired controlling ownership interests in two companies in Brazil and Chile, respectively. Statkraft freed up capital for investments within renewable energy through sale of Finnish hydropower production, Norwegian small-scale hydropower production and reduced shares in wind farms in the UK. Statkraft strengthened its international position through the restructuring of international hydropower activities and operational integration of the enterprises in South America and South Asia.

### **The European electricity market**

Statkraft's revenues are significantly driven by the spot prices on the Nordic power exchange Nord Pool, European Energy Exchange (EEX) in Germany and other European power exchanges. The prices are strongly impacted by fuel prices, CO<sub>2</sub> allowance prices, energy demand from the industry and households, hydrological balance, precipitation, temperature and transmission capacity.

### **Risk management**

The key risk factors for Statkraft relate to market operations, financial management, operating activities and framework conditions. Risk management is an integrated part of all business activities.

Statkraft manages volume and price risk by trading in physical and financial instruments in several markets. The increased integration of the energy markets is of great significance for business models and risk management, and great emphasis is placed on seeing the different markets in an overall context. Internal authorisations and limits have been established for all trading, and these are subject to continuous follow-up.

The central treasury department coordinates and manages the financial risk associated with foreign currencies, interest rates and liquidity, including refinancing and new borrowing. The most important instruments in managing this area are forward currency contracts, interest swaps, forward interest rate agreements and debt in foreign currency. Currency and interest rate risk are regulated through mandates. Furthermore, limits have been established for liquidity and counterparty risk.

Both market risk and the other financial risk, as well as exposure connected to the issued mandates, are followed up by independent middle office functions, and are regularly reported to Group management and the board.

All processes in the value chain are exposed to operational risk, but the risk is greatest within project execution and operations. The operational risk is mainly handled by means of detailed procedures, emergency continuance plans and insurance. A comprehensive system has also been established to map,

record and report unsafe conditions, undesirable incidents and injuries, and these are continuously analysed.

### **Statkraft's strategic priorities**

For more than 100 years, Statkraft (and its predecessor) has been developing and managing Norwegian hydropower and has grown to become Europe's largest producer of renewable energy. The Statkraft Group has more than 4,200 employees in more than 20 countries. Statkraft's international position is a result of growth over many years based on Norwegian resources and expertise.

Statkraft's first priority is the management of its Norwegian hydropower portfolio, which is still the backbone of the company in terms of revenue. The competitive advantage is a combination of flexible power plants with large storage capacity and an integrated business where comprehensive market analysis and price forecasting form the basis for maintenance planning and energy management.

Over the last decade, Statkraft has developed significant wind power competence and capacity. Statkraft is also a market leader in market access services to small-scale renewable generators in Germany, and similar services are also offered in the UK and in the Nordic market. The combination of extensive experience from constructing and operating large-scale hydropower and wind assets and proven market operations experience makes Statkraft well positioned to participate in Europe's transition to cleaner power generation and to contribute to meeting the need for increased renewable power generation capacity in emerging markets.

A key theme in Statkraft's strategy is to strengthen and leverage the Group's core competence, utilise synergies across business areas geographies and develop a more international company which adapts its culture and business models to local conditions. This will strengthen Statkraft's competitive position in emerging markets through transfer of competence and simultaneously strengthen the Norwegian business through a stronger and broader organisation.

### **Statkraft's competitive advantages**

Statkraft's competitive advantage is primarily in relation to:

- Unique assets and hydropower expertise
- Integrated business model and market expertise
- Market-oriented and adaptable organisation

Furthermore, Statkraft has established attractive market positions in emerging markets and wind power, areas which will play key roles in future value creation.

### **Strategic focus areas**

The strategic platform has the following focus areas;

- European flexible generation
- Market operations
- Hydropower in emerging markets
- Wind power
- District heating

### ***European flexible generation***

Statkraft's ambition within European flexible generation is to maximise the long-term value of Statkraft's asset base.

European flexible generation consists of hydropower assets in the Nordics, in Continental Europe and in the UK, as well as gas power plants. On the basis of fundamental market analysis and a well-defined business model, Statkraft seeks to exploit the power plants' flexibility and storage capacity to produce electricity in hours and seasons when prices are high. Nordic hydropower constitutes Statkraft's core business and accounts for the majority of Statkraft's revenues and asset value. The hydropower assets, the integrated business model and specialised competence within energy management and operation and maintenance are Statkraft's most distinctive resources.

Statkraft's first priority is to operate, maintain and develop existing hydropower portfolio to maximise the long-term value of the power assets. The hydropower portfolio will be maintained and developed through refurbishments, upgrades and portfolio optimisation. Statkraft will continuously improve and streamline business processes and systems in order to remain a frontrunner within hydropower.

### ***Market operations***

Statkraft's ambition is to develop business opportunities in a transforming European energy market and develop market operations and activities in selected international markets where Statkraft owns assets.

The European power markets are undergoing major changes. Over the last few years, solar and wind capacity have grown significantly, driven by cost reductions and attractive subsidy schemes. This has had a dramatic impact on the profitability of conventional generators and opened the market for new players and new business models. Traditional utilities are increasingly challenged by distributed generation technologies, opening up a market for competence-based services. Statkraft has demonstrated the ability to create value in this transition through providing market access services to decentralised generators.

Statkraft's competitive position within Market operations is based on product and service innovation, a deep market understanding, a broad network of customers and synergies across Statkraft. Statkraft will continue to develop existing power market activities in Europe. Carbon market activities are developed both in Europe and in other markets.

### ***Hydropower in emerging markets***

Statkraft's ambition is to build integrated operations in South-East Europe, South America and South Asia.

Statkraft and Statkraft IH Invest AS have in recent years established businesses in markets where a combination of economic growth and increasing environmental awareness is expected to increase the demand for renewable energy. Up to now, the main focus has been on hydropower, but increasing focus on wind and solar is expected in the future. Statkraft aims to strengthen its position in these emerging markets through profitable growth. In 2014, the Group's international hydropower activities were restructured, and a key focus in 2016 is to optimise the organisation, making a basis for exploiting synergies across geographies and implement an integrated business model. Furthermore, through SN Power AS and Agua Imara AS, Statkraft will develop a portfolio of profitable hydropower plants in South-East Asia, Central America and Africa.

### ***Wind power***

Statkraft has an extensive portfolio of land-based wind power projects. In the Nordic market, the main focus will be the construction of the Fosen projects. The operation of onshore wind assets in Norway, Sweden and the UK will also be important. Within offshore wind power, Statkraft will prioritise the Dudgeon construction. The Triton Knoll project will be developed, but Statkraft will not invest in this project or any further offshore wind capacity.

### ***District heating***

Statkraft will continue to develop the profitability of the existing portfolio, optimise its portfolio and grow in connection with existing plants in Norway and Sweden.

In addition to these areas, Statkraft will continue to support a sound development in the regional companies in Norway where Statkraft has ownership interests. Furthermore, Statkraft will enhance innovation activities to strengthen its competitive advantages within the core business and promote new business development.

### **Organisation and segment reporting**

The organisational structure shall accommodate the major changes arising from increased growth and internationalisation. Statkraft's segment structure is presented according to the same structure as the internal governance information that the corporate management systematically reviews and uses to allocate resources and measure goal attainment. The segments are Nordic hydropower, Continental energy and trading, International hydropower, Wind power, District heating and Industrial ownership. Areas not shown as separate segments are presented under the heading "*Other activities*".



## Key financial figures of segments

The key figures below have been extracted from the financial statements, divided by segment. The figures presented are the figures presented in the Annual Report 2015, note 4. Items in the income statement are allocated in descending order until "Profit before financial items and tax". Group financing and taxes are not allocated to the individual segments, and the business segments are monitored based on Profit before financial items and tax, as well as key performance indicators.

### KEY FIGURES SEGMENTS

(for the financial year ended 31 December 2015)

Accounting specification per segment									
Segments	Statkraft AS Group <sup>1)</sup>	Nordic hydropower	Continental energy and trading	International hydropower	Wind power	District heating	Industrial ownership	Other activities	Group items
<b>2015</b>									
Operating revenues external, underlying	53 094	9 621	30 026	1 738	-24	626	6 092	167	4 848
Operating revenues internal, underlying	-	2 550	-310	57	724	9	48	561	-3 639
Gross operating revenues, underlying	53 094	12 171	29 716	1 795	700	635	6 140	728	1 209
Net operating revenues, underlying	20 090	10 923	2 763	1 574	658	464	2 985	718	5
Operating profit, underlying	3 814	5 896	792	377	-312	49	793	-789	-2 992
Unrealised value changes energy contracts	-	531	-445	-	-	-	359	138	-583
Significant non-recurring items	-	-	-	-2 086	-1 750	-	-	226	3 610
Operating profit	3 814	6 427	346	-1 709	-2 062	49	1 152	-425	36
Share of profit/loss from associates and joint ventures	683	-	-	-196	55	1	835	-12	-
Profit before financial items and tax	4 497	6 427	346	-1 905	-2 008	50	1 986	-437	36
<sup>1)</sup> The Statkraft AS Group figures are booked amounts.									
<b>Balance sheet 31.12.15</b>									
Investments in associates and joint ventures	19 388	-	13	6 094	3 649	8	9 604	16	4
Other assets	157 517	56 884	5 764	28 215	10 087	3 620	15 197	28 076	9 674
Total assets	176 905	56 884	5 777	34 309	13 736	3 628	24 801	28 092	9 678
Depreciation, amortisation and impairment	-6 401	-1 426	-376	-1 688	-2 083	-163	-544	-122	1
Maintenance investments and other investments	1 970	1 280	133	104	-30	10	405	68	1
Investments in new production capacity	7 797	698	43	3 048	3 335	272	281	120	-
Investments in shares	3 790	-	25	3 399	101	18	-	247	-

### *Nordic hydropower (European flexible power generation from 2016)*

Nordic hydropower is by far the largest segment measured by installed capacity and assets, as well as net operating revenues and results. The segment includes hydropower plants in Norway and Sweden. The production assets are largely flexible. The segment's revenues are mainly generated by selling power in the spot market and under long-term contracts, the latter mainly to power-intensive industry in Norway. In Norway, Statkraft also delivers concessionary power. Multiple-year reservoirs and the flexibility of the power plants enable optimisation of power production in relation to the hydrological situation and price situation. Nordic hydropower is therefore optimised over longer time periods than one year.

### *Continental energy and trading (Market operations from 2016)*

Continental energy and trading includes gas power plants in Germany and Norway, hydropower plants in Germany and the UK and bio-based power plants in Germany, as well as Baltic Cable, the subsea cable between Sweden and Germany. The power production is optimised in relation to the prices for input factors fuel and carbon, hydrology and sales prices (power and green certificates). The segment also includes trading and origination in Europe, Brazil and India, as well as revenue optimisation and risk mitigation related to both the Continental and Nordic production activities.

### *International hydropower (Hydropower in emerging markets from 2016)*

International hydropower operates in emerging economies with anticipated high growth and increasing need for energy. Statkraft is focusing on selected markets where the Group's hydropower expertise can create value. The operations include the Group's hydropower activities in Southeast Europe, South America and South Asia, as well as the 50 per cent. shareholding in SN Power AS.

### ***Wind power***

Wind power includes Statkraft's investments in onshore and offshore wind power. The segment has onshore wind farms in operation in Norway, Sweden and the UK, as well as an offshore wind farm in the UK. The revenues derive from sale of power at spot prices as well as green certificates.

### ***District heating***

District heating operates in Norway and Sweden. The revenues in Norway are influenced by power prices, grid tariffs and taxes, and the price to customers is adjusted monthly or quarterly. In Sweden they are determined by the alternative price that customers are faced with, and prices are either fixed or index regulated. Waste, biomass, oil and gas are important input factors in the production of district heating.

### ***Industrial ownership***

Industrial ownership includes management and development of Norwegian shareholdings, and includes the companies Skagerak Energi AS, Fjordkraft AS, Bergenshalvøens Kommunale Kraftselskap AS (**BKK**), Istad AS and Agder Energi AS. The first two companies are included in the consolidated financial statements, while the other three companies are reported as associated companies. Skagerak Energi AS's activities are concentrated around the production of power, district heating operations, distribution grid operations, electrical entrepreneur activities and natural gas distribution. Fjordkraft AS's activities are concentrated around the sale of electricity to private individuals and companies.

### ***Other activities***

Other activities include small scale hydropower, innovation and Group functions.

## **Important events in 2015**

### ***Nordic hydropower***

Statkraft invested NOK 280 million in a full refurbishment of Øvre Røssåga power plant in Northern Norway. All major electromechanical components will be refurbished, and annual production will increase by 50 GWh.

Elkem AS and Statkraft entered into a new long-term power agreement for a period after year 2020. The new volumes will be delivered to Elkem's smelters in Thamshavn in Nord-Trøndelag County and in Salten in Nordland County.

### ***Continental energy and trading***

Statkraft launched a venture capital unit that will partner with dynamic start-ups. The venture capital fund operates out of Düsseldorf and targets investment opportunities across Europe.

Statkraft and Bharat Light and Power (**BLP**) signed a shareholders' agreement for a new joint venture company in India called Statkraft BLP Solar Solutions Pvt. Ltd. Statkraft and BLP each hold 50 per cent. of the new company, which will develop solar installations.

Naturkraft AS, a joint venture between Statoil ASA and Statkraft, sent an application to the Norwegian Water Resources and Energy Directorate for dismantling the gas-fired power plant at Kårstø in Norway.

### ***International hydropower***

Statkraft purchased 99.39 per cent. of the shares in the listed hydropower company Empresa Eléctrica Pilmaiquén S.A in Chile.

Statkraft completed the acquisition of Desenvix in Brazil, becoming majority owner with 81.3 per cent. of the shares, and changed the name to Statkraft Energias Renováveis S.A. In August, the company completed the sale of two transmission lines.

The construction of the new hydropower plants Kargi (102 MW) in Turkey and Cheves (171 MW) in Peru were completed.

The security situation in Southeast Turkey has resulted in increased risk related to the Cetin project, and there have been major challenges related to project execution. Statkraft has therefore decided to suspend the majority of the construction works. This has led to an impairment and related costs of NOK 2,086 million. Statkraft plan to start a process aiming at divesting the Cetin project in Turkey.

Hydropower plants in India were written down by NOK 384 million due to lower price expectations.

### ***Wind power***

Statkraft purchased half of the offshore wind power project Triton Knoll (up to 900 MW) off the coast of the UK from RWE Innogy. The two companies will develop the project up to the investment decision.

An investment decision was taken for Andershaw Wind Farm, a 36 MW onshore project in Scotland under the UK support scheme. The project is expected to be fully commissioned late 2016.

Phase 2 of the Björkhöjden wind farm (126 MW) in Sweden was finalised.

The Board of Directors decided to adjust Statkraft's investment plan. The main change being that there will be no new investments in offshore wind power and the focus will be on managing positions in offshore wind to maximise the value of existing assets and projects.

Statkraft, TrønderEnergi AS and the European investor consortium Nordic Wind Power DA have joined forces to realise Europe's largest onshore wind power project in Central-Norway (**Fosen**). The six onshore wind farms will have a combined capacity of 1000 MW and the total investment will amount to approximately NOK 11 billion. Construction will commence in the second quarter of 2016 and commissioning will be completed in 2020. The wind farms will be built on the Fosen peninsula, on the island of Hitra and in Snillfjord, in a coastal area providing some of the best conditions for renewable energy production from wind in Europe. The projects' capacity is more than the current total installed capacity of wind power in Norway. Once completed and commissioned in 2020, the wind farms are expected to generate 3.4 TWh power annually.

Wind power plants in Sweden were written down by NOK 1,750 million as a result of expectations of lower power and electricity certificate prices in the coming years.

### ***District heating***

Statkraft bought 100 per cent. of the shares in Gardermoen Energi AS from Hafslund AS. Total installed capacity is 43 MW and annual production is approximately 54 GWh.

A new gas boiler (16 MW) started operation in Harstad.

Statkraft signed an agreement for supply of surplus heat from Lantmännen Cerealia AS in Moss and Moelven Van Severen AS in Namsos.

### ***Industrial ownership***

Skagerak Energi AS sold 51 per cent. of Skagerak Elektro AS to the Telemark Group AS.

BKK entered into a 10-year power sales agreement with Hydro AS, with an agreed delivery of 500 GWh per year for the period 2021-2030.

BKK and co-operating companies entered into contracts for the procurement of equipment and installation services for their automatic metering and control system projects covering 700,000 customers. Skagerak Nett AS has entered into similar contracts for their automatic metering project.

### ***Other activities***

Statkraft together with the other owners, Skagerak Energi AS, BKK and Agder Energi AS, sold Småkraft to Germany based Aquila Capital. The gain was NOK 226 million for Statkraft and NOK 108 million for the associates BKK and Agder Energi AS.

Statkraft purchased 100 per cent. of the shares in Södra Cell Tofte AS and established the biofuel company Silva Green Fuel AS in cooperation with Södra Skogägarna Ekonomisk Förening (Swedish forest owner association).

### ***Statutory-priced contracts***

Statkraft has obligations to supply power to local authorities at concessionary prices. In 2015 the total volume for these contracts amounted to approximately 2.7 TWh at prices below the market price. There is no expiry date for the obligation to supply power to local authorities at concessionary prices.

Statkraft offers long-term contracts based on commercial terms and conditions to replace previously statutory-priced contracts. Statkraft covers the long-term power requirement of several Norwegian, Swedish and Finnish industrial companies. In 2015, these contracts amounted to 18.6 TWh. In addition, Statkraft offers a solution to the power-intensive industry for short-term trading solutions in the Nordic region called Energy service.

**Important events post 2015**

In February 2016 it was announced that Statkraft and its partners will build Europe's largest onshore wind power project. See section under "Wind Power" above for further information.

In 2016, Statkraft has changed the segment reporting structure. The two former segments Nordic Hydropower and Continental energy and trading are replaced by European flexible generation and Market operations. The reason for changing the segments is to make sure the reporting structure is aligned with the strategic focus areas and the key priorities within the Group. The developed strategy has led to a clearer distinction between power generating assets and market operations.

## MANAGEMENT OF THE ISSUER

### **Board of Directors**

The board of directors is elected for a term of two years and must, according to Statkraft's articles of association, consist of a minimum of seven and a maximum of nine members. Currently, Statkraft's board has eight directors, of which five are shareholder representatives selected by the Ministry of Trade, Industry and Fisheries. The composition of the board aims at achieving continuity and diversity with respect to industrial understanding, professional background, geographical representation, gender, independence and impartiality. In agreement with employee representatives, the company has no Corporate Assembly. Three of the sitting board's eight members have been elected by and among the Group's employees.

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

Statkraft's principles for corporate governance clarify the relative roles of Statkraft's owner, board of directors and management. Two board committees have been set up; an audit committee and a compensation committee.

#### ***Olav Fjell, Chair***

Born: 1951

Position: Business Advisor

Education: MSc from Norwegian School of Economics and Business Administration (NHH)

Board member since: 2012, Chair of Statkraft's Compensation Committee

Other directorships: Chair of Nofima AS, Concedo ASA, Swix Sport AS, Bene Agere Norden AS, Franzefoss AS and Moelven Industrier ASA. Board member of Lotos Exploration and Production Norge AS, Elopak AS and Energy Recovery Inc

#### ***Berit Rødseth, Deputy Chair***

Born: 1951

Position: Project director at Moelven Industrier ASA

Education: Economist, agronomist

Board member since: 2007, member of Statkraft's Audit Committee

#### ***Halvor Stenstadvold***

Born: 1944

Position: Business advisor

Education: Master of Political Science

Board member since: 2003, Chair of Statkraft's Audit Committee

#### ***Elisabeth Morthen***

Born: 1959

Position: Strategic consultant

Education: Degree in agricultural science, industrial and resource economics, from the Norwegian University of Life Sciences (NMBU)

Board member since: 2014

***Hilde Drønen***

Born: 1961

Position: Chief Financial Officer of DOF ASA

Education: Business & Administration (master) degree from the Norwegian Business School in Oslo and Bergen (BI)

Board member since: 2014

Other directorships: Director in Bergen Chamber of Commerce, Director/executive positions in various subsidiaries and joint ventures within DOF ASA group, including DOF Subsea AS

***Vilde Eriksen Bjercknes, employee representative***

Born: 1975

Position: Vendor Manager IT

Education: Master in Environmental Management, from the Norwegian University of Life Sciences (UMB)

Board member since: 2014

***Asbjørn Sevejordet, employee representative***

Born: 1960

Position: Employee representative for the Statkraft Group

Education: Mechanical technician

Board member since: 2014

***Thorbjørn Holøs, employee representative***

Born: 1957

Position: Senior union representative, Skagerak Energi AS

Education: Energy technician

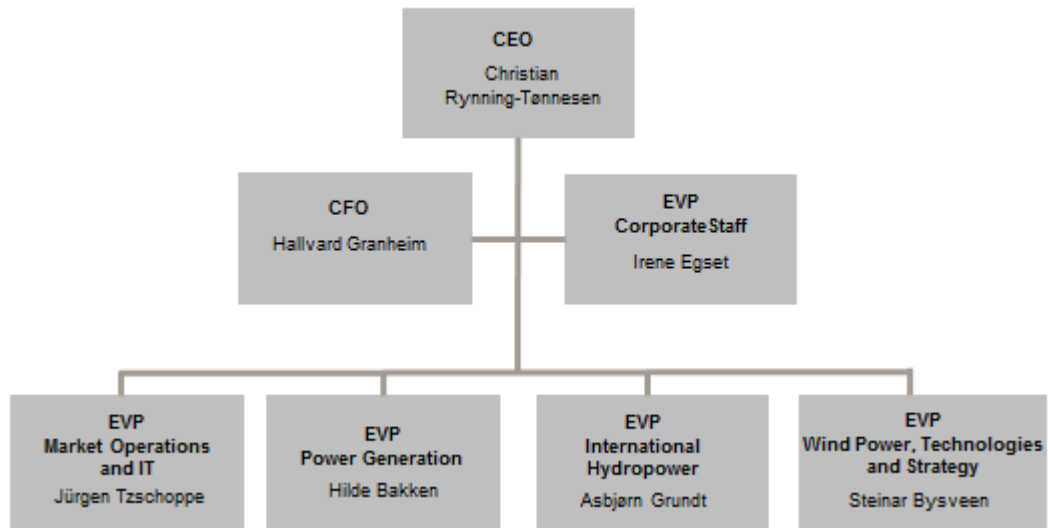
Board member since: 2002, member of Statkraft's Audit Committee

The business address of each member of the Issuer's Board of Directors is Lilleakerveien 6, 0283 Oslo, Norway.

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

**Management**

The Statkraft Group is managed by the President and CEO and a group of executive vice presidents constituting the Corporate Management Team. The operating activities are managed by separate Business Units and Support Units constituting the Management Team. Each Business and Support Team has clear performance targets and reports to the Executive Management Team.



***Christian Rynning-Tønnesen***

Born: 1959

Position: President and CEO Statkraft AS and Statkraft SF

Education: MSc Engineering, Norwegian University of Science and Technology (NTNU)

Background: CEO of Norske Skog, various executive positions within Statkraft, Esso Norge and McKinsey

Joined Statkraft: 2010 (as CEO)

Directorships (external): Chair of Vcom AS. Board member of T. Klaveness Group

***Hilde Bakken***

Born: 1966

Position: Executive Vice President Power Generation

Education: MSc Petroleum Engineering, Norwegian University of Science and Technology (NTNU), and studies in organisational psychology (University of Bergen), National Defence University/Senior Executive Course

Background: Various positions as reservoir engineer within Conoco Norway Inc. and Norsk Hydro. Positions as business coordinator, senior analyst, section manager, production planner, process coordinator within Statkraft

Joined Statkraft: 2000

Directorships (external): Board member of Yara International ASA

***Steinar Bysveen***

Born: 1958

Position: Executive Vice President Wind Power, Technologies and Strategy

Education: MSc Engineering, Norwegian University of Science and Technology (NTNU) and a degree in business administration from BI Norwegian Business School

Background: CEO of Energy Norway, various positions in Saga Petroleum and CEO of Industrikraft Midt-Norge AS.

Joined Statkraft: 2010

***Irene Egset***

Born: 1966

Position: Executive Vice President Corporate Staff

Education: MSc in Finance, Norwegian School of Economics and Business Administration (NHH)

Background: Head of Financial Reporting, Accounting, Tax and Strategic Finance and Senior Vice President Finance in Wind Power and Technology in Statkraft and Senior advisor Statoil

Joined Statkraft: 2008

***Asbjørn Grundt***

Born: 1964

Position: Executive Vice President International Hydropower

Education: MSc in Industrial Economics (and Technology Management), Norwegian University of Science and Technology (NTNU), Master of Management, BI Norwegian Business School

Background: Various executive positions with Statkraft and Norsk Hydro, Joined Statkraft: 2000

***Jürgen Tzschoppe***

Born: 1968

Position: Executive Vice President Market Operations and IT

Education: Dr. -Ing.

Background: Energy Management, Trading & Origination, Project Development, General Power Engineering

Joined Statkraft: 2002

***Hallvard Granheim***

Born: 1976

Position: Executive Vice President and CFO

Education: Master of Business Administration from the Norwegian School of Economics

Background: Head of Financial Reporting, Accounting, Tax and Internal Control in Statkraft and experience from the energy-intensive industries, including as Vice President of Global Energy Sourcing and Trading in Norske Skog. His background also includes positions as accountant and financial advisor in Deloitte

Joined Statkraft: 2012

The business address of each member of the Issuer's Executive Management Team is Lilleakerveien 6, 0283 Oslo, Norway.

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

**Chief executive**

The chief executive of Statkraft is appointed by the board of directors. The chief executive is responsible for the day-to-day operation of the company, including its asset management and consolidated financial results. The chief executive is responsible for the organisation of the Statkraft Group, however, material or principle changes shall be presented to the board for approval prior to implementation. The board evaluates the chief executive's performance and competence on an annual basis.

**Governing bodies**

The Kingdom of Norway, embodied in the Ministry of Trade, Industry and Fisheries, exercises its shareholder's rights through Statkraft SF's corporate meetings. Statkraft SF exercises its shareholder's rights through Statkraft's general meetings, but votes in accordance with the instructions given by



Statkraft SF's corporate meetings. The chair of Statkraft SF's board of directors and the company's other directors hold the same positions in Statkraft. The two companies' boards of directors are therefore identical.

### **External auditor**

Statkraft's appointed auditor is responsible for the audit of financial statements of the parent company and the consolidated financial statements. The shareholder meeting appoints the external auditor based on the board's proposal and stipulates the auditor's fee. Statkraft SF and Statkraft AS use the same auditor. The auditor serves until a new auditor is appointed. The external auditing contract is subject to tender at regular intervals. Deloitte AS has been the auditor for Statkraft AS since 2004 and was reappointed in 2010.

The board and the auditor hold at least one meeting annually without the President and CEO and others from the administration present. The audit committee evaluates the external auditor's independence and has established guidelines for use of the external auditor for consultancy purposes.

As part of the ordinary audit, the auditor presents an audit plan to the audit committee. The auditor reports in writing to Statkraft's audit committee concerning the company's internal control, applied accounting principles, significant estimates in the accounts and any disagreements between the auditor and the administration. The board of directors are briefed on the main items of the auditor's reporting.

### ***Corporate audit***

Corporate Audit is an independent function which assists the Board and management in making an independent and impartial evaluation of whether the Group's most significant risks are sufficiently managed and controlled. Corporate Audit shall also contribute to ongoing quality improvement in internal management and control systems. The Group auditor fills the role of secretary for the Board's Audit Committee. The Audit Committee and the Group auditor hold a minimum of one meeting per year without anyone from the Group's administration attending. The head of the Group audit acts as notification body for unethical or illegal matters. Internal audits are conducted according to an annual rolling plan and follow-up audits. The audit work will be carried out in accordance with the International Standards for Internal Auditing (IIA). The annual corporate audit report is submitted to the Board, which also approves the audit plan for the coming year. Corporate Audit also presents a semi-annual report to the Audit Committee. Implementation of the recommendations from Corporate Audit is regularly followed up.

### **Code of Conduct**

Statkraft will operate in accordance with applicable laws and regulations in all countries where it has activities and adhere to relevant internationally recognised standards and guidelines. Statkraft focuses its work towards creating a work culture in accordance with its principles and which promotes good business practice.

Statkraft's fundamental principles for acting in a sustainable, ethical and socially responsible manner are described in Statkraft's code of conduct. The Code of Conduct applies to all employees and companies in the Statkraft Group, and Statkraft's business partners are expected to have standards that are consistent with Statkraft's ethical requirements. Statkraft has also prepared corresponding guidelines for the Group's suppliers.

### **The Group's management system**

The Group has established a management system that describes the way in which the Group manages its activities and the internal frameworks within which employees shall act in their daily work. The management system brings together all the governing documents, from the Vision and Values, Code of Conduct and Group Operating Model to Group Policies, and the various requirements, and descriptions of processes and projects. The management system provides an important basis for risk management, internal control procedures and improvement work. The structure of governing documents provides a basis for securing quality and efficiency in daily operations, as well as in reporting to the company's management, the board of directors and capital markets.

### ***Performance management***

In Statkraft, performance management reinforces interaction, value creation and continuous improvement in the Group and contributes to ensuring strategy implementation and achievement of goals.

The performance management process establishes a clear relationship between the Strategic Platform, operational targets and objectives, and monitoring and reporting of operational performance. In order to link the overall targets to the operational level individual targets are set.

Performance management is a fundamental line management process at all levels and ensures stretch targets to drive performance.

Scorecards are the main performance management tool where business targets and objectives are defined as key performance indicators and as prioritised actions. Scorecards are established at Group level and for each Business and Staff Area. Financial reporting is used for evaluating financial performance, and scorecards for evaluating and driving organisational performance.

## BOOK-ENTRY CLEARANCE SYSTEMS

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

### **Book-entry Systems**

#### **DTC**

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

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

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

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

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

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

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

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

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

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

#### *Euroclear and Clearstream, Luxembourg*

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

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

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

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

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

### **Transfers of Notes Represented by Registered Global Notes**

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

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

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

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

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Trustee, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect

participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## **SUMMARY OF PROVISIONS RELATING TO DEFINITIVE REGISTERED NOTES**

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

## **NOTICE TO PURCHASERS AND HOLDERS OF RESTRICTED NOTES AND TRANSFER RESTRICTIONS**

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

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

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

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

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

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



TRANSACTION MEETING THE REQUIREMENTS OF SUCH RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THAT (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (A) ABOVE. NO REPRESENTATION CAN BE MADE AS TO AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

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

“THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM AND UNLESS IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. EACH PURCHASER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, WHETHER UPON ORIGINAL ISSUANCE OR SUBSEQUENT TRANSFER, ACKNOWLEDGES FOR THE BENEFIT OF THE ISSUER AND THE DEALERS THE RESTRICTIONS ON THE TRANSFER OF THIS NOTE SET FORTH BELOW AND AGREES THAT IT SHALL TRANSFER THIS NOTE ONLY AS PROVIDED IN THE AGENCY AGREEMENT ENTERED INTO BY THE ISSUER ON 15 JUNE 2016. THE PURCHASER REPRESENTS THAT IT IS ACQUIRING THIS NOTE FOR INVESTMENT ONLY AND NOT WITH A VIEW TO ANY SALE OR DISTRIBUTION HEREOF, SUBJECT TO ITS ABILITY TO RESELL THIS NOTE PURSUANT TO RULE 144A OR REGULATION S OR AS OTHERWISE PROVIDED BELOW AND SUBJECT IN ANY CASE TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF THE PROPERTY OF ANY PURCHASER SHALL AT ALL TIMES BE AND REMAIN WITHIN ITS CONTROL. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

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

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

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

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

## TAXATION

### Norwegian Taxation

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

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

In a White Paper to the Parliament in October 2015 (*Meld. St. 4 (2015-2016)*), the Norwegian Government advised that it will look further into the possible introduction of a Norwegian withholding tax on interest. In due course, a detailed proposal is expected to be submitted for public consultation when ready.

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

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

Notes held by persons or legal entities having no connection with Norway other than the holding of Notes will not be subject to net wealth taxation in Norway.

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

For holders of Notes resident in Norway for tax purposes or that hold the Notes in connection with business activities conducted or managed in Norway, except limited liability companies and similar entities, the Notes will be taken into account for net wealth tax purposes in Norway. Listed Notes are valued at the market value on 1 January in the assessment year.

#### *The proposed financial transactions tax (FTT)*

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### *Foreign Account Tax Compliance Act*

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Norway) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under “Terms and Conditions—Further Issues”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

## SUBSCRIPTION AND SALE

The Dealers have in a programme agreement dated 15 June 2016 (the **Programme Agreement**) agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*” above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### United States

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

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

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

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

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

### Public Offer Selling Restriction under the Prospectus Directive

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

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining such prior consent of the relevant Dealer or Dealers nominated by the relevant issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement to a prospectus pursuant to Article 16 of the Prospective Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### **United Kingdom**

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

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

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended: the **FIEA**) and each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **Norway**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, unless the Issuer has confirmed in writing to each Dealer that the Offering Circular has been filed with the Financial Supervisory Authority of Norway, it has not, directly or indirectly, offered or sold and will not directly or indirectly, offer or sell any Notes in Norway or to residents of Norway, other than:

- (a) in respect of an offer of Notes addressed to investors subject to a minimum purchase of Notes for a total consideration of not less than €100,000 per investor; or
- (b) to "professional investors" as defined in Section 7-1 cf. Sections 10-2 to 10-5 in the Norwegian Securities Regulation of 29 June 2007 no. 876; or

- (c) to fewer than 150 natural or legal persons (other than "professional investors") as defined in Section 7-1 in the Norwegian Securities Regulation of 29 June 2007 no. 876), subject to obtaining the prior consent of the relevant Dealer or Dealers for any such offer; or
- (d) in any other circumstances provided that no such offer of Notes shall result in a requirement for the registration, or the publication by the Issuer or the Dealer or Dealers of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

The Notes shall be registered with the VPS unless (i) the Notes are denominated in NOK and offered and sold outside of Norway to non-Norwegian tax residents only, or (ii) the Notes are denominated in a currency other than NOK and offered or sold outside of Norway.

Further, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes will only be sold in Norway to investors who have sufficient knowledge and experience to understand the risks involved with investing in the Notes.

### **General**

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

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

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

## GENERAL INFORMATION

### Authorisation

The update of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 15 December 2015.

### Listing of Notes

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of Notes is expected to be granted on or before 21 June 2016. In the case of VPS Notes, application will be made to the Oslo Stock Exchange for such VPS Notes to be admitted to trading on the Oslo Stock Exchange's regulated market.

### Documents Available

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

- (i) the Articles of Association (*Vedtekter*) and Company Certificate (*Firmaattest*) (with an English translation thereof) of the Issuer;
- (ii) the consolidated and non-consolidated audited financial statements of the Issuer in respect of the periods ended 31 December 2014 and 31 December 2015, together with the audit reports prepared in connection therewith, and the unaudited consolidated and non-consolidated financial statements of the Issuer for the three months ended 31 March 2016;
- (iii) the most recently published audited annual consolidated and non-consolidated financial statements of the Issuer and the most recently published interim consolidated and condensed non-consolidated financial statements of the Issuer (in each case with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith;
- (iv) the Trust Deed, the Agency Agreement, the forms of the Temporary Global Notes, the Permanent Global Notes, the Definitive Notes, the Coupons, the Talons, the Regulation S Global Notes, the Restricted Global Notes and the Definitive Registered Notes;
- (v) a copy of this Offering Circular;
- (vi) any future offering circulars, prospectuses, information memoranda, supplements to this Offering Circular and Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to its holding and identity) and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of Notes admitted to trading on the London Stock Exchange's regulated market subscribed pursuant to a syndication agreement, the syndication agreement (or equivalent document).

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be specified in the relevant Final Terms. In addition, the Issuer will make an application for any Registered Notes to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or



alternative clearing system (including the VPS) the appropriate information will be specified in the relevant Final Terms. Euroclear, Clearstream, Luxembourg, DTC and the VPS are the entities in charge of keeping the records.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels; the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of DTC is 55 Water Street, New York, NY 10041-0099, USA; and the address of the VPS is Fred. Olsens gate 1, 0152 Oslo, Norway.

### **Conditions for determining price**

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

### **Significant or Material Change**

There has been no significant change in the financial or trading position of the Issuer or the Group since 31 March 2016, the date of the Issuer's most recent interim financial statements. There has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2015.

### **Litigation**

There are no, and have not been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect in the financial position or profitability of the Issuer and its subsidiaries taken as a whole.

### **Auditors**

The auditors of the Issuer are Deloitte AS, members of The Norwegian Institute of Public Accountants (*DnR*), who have audited the Issuer's accounts, without qualification, in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing practice in Norway for the periods ended 31 December 2014 and 31 December 2015. The auditors of the Issuer, have no material interest in the Issuer.

### **Post-issuance information**

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

### **Dealers transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**Trustee's Action**

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

**Reliance by Trustee**

The Trust Deed provides that any certificate or report of the auditors of the Issuer or any other expert called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts stated therein, whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and/or such auditors and/or expert in connection therewith contains any limit on liability (monetary or otherwise) of such auditors and/or expert. However, the Trustee will have no recourse to the Auditors in respect of such certificates or reports unless the Auditors have agreed to address such certificates or reports to the Trustee.

**THE ISSUER**

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