

Statnett

STATNETT SF

(a state-owned enterprise incorporated with limited liability in The Kingdom of Norway)

€1,500,000,000

EURO-MEDIUM TERM NOTE PROGRAMME

This Base Prospectus has been approved by the United Kingdom Financial Services Authority (the "FSA"), in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "FSMA"), as a base prospectus issued in compliance with Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes ("**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date of this Base Prospectus. Applications have been made to admit such Notes during the period of twelve months after the date of this Base Prospectus to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**"), which is regulated for the purposes of Directive 2004/39/EC, Markets in Financial Instruments Directive. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

FOR A DISCUSSION OF RISKS AND OTHER FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH ANY INVESTMENT IN THE NOTES, SEE "RISK FACTORS" ON PAGE 5 BELOW.

The Notes have not been registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and may not be offered or sold in the United States or to U.S. persons unless the Notes are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available.

Arranger for the Programme

BNP PARIBAS

Dealers

BARCLAYS CAPITAL

BNP PARIBAS

DNB NOR BANK ASA

DANSKE BANK A/S

NORDEA

SEB

RBS

The date of this Base Prospectus is 25 May 2011.

IMPORTANT NOTICES

Statnett SF (the "**Issuer**") accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

References herein to the "Base Prospectus" are to this document.

This Base Prospectus should be read and construed with any amendment or supplement thereto and with any other information incorporated by reference and, in relation to any Series (as defined below) of Notes, should be read and construed together with the relevant Final Terms (as defined below).

The Issuer has confirmed to the dealers (the "**Dealers**") named under "Subscription and Sale" below that to the best of the knowledge of the Issuer (who has taken all reasonable steps to ensure that such is the case) this Base Prospectus (including for this purpose, each Final Terms) contains all information which is material in the context of the Notes.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Trustee or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus. No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuer since the date hereof or, as the case may be, the date upon which this Base Prospectus has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Base Prospectus by reference or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by the terms and conditions of the Notes and/or by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "Subscription and Sale". In particular, Notes have not been and will not be registered under the Securities Act and may include Notes in bearer form which are subject to US tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to US persons. Additionally, Notes denominated in NOK may not be offered or sold within Norway or to or for the account or benefit of persons domiciled in Norway, unless the regulations relating to the offer of VPS Notes (as defined below) and the registration in the VPS (as defined below) of VPS Notes have been complied with.

Neither this Base Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

Each series of Notes issued under the Programme may be assigned credit ratings as specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to a Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (the "**CRA Regulation**") will be disclosed in the applicable Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Community before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

All references in this Base Prospectus to "**US\$**", "**USD**", "**dollars**" or "**US dollars**" are to the lawful currency of the United States of America, references to "**£**", "**GBP**" and "**Pounds Sterling**" are to the lawful currency of the United Kingdom, references to "**€**", "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, and references to "**NOK**" or "**Norwegian Kroner**" are to the lawful currency of the Kingdom of Norway.

Unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area.

Save where the context otherwise requires, references in this Base Prospectus to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor does it authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail.

However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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DESCRIPTION OF THE PROGRAMME

The following is a brief description only and should be read in conjunction with the rest of this document and, in relation to any Notes, in conjunction with the relevant Final Terms and, to the extent applicable, the Terms and Conditions of the Notes set out herein.

| | |
|---------------------------|--|
| Issuer: | Statnett SF |
| Arranger: | BNP Paribas |
| Dealers: | Barclays Bank PLC, BNP Paribas, Danske Bank A/S, DnB NOR Bank ASA, Nordea Bank Danmark A/S, Nordea Bank Finland Plc, Nordea Bank Norge ASA, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ), The Royal Bank of Scotland plc and any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Notes. |
| Trustee: | The Law Debenture Trust Corporation p.l.c. |
| Principal Paying Agent: | Citibank, N.A. |
| VPS Account Manager: | To be appointed by the Issuer prior to the issue of any VPS Notes. |
| Initial Programme Amount: | €1,500,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into euros at the date of the agreement to issue such Notes using the spot rate of exchange for the purchase of such currency against payment of euros being quoted by the Principal Paying Agent on the date on which the Relevant Agreement in respect of the relevant Tranche (as defined below) was made or such other date as the Issuer, the Relevant Dealer and the Trustee may agree) in aggregate principal amount of Notes outstanding at any one time. The maximum aggregate principal amount of Notes which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement (as defined below) and the Trust Deed. |
| Issuance in Series: | Notes will be issued in series (each, a " Series "). Each Series may comprise one or more tranches (" Tranches " and each, a " Tranche ") issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that (i) the issue date and the amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Notes in bearer form and Notes in registered form and Notes in more than one denomination. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes in bearer form and Notes in registered form and may comprise Notes of different denominations. For the avoidance of doubt, a Tranche that comprises VPS Notes may not also comprise Notes in bearer form or Notes in registered form, though it may comprise Notes of different denominations. Each Tranche of VPS Notes will be issued in uncertificated book entry form, as more fully described under the section entitled "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.

Form of Notes:

The Notes will be issued in bearer form, registered form or in uncertificated book entry form cleared through the Norwegian Central Securities Depository, the Verdipapirsentralen, the "VPS" legal title thereto being evidenced by book entries in the VPS (the "VPS Notes").

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.

In respect of each Tranche of Notes issued in bearer form, the Issuer will deliver a temporary global Note or a permanent global Note, as shall be specified in the applicable Final Terms. Each global Note in bearer form which is not intended to be issued in new global note form ("CGN"), as specified in the relevant Final Terms, will be deposited on or before the relevant issue date with a depository or a common depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, societe anonyme, Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note in bearer form which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each temporary global Note will be exchangeable for a permanent global Note or, if so specified in the relevant Final Terms, for Notes in definitive bearer form and/or (in the case of a Series comprising both bearer and registered Notes and if so specified in the relevant Final Terms) registered form in accordance with its terms. Each permanent global Note will be exchangeable for Notes in definitive bearer form and/or (in the case of a Series comprising both bearer and registered Notes and if so specified in the relevant Final Terms) registered form in accordance with its terms. Notes in definitive bearer form will, if interest-bearing, have interest coupons ("**Coupons**") attached and, if appropriate, a talon ("**Talon**") for further Coupons and will, if the principal thereof is repayable by instalments, have a grid for recording the payment of principal endorsed thereon or, if so specified in the relevant Final Terms, have payment receipts ("**Receipts**") attached.

Notes in registered form may not be exchanged for Notes in bearer form. VPS Notes may not be exchanged for bearer Notes or registered Notes and vice versa.

Currencies:

Notes may be denominated in any currency or currencies (including, without limitation, euro ("**EUR**"), Japanese Yen ("**JPY**"), Pounds Sterling ("**GBP**"), Norwegian Kroner ("**NOK**"), Swiss Francs ("**CHF**"), Swedish Kronor ("**SEK**") and United States dollars ("**USD**")) subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to compliance as aforesaid, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Status:

Notes will be issued on an unsubordinated basis. The obligations of the Issuer under any Note will rank at least *pari passu* with the claims of all its other unsecured creditors save those whose claims are preferred solely by any laws of general application

relating to creditors' rights.

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| Issue Price: | Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the Relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. |
| Maturities: | <p>Any maturity between one month and thirty years, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p> <p>Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or 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 or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.</p> |
| Redemption: | Notes may only be redeemable at par. |
| Optional Redemption: | Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Holders to the extent (if at all) specified in the relevant Final Terms. |
| Early Redemption: | Early redemption will be permitted for taxation reasons as mentioned below in " <i>Terms and Conditions of the Notes – Early Redemption for Taxation Reasons</i> ", but will otherwise be permitted only to the extent specified in the relevant Final Terms. |
| Interest: | Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series. |
| Denominations: | No Notes may be issued under the Programme which have a minimum denomination of less than €100,000 (or equivalent in another currency), unless the relevant issue of Notes is not admitted to trading on a regulated market within the European Economic Area and not offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. |
| Taxation: | Payments in respect of Notes will be made 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 thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental |

charges is required by law. In that event, the Issuer will (subject to certain exceptions) pay such additional amounts as will result in the holders of Notes or Coupons receiving such amounts as they would have received in respect of such Notes or Coupons had no such withholding or deduction been required.

- Events of Default: The Terms and Conditions of the Notes will contain events of default, as more fully described in "*Terms and Conditions of the Notes – Events of Default*" below.
- Negative Pledge: The Terms and Conditions of the Notes will contain a Negative Pledge, as more fully described in "*Terms and Conditions of the Notes – Negative Pledge*" below.
- Governing Law: The Notes and all related contractual documentation will be governed by 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.
- Listing: Each Series of Notes may be admitted to listing on the Official List of the FSA and admitted to trading on the Regulated Market of the London Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Final Terms or may be unlisted.
- Terms and Conditions: Final Terms will be prepared in respect of each Tranche of Notes, a copy of which will, in the case of Notes to be listed on the Official List of the FSA and traded on the Regulated Market of the London Stock Exchange, be delivered to the FSA and the London Stock Exchange on or before the date of issue of such Notes. The terms and conditions applicable to each Tranche will be those set out herein under "Terms and Conditions of the Notes" as supplemented, modified or replaced by the relevant Final Terms.
- Clearing Systems: Euroclear, Clearstream, Luxembourg and/or, in relation to any Notes, any other clearing system as may be specified in the relevant Final Terms, other than VPS Notes, which are cleared through the VPS.
- Selling Restrictions: For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering materials, including the Base Prospectus in the United States of America, the United Kingdom, the Kingdom of Norway, The Netherlands and Japan, see the section entitled "Subscription and Sale" below.
- Redenomination: The Final Terms for a Tranche of Notes will indicate whether the Issuer may elect that, with effect from the Redenomination Date, the Notes of that Tranche shall be redenominated in euro (if Redenomination is specified) or become exchangeable for Notes denominated in euro (if Exchangeability is specified).
- Risk Factors: An investment in the Notes involves certain risk. See the section entitled "Risk Factors" below.

RISK FACTORS

Prospective investors should note that the following factors constitute material risks known to the Issuer that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme and that they could lose some or all of their investment. All of these factors are contingencies which may or may not occur and no view is expressed on the likelihood of any such contingency occurring.

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

This section contains reference to all risk factors that the Issuer currently considers may be material to prospective investors in relation to the issue of Notes under the Programme.

Prospective investors should also read the detailed information appearing elsewhere in this Base Prospectus prior to making any decision to invest in Notes issued under the Programme.

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

The Notes will constitute unsecured obligations of the Issuer. A purchaser of Notes relies on the creditworthiness of the Issuer and no other person. Investment in the Notes involves the risk that subsequent changes in actual or perceived creditworthiness of the Issuer may adversely affect the market value of the Notes.

Risks related to the functioning of the power system

Large black-outs in the Norwegian or Nordic power system could occur due to:

- (i) severe and simultaneous faults in the Main Grid (as defined in the section entitled "The Business of Statnett SF Business Overview" below);
- (ii) malfunctioning of the network control system;
- (iii) inadequate production capacity; or
- (iv) an external incident,

any of which could prevent the operation of the Main Grid partially or in its entirety. Although the Issuer has prepared for such events by developing various emergency provisions, a large black-out or substantial reduction in transmission capacity may have a negative impact on the Issuer's financial position or reputation.

Risks related to health and safety matters and the environment

The Issuer operates the Main Grid and there is an inherent risk to employees of the Issuer or other personnel working in such an environment. Accidents may occur for a variety of reasons, including malfunctions of the communication systems, insufficiently skilled third parties or subcontractors, or external influences such as exceptional weather conditions.

In addition, electric or magnetic fields in the area surrounding power lines may have long-term effects on people's health, although such a possibility has been examined extensively, and no adverse effects have been proven. The occurrence of any of these events may have a negative impact on the Issuer's financial position or reputation.

Regulatory considerations

Grid ownership has been defined as a natural monopoly as consumers are obliged to buy grid services in order to receive electricity. The Issuer's operations are, therefore, regulated by the Norwegian Water Resources and Energy Directorate (the "NVE"), a subordinate agency of the Ministry of Petroleum and Energy. Changes in the regulation of the Issuer's operations may have a negative impact on the Issuer's financial position.

Interest rate risk

The NVE determines revenue caps that specify the maximum permitted annual income for each grid company (the "**Revenue Cap**"). For the purposes of the Revenue Cap, the Issuer's revenue is calculated based on historical costs and a defined rate of return on its regulatory asset base. Under the existing regulatory regime, the rate of return is based on the interest rate on Norwegian government bonds with five years to maturity, together with a risk premium. Therefore, changes in the interest rate will affect the Issuer's earnings, though any negative impact of such changes on the Issuer's earnings will be partly offset by a reduction in the Issuer's interest rate costs.

Risk of losses in treasury operations

The Issuer aims to identify and manage its financial risks, the most significant of which are refinancing risk, interest rate risk, exchange rate risk and counterparty risk. To this end, the Issuer has defined clear limits for minimum liquidity, average time to maturity, modified duration, exchange rate exposure and counterparty exposure. Despite these risk management policies, the Issuer may incur losses in relation to its treasury operations, which may have a negative impact on its financial position.

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

The Notes may not be a suitable investment for all investors

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

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

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

Risks related to the structure of a particular issue of Notes

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

Notes subject to optional redemption by the Issuer

If a Note contains an optional redemption feature it is likely to limit its market value. The market value of any such Notes will generally not rise substantially above the price at which these Notes can be redeemed.

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 the time.

Dual Currency Notes

The Issuer may issue Notes with interest (but not principal) payable in one or more currencies, which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) payment of principal or interest may occur at a different time or in a different currency than expected; and
- (iii) the currency in which interest is payable may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices.

Floating Rate Notes

Notes with variable interest rates can be volatile investments. If Notes are structured to include multiples or other leverage factors, or a cap or a floor, or any combination of those features, their market values may be even more volatile than those for Notes that do not include these features.

Inverse Floating Rate Notes

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

Fixed / Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate may affect the market value of the Notes since the Issuer may be expected to convert the interest 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, the spread on the Fixed/Floating Rate Notes may be less favourable than the 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, the fixed rate may be lower than the rates on other Notes.

Partly Paid Notes

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

Risks related to the Notes generally

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders (as defined in the Terms and Conditions) to consider matters affecting their interest 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 Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders:

- (i) agree 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
- (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default (as defined in the Terms and Conditions) shall not be treated as such.

Withholding tax - EU Savings Tax Directive (Directive 2003/48/EC)

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

Change in law

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. 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 Base Prospectus.

Trading in the clearing systems

In relation to any issue of Notes which have a denomination consisting of €100,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than €100,000 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 such that its holding amounts to €100,000.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk, in respect of Notes issued under the Programme:

The secondary market generally

The 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 the Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Exchange rate risks and exchange controls

The Issuer will pay principal in a currency and any premium and interest on each Note in a currency or currencies as specified in the terms of that Note. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than the currency specified in the terms of the Note.

Interest rate risks

Investment in Notes bearing interest at a fixed rate involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings may not reflect all risks

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

In general, European regulated investors are restricted under 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). Certain information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms if the relevant Series of Notes is to be rated.

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:

- (i) the Notes are legal investments for it;
- (ii) the Notes can be used as collateral for various types of borrowing and;
- (iii) other restrictions apply to its purchase or pledge of the Notes. Potential investors that are financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (a) the audited consolidated annual financial statements (including the auditors' reports thereon and notes thereto) of the Issuer for the financial years ended 31 December 2010 and 2009;
- (b) the unaudited consolidated interim financial statements of the Issuer for the 3 months ended 31 March 2011;
- (c) the terms and conditions set out on pages 15 to 41 of the base prospectus dated 25 April 2006 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the "**2006 Conditions**");
- (d) the terms and conditions set out on pages 14 to 38 of the base prospectus dated 24 April 2007 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the "**2007 Conditions**");
- (e) the terms and conditions set out on pages 16 to 44 of the base prospectus dated 8 May 2008 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the "**2008 Conditions**");
- (f) the terms and conditions set out on pages 12 to 41 of the base prospectus dated 6 May 2009 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the "**2009 Conditions**"); and
- (g) the terms and conditions set out on pages 12 to 42 of the base prospectus dated 10 May 2010 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the "**2010 Conditions**")

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected during normal business hours, free of charge, at the specified office of the Principal Paying Agent and Registrar and from the head office of the Issuer. Copies of this Base Prospectus and the Issuer's consolidated financial statements will also be available for viewing at the National Storage Mechanism at www.hemscott.com/nsm.do. Please note that websites and urls referred to herein do not form part of this Base Prospectus. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

If the documents incorporated by reference into this Base Prospectus themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Base Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference to this Base Prospectus.

USE OF PROCEEDS

The net proceeds of each issue of Notes will be used by the Issuer for general corporate purposes.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, as supplemented, modified or replaced in relation to any Notes by the relevant Final Terms, will be applicable to each Series of Notes:

The Notes (as defined in Condition 1.1) are constituted by an amended and restated trust deed dated 25 May 2011, (the "**Trust Deed**", which expression shall include any further amendments or supplements thereto or any restatement thereof) made between Statnett SF (the "**Issuer**") and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees of the Trust Deed) as trustee for the holders of the Notes (the "**Noteholders**"). The Notes (other than the VPS Notes) are the subject of an amended and restated paying agency agreement dated 25 May 2011 (as amended, supplemented or replaced, the "**Agency Agreement**") and made between the Issuer, the Trustee, Citibank, N.A., in its capacity as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor to Citibank, N.A., in its capacity as such) and as principal registrar (the "**Principal Registrar**", which expression shall include any successor to Citibank, N.A., in its capacity as such), and the paying agents named therein (the "**Paying Agents**", which expression shall include the Principal Paying Agent and any substitute or additional paying agents appointed in accordance with the Agency Agreement). Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Trustee, the Paying Agents and the Principal Registrar. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of, and shall be bound by, all of the provisions of the Agency Agreement and the Trust Deed insofar as they relate to the relevant Notes.

The Notes are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Notes. Each Tranche will be the subject of a Final Terms (each, a "**Final Terms**"), a copy of which will be available for inspection during normal business hours at the specified office of the Principal Paying Agent and/or, as the case may be, the Registrar (as defined in Condition 2.2). In the case of a Tranche of Notes in relation to which application has not been made for listing with any competent listing authority or on any stock exchange, copies of the Final Terms will only be available for inspection by a Holder (as defined in Conditions 2.1 and 2.2) of such Note.

References in these Terms and Conditions to "**Notes**" are to Notes of the relevant Series and any references to Coupons (as defined in Condition 1.6) and Receipts (as defined in Condition 1.7) are to Coupons and Receipts relating to Notes of the relevant Series.

References in these Terms and Conditions to the "**Final Terms**" are to the Final Terms or Final Terms(s) prepared in relation to the Notes of the relevant Tranche or Series.

References in these Terms and Conditions to a "**Tranche**" are to an individual Tranche within a Series or to a Series without a Tranche.

In respect of any Notes, references herein to these "**Terms and Conditions**" are to these terms and conditions as supplemented or modified or (to the extent thereof) replaced by the Final Terms.

As used in these Terms and Conditions, in relation to any Notes which are to have a "**listing**" or be "**listed**" on the London Stock Exchange, "**listing**" and "**listed**" shall be construed to mean that such Notes have been admitted to the Official List of the United Kingdom Financial Services Authority (the "**FSA**") and admitted to trading on the Regulated Market of the London Stock Exchange plc.

1. **Form and Denomination**

1.1 The Notes of a Series are issued in bearer form ("**Bearer Notes**"), in registered form ("**Registered Notes**"), or in uncertificated book entry form ("**VPS Notes**") as specified in the Final Terms and are serially numbered, save for the VPS Notes. Registered Notes and VPS Notes will not be exchangeable for Bearer Notes.

1.2 The Final Terms shall specify whether U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") or U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") shall apply, or whether neither are applicable. Unless the Final Terms specifies that the TEFRA C Rules are applicable in respect of Notes, each Tranche of Bearer Notes is represented upon issue by a temporary global Note (a "**Temporary Global Note**") substantially in the form (subject to amendment and completion) of the First Schedule to the Trust Deed. Such Temporary

Global Note which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or before the relevant issue date therefor with a depository or a common depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, societe anonyme, Luxembourg, ("**Clearstream, Luxembourg**") and/or other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg (the "**ICSDs**").

Where the Final Terms applicable to a Tranche of Bearer Notes specifies that the TEFRA C Rules apply, such Tranche is (unless otherwise specified in the Final Terms) represented upon issue by a permanent global Note (a "**Permanent Global Note**").

Interests in the Temporary Global Note may be exchanged for:

- (a) interests in a Permanent Global Note substantially in the same form (subject to amendment and completion) of the Second Schedule to the Trust Deed; or
- (b) if so specified in the Final Terms, definitive instruments in bearer form ("**Definitive Notes**") substantially in the same form (subject to amendment and completion) of the Third Schedule to the Trust Deed and/or (in the case of a Series comprising both Bearer Notes and Registered Notes and if so specified in the Final Terms) Registered Notes substantially in the form (subject to amendment and completion) of the Fourth Schedule to the Trust Deed.

Exchanges of interests in a Temporary Global Note for Definitive Notes or, as the case may be, a Permanent Global Note will be made not earlier than 40 days after the issue date of the relevant Tranche of Notes (the "**Exchange Date**") and (unless the Final Terms specifies that the TEFRA C Rules are applicable to the Notes) provided certification as to the beneficial ownership thereof as required by U. S. Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received. An exchange for Registered Notes will be made at any time or from such date as may be specified in the Final Terms, in each case, without any requirement for certification.

- 1.3 The bearer of any Temporary Global Note shall not (unless, upon due presentation of such Temporary Global Note for exchange (in whole but not in part only) for a Permanent Global Note or for delivery of Definitive Notes and/or Registered Notes, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Notes represented by such Temporary Global Note which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.
- 1.4 Unless the Final Terms specifies that the TEFRA C Rules are applicable to the Notes and subject to Condition 1.3 above, if any date on which a payment of interest is due on the Notes of a Tranche occurs whilst any of the Notes of that Tranche are represented by a Temporary Global Note, the related interest payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by US Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear or Clearstream, Luxembourg or any other relevant clearing system. Payments of amounts due in respect of a Permanent Global Note or (subject to Condition 1.3 above) a Temporary Global Note (if the Final Terms specifies that the TEFRA C Rules are not applicable to the Notes) will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.
- 1.5 Interests in a Permanent Global Note will be exchanged by the Issuer (in whole but not in part only), at the option of the Holder of such Permanent Global Note, for Definitive Notes and/or (in the case of a Series comprising both Bearer and Registered Notes and if so specified in the Final Terms) Registered Notes, (a) if an Event of Default occurs in respect of any Note of the relevant Series; or (b) if either Euroclear or Clearstream, Luxembourg or any other relevant clearing

system is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so; or (c) if so specified in the Final Terms, at the option of the Holder of such Permanent Global Note upon such Holder's request, in all cases at the cost and expense of the Issuer. In order to exercise the option contained in paragraph (c) of the preceding sentence, the Holder must, not less than forty five days before the date upon which the delivery of such Definitive Notes and/or Registered Notes is required, deposit the relevant Permanent Global Note to or to the order of the Principal Paying Agent with the form of exchange notice endorsed thereon duly completed.

- 1.6 Interest-bearing Definitive Notes have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. Interest-bearing Definitive Notes, if so specified in the Final Terms, have attached thereto at the time of their initial delivery, a talon ("**Talon**") for further coupons and the expression "Coupons" shall, where the context so requires, include Talons.
- 1.7 Notes, the principal amount of which is repayable by instalments ("**Instalment Notes**") which are Definitive Notes, have endorsed thereon a grid for recording the repayment of principal or, if so specified in the Final Terms, have attached thereto at the time of their initial delivery, payment receipts ("**Receipts**") in respect of the instalments of principal.
- 1.8 The Trustee and the Issuer may call for and, except in the case of manifest error, shall be at liberty to accept and place full reliance on as sufficient evidence thereof any certificate, letter of confirmation or other document issued on behalf of any ICSD or any form of record made by any of them or such other evidence and/or information and/or certification as it shall, in its absolute discretion, think fit to the effect that at any particular time or throughout any particular period any particular person is, was, or will be, shown in its records as the holder of a particular nominal amount of Notes represented by a Global Note and if the Trustee or the Issuer does so rely, such letter of confirmation, form of record, evidence, information or certification shall be conclusive and binding on all concerned for all purposes. Any such certificate may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Cedcom system) in accordance with its usual procedures and in which the holder of a particular nominal amount of Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall 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.

Denomination

Denomination of Bearer Notes

- 1.9 Bearer Notes are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms. Bearer Notes of one denomination may not be exchanged for Bearer Notes of any other denomination.

Denomination of Registered Notes

- 1.10 Registered Notes are in the minimum denomination specified in the Final Terms or integral multiples thereof.

Denomination of VPS Notes

- 1.11 VPS Notes are in the minimum denomination specified in the Final Terms or integral multiples thereof.

Currency of Notes

- 1.12 The Notes are denominated in such currency as may be specified in the Final Terms. Any currency may be so specified (including, without limitation, euro (as defined in Condition 9E) ("**EUR**") Japanese Yen ("**JPY**"), Pounds Sterling ("**GBP**"), Norwegian Kroner ("**NOK**"), Swiss

Francs ("**CHF**"), Swedish Kronor ("**SEK**") and United States dollars ("**USD**")), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Partly Paid Notes

- 1.13 Notes may be issued on a partly paid basis ("**Partly Paid Notes**") if so specified in the Final Terms. The subscription moneys therefor shall be paid in such number of instalments ("**Partly Paid Instalments**") in such amounts, on such dates and in such manner as may be specified in the Final Terms. The first such instalment shall be due and payable on the date of issue of the Notes. For the purposes of these Terms and Conditions, in respect of any Partly Paid Note, "**Paid Up Amount**" means the aggregate amount of all Partly Paid Instalments in respect thereof as shall have fallen due and been paid up in full in accordance with the Terms and Conditions.

Not less than 14 days nor more than 30 days prior to the due date for payment of any Partly Paid Instalment (other than the first such Instalment), the Issuer shall publish a notice in accordance with Condition 14 stating the due date for payment thereof and stating that failure to pay any such Partly Paid Instalment on or prior to such date will entitle the Issuer to forfeit the Notes with effect from such date ("**Forfeiture Date**") as may be specified in such notice (not being less than 14 days after the due date for payment of such Partly Paid Instalment), unless payment of the relevant Partly Paid Instalment together with any interest accrued thereon is paid prior to the Forfeiture Date. The Issuer shall procure that any Partly Paid Instalments paid in respect of any Notes subsequent to the Forfeiture Date in respect thereof shall be returned promptly to the persons entitled thereto. The Issuer shall not be liable for any interest on any Partly Paid Instalment so returned.

Interest shall accrue on any Partly Paid Instalment which is not paid on or prior to the due date for payment thereof at the Interest Rate specified in the Final Terms (and in the case of non-interest bearing Notes, at the rate applicable as specified therein to overdue payments) and shall be calculated in the same manner and on the same basis as if it were interest accruing on the Notes for the period from and including the due date for payment of the relevant Partly Paid Instalment up to but excluding the Forfeiture Date. For the purpose of the accrual of interest, any payment of any Partly Paid Instalment made after the due date for payment shall be treated as having been made on the day preceding the Forfeiture Date (whether or not a Business Day as defined in Condition 5.09).

Unless an Event of Default or a Potential Event of Default (as defined in the Trust Deed) shall have occurred and be continuing, on the Forfeiture Date, the Issuer shall forfeit all of the Notes in respect of which any Partly Paid Instalment shall not have been duly paid, whereupon the Issuer shall be entitled to retain all Partly Paid Instalments previously paid in respect of such Notes and shall be discharged from any obligation to repay such amount or to pay interest thereon, or (where such Notes are represented by a Temporary Global Note or a Permanent Global Note) to exchange any interests in such Note for interests in a Permanent Global Note or to deliver Definitive Notes or Registered Notes in respect thereof, but shall have no other rights against any person entitled to the Notes which have been so forfeited.

Without prejudice to the right of the Issuer to forfeit any Notes, for so long as any Partly Paid Instalment remains due but unpaid, and except in the case where an Event of Default shall have occurred and be continuing (a) no interests in a Temporary Global Note may be exchanged for interests in a Permanent Global Note and (b) no transfers of Registered Notes or exchanges of Bearer Notes for Registered Notes may be requested or effected.

Until such time as all the subscription moneys in respect of Partly Paid Notes shall have been paid in full and except in the case where an Event of Default shall have occurred and be continuing or if any of Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so, no interests in a Temporary Global Note or a Permanent Global Note may be exchanged for Definitive Notes or Registered Notes.

Save where more specifically defined or where the context otherwise requires for the purposes of these Terms and Conditions, references to "**Notes**" shall be to any of Temporary Global Notes,

Permanent Global Notes, Definitive Notes and references to the deposit of Notes or Registered Note Certificates will, if applicable, be construed in accordance with the practice of the relevant clearing system.

2. **Title and Transfer**

- 2.1 Title to Bearer Notes, Receipts and Coupons passes by delivery. References herein to the "**Holders**" of Bearer Notes or of Receipts or Coupons are to the bearers of such Bearer Notes or such Receipts or Coupons.
- 2.2 Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by the Registrar. For the purposes of these Terms and Conditions, "**Registrar**" means, in relation to any Series comprising Registered Notes, the Principal Registrar. References herein to the "**Holders**" of Registered Notes are to the persons in whose names such Registered Notes are so registered in the relevant register (or in the case of a joint holding the first named thereof). A certificate (each a "**Registered Note Certificate**") will be issued to each Noteholder in respect of its initial registered holding.
- 2.3 Title to the VPS Notes passes by book entries in the records of the VPS. On the issue of such VPS Notes, the Issuer will send a letter to the Trustee, (the "**VPS Letter**") with a copy sent to a VPS account manager to be appointed by the Issuer prior to the issue of any VPS Notes (the "**VPS Account Manager**"), which will set out the terms of the relevant issue of VPS Notes in the form of Final Terms attached to such VPS Notes. 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 VPS Account Manager will credit each subscribing account holder with the VPS with a nominal amount of VPS Notes equal to the nominal amount for which it has subscribed and paid. Settlement of transactions in the VPS will take place three Oslo business days after the date of the relevant transaction. Transfers of interests in the relevant VPS Notes will take place in accordance with the rules and procedures for the time being of the VPS. References herein to the "Holders" of VPS Notes are to the persons in whose names such VPS Notes have been entered in the records of the VPS.
- 2.4 The Holder of any Bearer Note, Coupon or Registered Note will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon or on the related Registered Note Certificate, or any theft or loss thereof) and no person shall be liable for so treating such Holder and the Issuer, the Trustee, the Paying Agents and the Registrar shall not be required to obtain any proof thereof or as to the identity of the Holder.

Transfer of Registered Notes and exchange of Bearer Notes for Registered Notes

- 2.5 A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred upon the surrender of the related Registered Note Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Note Certificate will be issued to the transferee and, where not all of the Notes represented by the surrendered Note Certificates are the subject of the transfer, a new Registered Note Certificate in respect of the balance not transferred will be issued to the transferor.
- 2.6 If so specified in the Final Terms, the Holder of Bearer Notes may exchange the same for the same aggregate principal amount of Registered Notes upon the terms and subject to the conditions set forth in the Agency Agreement. In order to exchange a Bearer Note for a Registered Note, the Holder thereof shall surrender such Bearer Note at the specified office outside the United States of the Principal Paying Agent or of the Registrar together with a written request for the exchange. Each Bearer Note so surrendered must be accompanied by all unmatured Receipts and Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.7) where the exchange date would, but for the provisions of Condition 2.6, occur between the Record Date (as defined in Condition 9B. 3) for such payment of interest and the date on which such payment of interest falls due.

- 2.7 Each new Registered Note Certificate to be issued upon the transfer of a Registered Note or the exchange of a Bearer Note for a Registered Note will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar or the Principal Paying Agent after the Record Date (as defined in Condition 9B.3) in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar or the Principal Paying Agent until the day following the due date for such payment.

For the purposes of these Terms and Conditions,

- (a) "**Relevant Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Note for a Registered Note where such request for exchange is made to the Principal Paying Agent, in the place where the specified office of the Principal Paying Agent is located;
 - (b) the "**exchange date**" shall be the Relevant Banking Day following the day on which the relevant Bearer Note shall have been surrendered for exchange in accordance with Condition 2.5; and
 - (c) the "**transfer date**" shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with Condition 2.4.
- 2.8 The issue of new Registered Notes on transfer or on the exchange of Bearer Notes for Registered Notes will be effected without charge by or on behalf of the Issuer, the Principal Paying Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Principal Paying Agent or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

3. **Status of the Notes**

The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with the claims of all its other unsecured creditors save those whose claims are preferred solely by any bankruptcy, insolvency, liquidation or other similar laws of general application.

4. **Negative Pledge**

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness without at the same time or prior thereto (x) securing (in the sole opinion of the Trustee) the Notes equally and rateably therewith or (y) providing such other security for the Notes as the Trustee shall, in its absolute discretion, deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

In these Terms and Conditions:

"**Indebtedness**" means any indebtedness of any person for or in respect of moneys borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) moneys borrowed; or

- (b) amounts raised by way of acceptance under any acceptance credit facility but excluding acceptance of trade bills in respect of the purchase or sale of goods in the ordinary course of trading; or
- (c) amounts raised under any note purchase facility; or
- (d) amounts raised pursuant to any issue of shares of any person which are expressed to be redeemable prior to the payment of any amounts due under this Note; or
- (e) the capital amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting principles in Norway, be treated as finance leases; or
- (f) the capital amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; or
- (g) any interest rate swap, currency swap, forward foreign exchange transaction, forward rate agreement, cap, floor, collar or option transaction or other similar transaction or any combination thereof or other like transaction; or
- (h) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Norway**" means the Kingdom of Norway;

"**person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Permitted Security Interest**" means a Security Interest in respect of Relevant Indebtedness:

- (a) acquired or assumed by the Issuer in connection with its business after the date hereof which exists at the time of such acquisition or assumption (other than a Security Interest created in contemplation of such acquisition or assumption); and/or
- (b) where such Security Interest exists over assets acquired at fair market price by the Issuer in connection with its business after the date hereof and such Security Interest was created prior to and not in contemplation of such acquisition;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) other than any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which has an initial maturity of less than 12 months; and

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

5. **Interest**

Interest

- 5.1 Notes may be interest-bearing or non interest-bearing, as specified in the Final Terms. Words and expressions appearing in this Condition 5 and not otherwise defined herein or in the Final Terms shall have the meanings given to them in Condition 5.10.

Interest-bearing Notes

- 5.2 Notes which are specified in the Final Terms as being interest-bearing shall bear interest from their Interest Commencement Date at the Interest Rate payable in arrear on each Interest Payment Date.

Floating Rate Notes

5.3 If the Final Terms specifies the Interest Rate applicable to the Notes as being Floating Rate it shall also specify which page (the "**Relevant Screen Page**") on the Reuter Service or any other information vending service shall be applicable. If such a page is so specified, the Interest Rate applicable to the relevant Notes for each Interest Accrual Period shall be determined by the Calculation Agent on the following basis:

- (a) the Calculation Agent will determine the offered rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point 0.00005 being rounded upwards) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Accrual Period on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (b) if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Calculation Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the London interbank market (or, in the case of Notes denominated or payable in euro, in the Euro-zone interbank market), selected by the Calculation Agent, at approximately the Relevant Time on the Interest Determination Date to prime banks in the London interbank market (or, in the case of Notes denominated or payable in euro, in the Euro-zone interbank market) for a period of the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;
- (c) if, on any Interest Determination Date, only two or three rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or
- (d) if fewer than two rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre (or, in the case of Notes denominated in euro, in such financial centre or centres in the Euro-zone as the Calculation Agent may select) selected by the Calculation Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres as aforesaid)) on the first day of the relevant Interest Accrual Period for loans in the relevant currency to leading European banks for a period for the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time,

and the Interest Rate applicable to such Notes during each Interest Accrual Period will be the sum of the relevant margin (the "**Relevant Margin**") specified in the Final Terms and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) so determined provided, however, that, if the Calculation Agent is unable to determine a rate (or, as the case may be, an arithmetic mean of rates) in accordance with the above provisions in relation to any Interest Accrual Period, the Interest Rate applicable to such Notes during such Interest Accrual Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) determined in relation to such Notes in respect of the last preceding Interest Accrual Period.

ISDA Rate Notes

5.4 If the Final Terms specifies the Interest Rate applicable to the Notes as being ISDA Rate, each Note shall bear interest as from such date, and at such rate or in such amounts, and such interest will be payable on such dates, as would have applied (regardless of any event of default or termination event or tax event thereunder) if the Issuer had entered into an interest rate swap transaction with the Holder of such Note under the terms of an agreement to which the ISDA Definitions applied and under which:

- the Fixed Rate Payer, Fixed Amount Payer, Fixed Price Payer, Floating Rate Payer, Floating Amount Payer or, as the case may be, the Floating Price Payer is the Issuer (as specified in the Final Terms);
- the Effective Date is the Interest Commencement Date;
- the Termination Date is the Maturity Date;
- the Calculation Agent is the Calculation Agent as defined in Condition 5.10;
- the Calculation Periods are the Interest Accrual Periods;
- the Period End Dates are the Interest Period End Dates;
- the Payment Dates are the Interest Payment Dates;
- the Reset Dates are the Interest Period End Dates;
- the Calculation Amount is the principal amount of such Note;
- the Day Count Fraction applicable to the calculation of any amount is that specified in the Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions;
- the Applicable Business Day Convention applicable to any date is that specified in the Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions; and
- the other terms are as specified in the Final Terms. Maximum or Minimum Interest Rate.

5.5 If any Maximum or Minimum Interest Rate is specified in the Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

Accrual of Interest

5.6 Interest shall accrue on the Outstanding Principal Amount of each Note during each Interest Accrual Period from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless upon due presentation or surrender thereof (if required), payment in full of the Redemption Amount (as defined in Condition 6.9) or the relevant Instalment Amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) at the Interest Rate then applicable or such other rate as may be specified for this purpose in the Final Terms until the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the third day after the date on which, the Principal Paying Agent or, as the case may be, the Registrar or the VPS Account Manager having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 14 that the Principal Paying Agent or, as the case may be, the Registrar or the VPS Account Manager has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

Interest Amount(s), Calculation Agent and Reference Banks

5.7 If a Calculation Agent is specified in the Final Terms, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date (or such other time on such date as the Calculation Agent may be required to obtain any quote or make any determination or calculation) will determine the Interest Rate and calculate the amount(s) of interest payable (the "**Interest Amount(s)**") in respect of each Denomination of the Notes (in the case of Bearer Notes) and the minimum denomination (in the case of Registered Notes or VPS

Notes) for the relevant Interest Accrual Period, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Principal Paying Agent, the Registrar (in the case of Registered Notes), the VPS Account Manager (in the case of VPS Notes) the Issuer, the Trustee and the Holders in accordance with Condition 14 and, if the Notes are listed with a competent listing authority and/or on a stock exchange and such listing authority or exchange so requires, such listing authority or exchange as soon as possible after their determination or calculation but in no event later than the fourth London Banking Day thereafter or, if earlier in the case of notification to the listing authority or stock exchange, the time required by the relevant stock exchange. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended by the Calculation Agent (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of an Interest Accrual Period or the Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination. If the Notes become due and payable under Condition 7, the Interest Rate and the accrued interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made. The determination of each Interest Rate, Interest Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon the Issuer, the Trustee and the Holders and neither the Calculation Agent, the Trustee nor any Reference Bank shall have any liability to the Holders in respect of any determination, calculation, quote or rate made or provided by it.

The Issuer will procure that there shall at all times be a Calculation Agent, if provision is made for one in the Terms and Conditions.

If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Accrual Period or to calculate the Interest Amounts or any other requirements, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculating Agent). In doing so the Trustee shall determine or calculate the relevant matter in such manner as, in its absolute discretion, it shall deem fair and reasonable in the circumstances (showing such regard as it shall think fit to the procedures described above, but subject always to such maximum or minimum interest rate which may be prescribed) or apply the foregoing provisions of this condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so and in all other respects it shall do so in such manner as it shall in its absolute discretion deem fair and reasonable in the circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof.

Calculations and Adjustments

- 5.8 The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate and the Calculation Amount by the Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being round upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount save that (i) if the Final Terms specifies a specific amount in respect of such period, the amount of interest payable in respect of such Note for such period will be equal to such specified amount and (ii) in the case of Notes where the Interest Rate is fixed, the interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in the Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States Dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent

being rounded up), and (c) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

Non-Interest Bearing Notes

- 5.9 If any Maturity Redemption Amount or Instalment Amount (as defined in Condition 6.1) in respect of any Note which is non-interest bearing is not paid when due, interest shall accrue on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Amortisation Yield defined in, or determined in accordance with the provisions of, the Final Terms or at such other rate as may be specified for this purpose in the Final Terms until the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the third day after the date on which, the Principal Paying Agent or, as the case may be, the Registrar or the VPS Account Manager having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 14 that the Principal Paying Agent or, as the case may be, the Registrar or the VPS Account Manager has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any such interest shall be calculated in accordance with the provisions of Condition 5.8 as if the Interest Rate was the Amortisation Yield, the Outstanding Principal Amount was the overdue sum and the Day Count Fraction was as specified for this purpose in the Final Terms or, if not so specified, 30E/360 (as defined in Condition 5.10).

Definitions

- 5.10 "**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms.

"**Applicable Business Day Convention**" means the "**Business Day Convention**" which may be specified in the Final Terms as applicable to any date in respect of the Notes unless the Final Terms specifies "No Adjustment" in relation to any date in which case such date shall not be adjusted in accordance with any Business Day Convention. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates, Interest Period End Dates and any other date or dates in respect of any Notes.

"**Banking Day**" means, in respect of any city, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city.

"**Business Day**" means:

- (a) in relation to any Notes denominated or any sum payable in euro, a TARGET Settlement Day; and
- (b) in relation to any Notes denominated or any sum payable in a currency other than euro, a day on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant currency;

and, in either case, a day on which commercial banks are open for business and foreign exchange markets settle payments in each (if any) Additional Business Centre or any other place specified in the relevant Final Terms.

"**Business Day Convention**" means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Final Terms in relation to any date applicable to any Notes, shall have the following meanings:

- (a) "**Following Business Day Convention**" means that such date shall be postponed to the first following day that is a Business Day;
- (b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that such date shall be postponed to the first following day that is a

Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

- (c) "**Preceding Business Day Convention**" means that such date shall be brought forward to the first preceding day that is a Business Day; and
- (d) "**FRN Convention**" or "**Eurodollar Convention**" means that each such date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms as the Specified Period after the calendar month in which the preceding such date occurred Provided that:
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred.
- (e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention.

"**Calculation Agent**" means such agent as may be specified in the Final Terms as the Calculation Agent.

"**Calculation Amount**" has the meaning given in the relevant Final Terms.

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time ("**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if "**Actual/Actual (ICMA)**" is so specified, means:
 - (i) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods in any year; and
 - (ii) if the Calculation Period is longer than one Determination Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods in any year;

- (c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (f) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

- (g) if "30E/360 (ISDA)" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation 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 D₂ will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"Determination Period" means the period from and including an Interest Payment Date in any year to, but excluding the next Interest Payment Date.

"First Interest Payment Date" means the date specified in the relevant Final Terms.

"Interest Accrual Period" means, in respect of an Interest Period, each successive period beginning on and including an Interest Period End Date and ending on but excluding the next succeeding Interest Period End Date during that Interest Period provided always that the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the date of final maturity.

"Interest Commencement Date" means the date of issue of the Notes (as specified in the Final Terms) or such other date as may be specified as such in the Final Terms.

"Interest Determination Date" means, in respect of any Interest Accrual Period, the date falling such number (if any) of Banking Days in such city(ies) as may be specified in the Final Terms prior to the first day of such Interest Accrual Period, or if none is specified the date falling two London Banking Days prior to the first day of such Interest Accrual Period.

"Interest Payment Date" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms and, if an Applicable Business Day Convention is specified in the Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months

is specified in the Final Terms as being the Interest Period, each of such dates as may occur in accordance with the FRN Convention at such Specified Period of calendar months following the date of issue of the Notes (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

"Interest Period" means each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date provided always that the first Interest Period shall commence on and include the Interest Commencement Date and the final Interest Period shall end on but exclude the date of final maturity.

"Interest Period End Date" means the date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms and, if an Applicable Business Day Convention is specified in the Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or, if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Final Terms as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or, if none of the foregoing is specified in the Final Terms, means the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Notes.

"Interest Rate" means the rate or rates (expressed as a percentage per annum) or amount or amounts (expressed as a price per unit of relevant currency) of interest payable in respect of the Notes specified in, or calculated or determined in accordance with the provisions of, the Final Terms.

"ISDA Definitions" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.).

"London Banking Day" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London.

"Outstanding Principal Amount" means, in respect of an Note, (a) its principal amount less, in respect of any Instalment Note, any principal amount on which interest shall have ceased to accrue in accordance with Condition 5.6 or, (b) in the case of a Partly Paid Note, the Paid Up Amount of such Note or otherwise as indicated in the Final Terms except that the Paid Up Amount shall be deemed to be nil for Notes which have been forfeited by the Issuer on or after the Forfeiture Date as provided in Condition 1.13.

"Reference Banks" means such banks as may be specified in the Final Terms as the Reference Banks or, if none are specified, "Reference Banks" has the meaning given in the ISDA Definitions, *mutatis mutandis*.

"Relevant Financial Centre" means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of "Business Day" in the ISDA Definitions provided that, in relation to euro, it means the principal financial centre of such member state of the European Union as is selected (in the case of a payment) by the payee, or (in the case of a calculation) by the Calculation Agent.

"Relevant Time" means the time as of which any rate is to be determined as specified in the Final Terms or, if none is specified, at which it is customary to determine such rate.

"Reuters Screen" means, when used in connection with a designated page and any designated information, the display page so designated on Reuters (or such other page as may replace that page on that service for the purpose of displaying such information).

"Specified Period" has the meaning given in the relevant Final Terms.

"TARGET2" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro.

Interest on Dual Currency Interest Notes

5.11 The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

6. **Redemption and Purchase Redemption at Maturity**

6.1 Unless previously redeemed, or purchased and cancelled each Note which is not an Instalment Instrument shall be redeemed at its maturity redemption amount (the "**Maturity Redemption Amount**") (which shall be its Outstanding Principal Amount). In the case of Instalment Notes, each Note shall be redeemed in such number of instalments and in such amounts ("**Instalment Amounts**") as may be specified in, or determined in accordance with the provisions of, the Final Terms on the date or dates (or, in the case of Notes which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the Final Terms.

Early Redemption for Taxation Reasons

6.2 If, in relation to any Series of Notes, provided the Issuer satisfies the Trustee that (i) as a result of any change in the laws, regulations or rulings of Norway or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issue of such Notes or any other date specified in the Final Terms, the Issuer would be required to pay additional amounts as provided in Condition 8 and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may, at its option and having given no less than thirty nor more than sixty days notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Notes in accordance with Condition 14 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Notes comprising the relevant Series at their early tax redemption amount (the "**Early Redemption Amount (Tax)**") (which shall be their Outstanding Principal Amount or, in the case of Notes which are non-interest bearing, their Amortised Face Amount (as defined in Condition 6.10) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms), together with accrued interest (if any) thereon (calculated as provided in these Terms and Conditions and the Trust Deed) Provided, however, that no such notice of redemption may be given earlier than 90 days (or, in the case of Notes which bear interest at a floating rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus 60 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 6.2 the Issuer shall deliver to the Trustee (A) a certificate signed by two directors of the Issuer stating that the said circumstances prevail and describing the facts leading thereto, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the condition precedent set out in (ii) above in which case it shall become conclusive and binding on the relevant Noteholders and (B) an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail, and the Trustee shall be entitled to accept such opinion as sufficient evidence of the condition precedent set out in (i) above in which case it shall become conclusive and binding on the relevant Noteholders.

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under Condition 6.6.

Optional Early Redemption (Call)

6.3 If this Condition 6.3 is specified in the Final Terms as being applicable, then the Issuer may, having given the appropriate notice (as defined in 6.4 below) to the Noteholders and having notified the Trustee prior to the provision of such notice and subject to such conditions as may be specified in the Final Terms, redeem all (but not, unless and to the extent that the Final Terms

specifies otherwise, some only) of the Notes of the relevant Series at their call early redemption amount (the "**Early Redemption Amount (Call)**") (which shall be their Outstanding Principal Amount or, in the case of Notes which are non-interest bearing, their Amortised Face Amount (as defined in Condition 6.10) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms), together with accrued interest (if any) thereon (calculated as provided in this Condition and the Trust Deed) on the date specified in such notice.

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under Condition 6.6.

- 6.4 The appropriate notice referred to in Condition 6.3 is a notice given by the Issuer to the Holders of the Notes of the relevant Series in accordance with Condition 14, which notice shall be irrevocable and shall specify:
- (a) the Series of Notes subject to redemption;
 - (b) whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of and (except in the case of a Temporary Global Note or Permanent Global Note) the serial numbers of the Notes of the relevant Series which are to be redeemed;
 - (c) the due date for such redemption, which shall be not less than thirty days nor more than sixty days after the date on which such notice is given and which shall be such date or the next of such dates ("**Call Option Date(s)**") or a day falling within such period ("**Call Option Period**"), as may be specified in the Final Terms and which is, in the case of Notes which bear interest at a floating rate, a date upon which interest is payable; and
 - (d) the Early Redemption Amount (Call) at which such Notes are to be redeemed.

Partial Redemption

- 6.5 If the Notes of a Series are to be redeemed in part only on any date in accordance with Condition 6.3:
- (a) in the case of Bearer Notes (other than a Temporary Global Note or Permanent Global Note or Definitive Bearer Note held in Euroclear or Clearstream, Luxembourg or any other relevant clearing system), the Notes to be redeemed shall be drawn by lot in such European city as the Trustee may specify, or identified in such other manner or in such other place as the Trustee may approve and deem appropriate and fair;
 - (b) in the case of a Temporary Global Note or a Permanent Global Note, the Notes to be redeemed shall be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion);
 - (c) in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) pro rata to their principal amounts, provided always that the amount redeemed in respect of each Note shall be equal to the minimum denomination thereof or an integral multiple thereof, and
 - (d) in the case of VPS Notes, the Notes to be redeemed shall be selected in accordance with the rules of the VPS.

subject always to compliance with all applicable laws and the requirements of any competent listing authority and/or stock exchange on which the relevant Notes may be listed.

In the case of the redemption of part only of a Registered Note, a new Registered Note Certificate in respect of the unredeemed balance shall be issued in accordance with Conditions 2.4 to 2.8

which shall apply as in the case of a transfer of Registered Notes as if such new Registered Note Certificate were in respect of the untransferred balance.

Optional Early Redemption (Put)

- 6.6 If this Condition 6.6 is specified in the Final Terms as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Note of the relevant Series, redeem such Note on the date specified in the relevant Put Notice (as defined below) at its put early redemption amount (the "**Early Redemption Amount (Put)**") (which shall be its Outstanding Principal Amount or, if such Note is non-interest bearing, its Amortised Face Amount (as defined in Condition 6.10)), together with accrued interest (if any) thereon (calculated as provided in these conditions). In order to exercise such option, the Holder must, not less than forty-five days before the date on which such redemption is required to be made as specified in the Put Notice (which date shall be such date or the next of the dates ("**Put Date(s)**") or a day falling within such period ("**Put Period**") as may be specified in the Final Terms), deposit the relevant Note or Registered Note Certificate (together, in the case of an interest-bearing Definitive Note, with all unmatured Coupons appertaining thereto other than any Coupon maturing on or before the date of redemption (failing which the provisions of Condition 9A.6 apply)) during normal business hours at the specified office of, in the case of a Bearer Note, any Paying Agent or, in the case of a Registered Note Certificate, the Registrar together with a duly completed early redemption notice ("**Put Notice**") in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar specifying, in the case of a Temporary Global Note or Permanent Global Note or Registered Note, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the Final Terms or an integral multiple thereof) or, in the case of VPS Notes, the holder must deposit with the VPS Account Manager or the Issuer at its specified office a duly completed option exercise notice in the form obtainable from the Paying Agent or the VPS Account Manager. No Note so deposited and option exercised may be withdrawn (except as provided in the Trust Deed).

In the case of the redemption of part only of a holding of Registered Notes, a new Registered Note Certificate in respect of the unredeemed balance shall be issued in accordance with Conditions 2.4 to 2.8 which shall apply as in the case of a transfer of Registered Notes as if such new Registered Note Certificate were in respect of the untransferred balance.

The holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under either Condition 6.2 or 6.3.

Purchase of Notes

- 6.7 The Issuer or any of its Subsidiaries may at any time purchase Notes of a Series insofar as this is permitted by Norwegian law in the open market or otherwise and at any price provided that all unmatured Receipts and Coupons appertaining thereto are purchased therewith. If purchases are made by tender, tenders must be available to all Holders of such Series alike in a place and following procedures previously approved in writing by the Trustee.

Cancellation of Redeemed and Purchased Notes

- 6.8 Subject to the following, all unmatured Notes and Coupons redeemed in accordance with this Condition 6 will be cancelled forthwith and may not be reissued or resold. Any Notes purchased by a Subsidiary of the Issuer pursuant to Condition 6.7 may at the option of the Issuer, be retained by the relevant Subsidiary, or be resold or surrendered by that Subsidiary (as defined below) to a Paying Agent for cancellation, or in the case of VPS Notes, be deleted from the VPS and cannot thereafter be reissued or resold.

Further Provisions applicable to Redemption Amount and Instalment Amounts

- 6.9 References herein to "**Redemption Amount**" shall mean, as appropriate, the Maturity Redemption Amount, the final Instalment Amount, Early Redemption Amount (Tax), Early Redemption Amount (Call), Early Redemption Amount (Put) and Early Termination Amount.
- 6.10 In the case of any Note which is non-interest bearing, the "Amortised Face Amount" shall be an amount equal to the sum of:

- (a) the Issue Price specified in the Final Terms; and
- (b) the product of the Amortisation Yield specified in the Final Terms (compounded annually) being applied to the Issue Price from (and including) the Issue Date specified in the Final Terms to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction (as defined in Condition 5.10) specified in the Final Terms for the purposes of this Condition 6.10.

6.11 In the case of a Note which is non-interest bearing, if any Redemption Amount (other than the Maturity Redemption Amount) is improperly withheld or refused or default is otherwise made in the payment thereof, the Amortised Face Amount shall be calculated as provided in Condition 6.10 but as if references in subparagraph (ii) to the date fixed for redemption or the date upon which such Note becomes due and repayable were replaced by references to the earlier of:

- (a) the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made; and
- (b) (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the third day after the date on which, the Principal Paying Agent or, as the case may be, the Registrar (or the Trustee) having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 14 of that circumstance (except to the extent that there is a failure in the subsequent payment thereof to the relevant Holder).

7. Events of Default

7.1 The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. of the Outstanding Principal Amount or Amortised Face Amount of the Notes of any Series then outstanding or if so directed by an Extraordinary Resolution of the Holders of such Series shall (subject in each case to being indemnified to its satisfaction) (but, in the case of the happening of any of the events mentioned in paragraphs (b) to (l) below (inclusive), only if the Trustee shall have certified that, in its opinion, such event is materially prejudicial to the interests of the Holders of such Series), give notice to the Issuer that the Notes of such Series are, and they shall accordingly thereby become, immediately due and repayable at their Outstanding Principal Amount or their Amortised Face Amount (or as otherwise specified in the Final Terms), together with accrued interest as provided in the Trust Deed, if any of the following events occur (each, an "Event of Default"):

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes of the relevant Series or any of them on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes of the relevant Series or any of them within five days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes of the relevant Series or the Trust Deed or the Agency Agreement and (except in the case where the Trustee determines that such default is incapable of remedy when no such continuation or notice, as hereinafter mentioned will be required) such default remains unremedied for 30 days (or such longer period as the Trustee may permit) after written notice thereof has been delivered to the Issuer by the Trustee requiring the same to be remedied; or
- (c) *Cross-default of Issuer or any Material Subsidiary*:
 - (i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any such Indebtedness becomes due and payable prior to its stated maturity as a result of the occurrence of an event of default howsoever described; or

- (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,

provided that the aggregate amount of the indebtedness, guarantees and indemnities of either the Issuer and/or any of its Material Subsidiaries in respect of which one or more of the events mentioned above in this paragraph (c) have occurred exceeds Norwegian Kroner 300,000,000 (or its equivalent in any other currency or currencies) at any time; or

- (d) *Unsatisfied judgment*: a judgment or order for the payment of any amount is rendered against the Issuer or any of its Material Subsidiaries and continues unsatisfied or unstayed for a period of 30 days after the date thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or
- (f) *Insolvency etc.*: (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of its Material Subsidiaries is appointed (or application for any such appointment is made) in relation to the whole or any part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries, (iii) the Issuer or any of its Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors generally (other than for the purpose of a reconstruction or amalgamation upon terms and within such a period as may have been previously agreed in writing by the Trustee) or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) otherwise than for the purposes of or pursuant to a Permitted Reorganisation, the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business; or
- (g) *Winding up etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than for the purposes of or pursuant to a Permitted Reorganisation); or
- (h) *Analogous event*: any event occurs which under the laws of Norway has an analogous effect to any of the events referred to in paragraphs (d) to (g) above (otherwise than for the purposes of or pursuant to a Permitted Reorganisation); or
- (i) *Failure to take action etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, the Trust Deed and the Agency Agreement, (ii) to ensure that those obligations are legal, valid and binding and (iii) to make the Notes, the Trust Deed and the Agency Agreement admissible in evidence in the courts of Norway is not taken, fulfilled or done; or
- (j) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes, the Trust Deed or the Agency Agreement.

In this Condition 7, "**Permitted Reorganisation**" means the conversion of the Issuer from a State Owned Enterprise of which the Norwegian State is the sole owner, and to which the King of Norway has decided that Act No. 71 of 30 August 1991 of Norway relating to State Owned Enterprises (as amended) shall apply, to a limited company (AS or ASA) to which the Norwegian Limited Companies Acts of 13 June 1997 no. 44 and 45 (as amended) shall apply provided that prior to such conversion the Issuer shall deliver to the Trustee (i) a certificate signed by two directors of the Issuer stating that the said conversion is to occur and describing the facts leading thereto and confirming that the surviving entity will not have any greater financial liabilities following the conversion than does the Issuer prior to the conversion and the Trustee shall be entitled to accept such certificate as sufficient evidence of the facts stated therein without further investigation and (ii) an opinion of independent legal advisers of recognised standing to the effect

that such reorganisation is a universal succession such that the new entity succeeds to the rights and obligations of the Issuer by operation of law.

7.2 No Noteholder shall be entitled to take any of the actions referred to in Condition 7.1 except that if the Trustee, having become bound to take such action, fails to do so within a reasonable period and such failure shall be continuing, then any Noteholder of the relevant Series may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself take such action to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do.

7.3 In this Condition, "**Material Subsidiary**" means at any time any Subsidiary of the Issuer, the book value of the assets of which exceeds 10 per cent. of the Consolidated Assets of the Group or the revenues of which exceed 10 per cent. of the Consolidated Revenues of the Group and, for these purposes, the book value of the assets and revenues of such Subsidiary shall be determined by reference to the Issuer's then most recent audited consolidated annual financial statements as certified to the Trustee by the Auditors of the Issuer (as defined in the Trust Deed).

7.4 In these Terms and Conditions:

"**Consolidated Assets**" means the consolidated assets, tangible and intangible, of the Group as shown in the most recent audited consolidated financial statements of the Issuer;

"**Consolidated Revenues**" means the consolidated revenues of the Group as shown in the most recent audited consolidated financial statements of the Issuer;

"**Group**" means the Issuer and its Subsidiaries from time to time;

"**Guarantee**" means, in respect of any Indebtedness of any person, any obligation of another person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

"**Subsidiary**" means in respect of the Issuer at any particular time, any company or corporation:

- (a) which is controlled, directly or indirectly, by the Issuer; or
- (b) more than half of the issued share capital of which is beneficially owned, directly or indirectly, by the Issuer; or
- (c) which is a subsidiary of another subsidiary of the Issuer.

8. **Taxation**

8.1 All amounts payable (whether in respect of principal, interest or otherwise) in respect of the Notes 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 Norway or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by the Holder after such withholding or deduction shall equal the respective amounts which would have been receivable by such Holder in the absence of such withholding or deduction; except that

no such additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) to, or to a third party on behalf of, a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with Norway other than (a) the mere holding of such Note or Coupon or (b) the receipt of principal, interest or other amount in respect of such Note or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (d) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on or before the expiry of such period of thirty days.

8.2 For the purposes of these Terms and Conditions, the "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Principal Paying Agent (or as the case may be, the Registrar) or the Trustee on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders, notice to that effect shall have been duly given to the Holders of the Notes of the relevant Series in accordance with Condition 14.

8.3 If the Issuer becomes subject generally at any time to any taxing jurisdiction other than or in addition to Norway, references in Condition 6.2 and Condition 8.1 to Norway shall be read and construed as references to Norway and/or to such other jurisdiction(s).

8.4 Any reference in these Terms and Conditions to "**principal**" and/or "**interest**" in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 8 or under any undertakings given in addition to or in substitution for this Condition pursuant to the Trust Deed. Unless the context otherwise requires, any reference in these Terms and Conditions to "**principal**" shall include any premium payable in respect of an Note, any Instalment Amount or Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and "**interest**" shall include all amounts payable pursuant to Condition 5 and any other amounts in the nature of interest payable pursuant to these Terms and Conditions.

9. **Payments**

9A **Payments – Bearer Notes**

9A.1 This Condition 9A is applicable in relation to Notes in bearer form.

9A.2 Payment of amounts (other than interest) due in respect of Bearer Notes will be made against presentation and (save in the case of partial payment or payment of an Instalment Amount (other than the final Instalment Amount)) surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents.

Payment of Instalment Amounts (other than the final Instalment Amount) in respect of an Instalment Note which is a Definitive Note with Receipts will be made against presentation of the Note together (if applicable) with the relevant Receipt and surrender of such Receipt.

The Receipts are not and shall not in any circumstances be deemed to be documents of title and if separated from the Note to which they relate will not represent any obligation of the Issuer. Accordingly, the presentation of an Note without the relative Receipt or the presentation of a

Receipt without the Note to which it appertains shall not entitle the Holder to any payment in respect of the relevant Instalment Amount.

9A.3 Payment of amounts in respect of interest on Bearer Notes will be made:

- (i) in the case of a Temporary Global Note or Permanent Global Note, against presentation of the relevant Temporary Global Note or Permanent Global Note to the order of any of the Paying Agents outside (unless Condition 9A.4 applies) the United States and, in the case of a Temporary Global Note, upon due certification as required therein;
- (ii) in the case of Definitive Notes without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Notes at the specified office of any of the Paying Agents outside (unless Condition 9A.4 applies) the United States; and
- (iii) in the case of Definitive Notes delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Notes, in either case at the specified office of any of the Paying Agents outside (unless Condition 9A.4 applies) the United States.

9A.4 Payments of amounts due in respect of interest on the Bearer Notes and exchanges of Talons or Coupon sheets in accordance with Condition 9A.7 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code of 1986, as amended, and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Notes when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law. If paragraphs (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

9A.5 If the due date for payment of any amount due in respect of any Bearer Note is not a Relevant Financial Centre Day and a local banking day (both as defined in Condition 9C.3), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any local banking day, and will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue from the due date for payment as provided in Condition 5.6 or, if appropriate, Condition 5.9.

9A.6 Each Definitive Note initially delivered with Coupons, Talons or Receipts attached thereto should be presented and, save in the case of partial payment of the Redemption Amount, surrendered for final redemption together with all unmatured Receipts, Coupons and Talons relating thereto, failing which:

- (i) if the Final Terms specifies that this paragraph (i) of Condition 9A.6 is applicable (and, in the absence of specification, this paragraph (i) shall apply to Definitive Notes which bear interest at a fixed rate or rates or in fixed amounts) and subject as hereinafter provided, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the total Redemption Amount due) (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such Redemption Amount;

- (ii) if the Final Terms specifies that this paragraph (ii) of Condition 9A.6 is applicable (and, in the absence of specification, this paragraph (ii) shall apply to Notes which bear interest at a floating rate or rates or in variable amounts) all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Definitive Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them;
- (iii) in the case of Definitive Notes initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them; and
- (iv) in the case of Definitive Notes initially delivered with Receipts attached thereto, all Receipts relating to such Notes in respect of a payment of an Instalment Amount which (but for such redemption) would have fallen due on a date after such due date for redemption (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 9A.6 notwithstanding, if any Definitive Notes should be issued with a maturity date and an Interest Rate or Rates such that, on the presentation for payment of any such Definitive Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Note, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the Redemption Amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Note to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

- 9A.7 In relation to Definitive Notes initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 9A.4 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

9B **Payments – Registered Notes**

- 9B.1 This Condition 9B is applicable in relation to Notes in registered form.
- 9B.2 Payment of the Redemption Amount (together with accrued interest) due in respect of Registered Notes will be made against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Note Certificates at the specified office of the Registrar. If the due date for payment of the Redemption Amount of any Registered Note is not a Relevant Financial Centre Day and a local banking day (both as defined in Condition 9C.3), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any local banking day, and, will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.6 or, as appropriate, Condition 5.9.

9B.3 Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar at:

- (i) in the case of Registered Notes which are not in global certificate form, opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (as defined in Condition 2.7) before the due date for such payment; or
- (ii) in the case of Registered Notes which are in global certificate form, close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment where "Clearing System Business Day" means a day on which each clearing system for which the Registered Note is being held is open for business,

(the "**Record Date**").

9B.4 Notwithstanding the provisions of Condition 9C.2, payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be made in the currency in which such amount is due by cheque posted to the address (as recorded in the register held by the Registrar) of the Holder thereof on the Relevant Banking Day (as defined in Condition 2.7) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency (in the case aforesaid, a non-resident account with an authorised foreign exchange bank) in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.6 or, as appropriate, Condition 5.9.

9C **Payments – General Provisions**

9C.1 Save as otherwise specified in these Terms and Conditions, this Condition 9C is applicable in relation to Notes whether in bearer or in registered form.

9C.2 Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the currency in which such amount is due (a) by cheque or (b) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee (in the case of payment in Japanese Yen to a non-resident of Japan, a non-resident account with an authorised foreign exchange bank specified by the payee). Payments will, without prejudice to the provisions of Condition 8, be subject in all cases to any applicable fiscal or other laws and regulations.

9C.3 For the purposes of these Terms and Conditions:

- (i) "**Relevant Financial Centre Day**" means, in the case of any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre and in any other place specified in the Final Terms and, in the case of payment in euro, a TARGET Settlement Day; and
- (ii) "**local banking day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Note or, as the case may be, Coupon.

9C.4 No commissions or expenses shall be charged to the holders of Notes or Coupons in respect of such payments.

9D Redenomination

9D.1 This Condition 9D is applicable to a Series of Notes only if it is specified in the Final Terms as being applicable.

9D.2 If the country of the Specified Currency (as defined below) adopts or announces its intention to adopt the euro as its lawful currency, the Issuer may, without the consent of the Holders of the Notes, the Receipts and the Coupons of such Series, on giving at least 30 days' prior notice to the Holders of the Notes of such Series in accordance with Condition 14 and to the Trustee, elect that, with effect from the Redenomination Date specified in the notice, the Notes of such Series shall be redenominated in euro.

9D.3 The election will have effect as follows:

- (i) each Specified Denomination (as defined below) and, in the case of Fixed Rate Notes, each amount specified on the Coupons will be deemed to be denominated in such amount of euro as is equivalent to its denomination or the amount of interest so specified in the Specified Currency at the rate of conversion of such Specified Currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Union regulations), rounded down to the nearest euro 0.01;
- (ii) after the Redenomination Date (as defined below), all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Relevant Currency were to euro. 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;
- (iii) if the Notes are interest-bearing Notes (as described in Condition 5.2) and interest for any period ending on or after the Redenomination Date is required to be calculated for a period of less than one year, it will be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (A) the number of those days falling in a leap year divided by 366 and (B) the number of those days falling in a non-leap year divided by 365);
- (iv) if the Notes are Floating Rate Notes (as described in Condition 5.3) the Final Terms will specify any relevant changes to the provisions relating to interest; and
- (v) such other changes shall be made to these Terms and Conditions as the Issuer may decide, with the prior written approval of the Trustee, and as may be specified in the notice, to conform them to conventions then applicable to Notes denominated in euro or to enable the Notes to be consolidated with Other Notes (as defined below) whether or not originally denominated in the Specified Currency or euro. Any such other changes will not take effect until after they have been notified to the Holders of the Notes in accordance with Condition 14.

9E Exchangeability

Where Exchangeability is specified in the applicable Final Terms as being applicable, the Issuer may without the consent of the Holders of the Notes, the Receipts and the Coupons of the relevant Series, on giving at least 30 days' prior notice to the Holders of the Notes in accordance with Condition 14, elect that, with effect from the Redenomination Date or such later date for payment of interest on the Notes as it may specify in the notice, the Notes shall be exchangeable for Notes expressed to be denominated in euro in accordance with such arrangements as the Issuer may decide, with the prior written approval of the Trustee and as may be specified in the notice, including arrangements under which Receipts and Coupons unmaturing at the date so specified become void.

In these Terms and Conditions, the following expressions have the following meanings:

- (a) "**euro**" means the currency of those member states of the European Union that adopt the single currency in accordance with the Treaty;
- (b) "**Other Notes**" means, at any time, any one or more Series of other Notes of the Issuer which have the same or substantially the same Terms and Conditions (as then in effect and which have not lapsed and/or the rights in respect of which have not been exercised) as the Notes (other than in relation to the currency of original denomination and/or denomination and/or the Terms and Conditions relating to business days or interest accrual bases and/or the stock exchange(s) if any on which such Notes are listed and/or the clearing system(s) on which such Notes are cleared and settled and/or redenomination into euro and/or notices);
- (c) "**Redenomination Date**" means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of non-interest bearing Notes) any date, in each case specified by the Issuer in the notice given to the Holders of Notes and to the Trustee pursuant to Condition 9D.2 above and which falls on or after the start of the third stage of European economic and monetary union pursuant to the Treaty or, if the country of the Specified Currency is not one of the countries then participating in such third stage, which falls on or after such later date as it does so participate;
- (d) "**Specified Currency**" means the currency specified in the Final Terms;
- (e) "**Specified Denomination**" means the denomination specified in the Final Terms; and
- (f) "**Treaty**" means the Treaty on the Functioning of the European Union.

9F **Payments – 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.

10. **Prescription**

- 10.1 Claims against the Issuer for payment of principal and interest in respect of Notes will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date (as defined in Condition 8.2) for payment thereof.
- 10.2 In relation to Definitive Notes initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 9A.6 or the due date for the payment of which would fall after the due date for the redemption of the relevant Note or which would be void pursuant to this Condition 10 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Note.

11. **The Paying Agents, the Registrars, the VPS Account Manager and the Calculation Agent**

- 11.1 The initial Paying Agents, Registrars and VPS Account Manager and their respective initial specified offices are specified below. The Calculation Agent in respect of any Notes shall be specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate (with the prior written approval of the Trustee) the appointment of any Paying Agent (including the Principal Paying Agent) or the Registrar or the Calculation Agent or the VPS Account Manager and to appoint additional or other Paying Agents or another Registrar or another Calculation Agent or another VPS Account Manager provided that it will at all times maintain (i) a Principal Paying Agent, (ii) in the case of Registered Notes, a Registrar, (iii) a Paying Agent (which may be the Principal Paying Agent) with a specified office in a continental European city, (iv) so long as the Notes are listed on the London Stock Exchange and/or any other stock exchange, a Paying Agent (which may be the Principal Paying Agent) and a Registrar each with a specified office in London and/or in such other place as may be required by such other stock exchange, (v) in the circumstances described in Condition 9A.4, a Paying Agent with a specified office in New York

City, (vi) for the purposes of European Council Directive 2003/48/EC, a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to such Directive, and (vii) a Calculation Agent where required by the Terms and Conditions applicable to any Notes (in the case of (i), (ii), (iii)), (viii) a Paying Agent with a specified office located in such place (if any) as may be required by the Terms and Conditions) and (ix) in the case of VPS Notes, a VPS Accounts Manager. The Paying Agents, the Registrar, the VPS Account Manager and the Calculation Agent reserve the right (with the prior written approval of the Trustee) at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of any Paying Agent, the Registrar, the VPS Account Manager or the Calculation Agent will be given promptly by the Issuer to the Holders in accordance with Condition 14.

- 11.2 The Paying Agents, the Registrar and the Calculation Agent act solely as agents of the Issuer or, following the occurrence of an Event of Default or a Potential Event of Default the Trustee and, save as provided in the Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Note, Receipt or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

12. **Replacement of Notes**

If any Note, Registered Note Certificate, Receipt or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent or such Paying Agent or Paying Agents as may be specified for such purpose in the Final Terms (in the case of Bearer Notes and Coupons) or of the Registrar (in the case of Registered Notes) ("**Replacement Agent**"), subject to all applicable laws and the requirements of any competent listing authority and/or stock exchange on which the Notes are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Notes, Registered Note Certificates, Receipts and Coupons must be surrendered before replacements will be delivered therefor.

13. **Meetings of Noteholders, Modification and Waiver**

The Trust Deed contains provision for convening meetings of the Noteholders of any Series to consider any matter affecting their interest, including (without limitation) the modification of the Terms and Conditions or the Trust Deed. An Extraordinary Resolution passed at any meeting of the Noteholders of any Series will be binding on all the Noteholders of such Series, whether or not they are present at the meeting, and on all holders of Coupons or Receipts relating to Notes of such Series.

The Trust Deed contains provisions for the convening of a single meeting of Noteholders of more than one series of Notes where the Trustee so decides.

The Trustee may agree, without the consent of the Noteholders of any Series or the Coupons appertaining thereto, to any modification (subject to certain exceptions) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the holders of such Notes or to any modification which is of a formal, minor or technical nature or is made to correct a manifest error. The Trustee may also determine that any event which would or might otherwise constitute an Event of Default under Condition 7 shall not do so, provided that, in the opinion of the Trustee, such event is not materially prejudicial to the interests of the Holders of the Notes of the relevant Series. Any such modification, waiver, authorisation or determination shall be binding on the Holders of the Notes of such Series and of the Receipts and of the Coupons (if any) relating thereto and (unless the Trustee agrees otherwise) any such modification shall be notified to the Holders of such Notes as soon as practicable thereafter in accordance with Condition 14.

In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to, those in relation to any proposed modification, waiver, authorisation, determination or

assumption as aforesaid) in relation to any Series of Notes, the Trustee shall have regard to the interest of the Holders of such Notes as a class and, in particular, but without prejudice to the generality of the foregoing, shall not have regard to the consequences of such exercise for individual Holders resulting from their being, for any purpose, domiciled or resident in, or otherwise connected with, or subject to any jurisdiction of, any particular territory. No Holder of a Note or Coupon shall, in connection with any assumption as aforesaid, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Holders except to the extent already provided for in Condition 8.

14. Notices

To Holders of Bearer Notes

- 14.1 Notices to Holders of Bearer Notes will, save where another means of effective communication has been specified herein or in the Final Terms, be deemed to be validly given if published in a leading daily newspaper having general circulation in the United Kingdom (which is expected to be the Financial Times) or, if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in the United Kingdom (or, if permitted by the relevant listing authority or stock exchange, in the case of Notes represented by a Temporary Global Note or Permanent Global Note, if delivered to Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein). The Issuer shall also ensure that notices are duly published in compliance with the requirements of each listing authority or stock exchange on which the Notes are listed. Any notice so given will be deemed to have been validly given on the date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers) or, as the case may be, on the fourth weekday after the date of such delivery to Euroclear and Clearstream, Luxembourg and/or such other clearing system. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Notes in accordance with this Condition.

To Holders of Registered Notes

- 14.2 Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day.

To Holders of VPS Notes

- 14.3 Notices to Holders of VPS Notes shall be given in accordance with the rules and regulations set out by the VPS as amended from time to time.

15. Further Issues

The Issuer may from time to time, without the consent of the Holders of any Notes or Coupons, create and issue further instruments, bonds or debentures having the same terms and conditions as such Notes in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Notes of any particular Series.

16. Law and Jurisdiction

- 16.1 The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with them are governed by English law. VPS Notes must comply with the Norwegian Securities Act of 5th July, 2002 No. 64, as amended from time to time and the holders of VPS Notes will be entitled to the rights and are subject to the obligations and liabilities which arise under this Act and any related regulations and legislation.
- 16.2 The Issuer has in the Trust Deed: (i) agreed for the benefit of the Trustee and the Noteholders that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**")

arising out of or in connection with the Notes; (ii) agreed that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in England to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The submission to the jurisdiction of the English courts by the Issuer in the Trust Deed is for the benefit of the Trustee and the Noteholders. Nothing contained in the Trust Deed prevents the Trustee or any of the Noteholders from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

17. **Rights of Third Parties**

No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

FORM OF FINAL TERMS

Pro Forma Final Terms for an issue by Statnett SF under the Euro Medium Term Note Programme of Notes with a denomination of at least €100,000, or any lower denomination where the relevant issue of Notes is not admitted to trading on a regulated market within the European Economic Area and not offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive.

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [•]

STATNETT SF

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the

€1,500,000,000

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 (the "**Conditions**") set forth in the Base Prospectus dated 25 May 2011 [and the supplement to the Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at [www.londonstockexchange.com]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.

[Terms used herein shall be deemed to be defined as such for the purposes of the [insert year] Conditions (the "**Conditions**") set forth in the base prospectus dated [current date]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Base Prospectus dated [date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at [www.londonstockexchange.com]

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

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

1. Issuer: Statnett SF
2. (i) Series Number: []
- (ii) [Tranche Number: [(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]] []
3. Specified Currency or Currencies: []
(Condition 1.12)
4. Aggregate Nominal Amount: []
- [(i)] [Series:] []
- [(ii)] [Tranche:] []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6. (i) Specified Denominations: [Notes which are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive may only be issued in denominations of at least €100,000 (or equivalent in another currency at their issue date).]
(Condition 1.9, 1.10 or 1.11)

(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made)
- [If Bearer Notes are issued with a minimum denomination of €100,000 and multiple denominations above that, the following sample wording may be used: "€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]."]
- (ii) Calculation Amount: []
7. (i) Issue Date: []
- (ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
(Condition 6.1)
- [If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from

section 19 of the FSMA must be available.]

9. Interest Basis: [• per cent. Fixed Rate]
[[Specify reference rate] +/- • per cent. Floating Rate]
[Zero Coupon]
[Other (Specify)]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (Specify)]
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]*
12. Put/Call Options: [Investor Put]
(Conditions 6.3 and 6.6) [Issuer Call]
[(further particulars specified below)]
13. [(i)] Status of the Notes: Unsubordinated
[(ii)] [Date [Board] approval for issuance of Notes obtained: []
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes]
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE (Condition 5)

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*/not adjusted]
- (iii) Fixed Coupon Amount(s): [] per Calculation Amount
- (iv) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / other]
- (vi) Determination Dates: *[] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. NB: only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Other terms relating to the method of calculating [Not Applicable/give details]

interest for Fixed Rate Notes:

16. **Floating Rate Note Provisions** Applicable (Condition 5.3)
- (i) Specified Period: []
(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable").
- (ii) Specified Interest Payment Dates: []
(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")
- (iii) First Interest Payment Date: []
- (iv) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/FRN Convention/Eurodollar Convention/other (give details)]
- (v) Additional Business Centre(s): [Not Applicable/give details]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Paying Agent): [[Name] shall be the Calculation Agent (no need to specify if the Paying Agent is to perform this function)]
- (viii) Screen Rate Determination:
- Reference Rate: [For example, LIBOR or EURIBOR] [Also specify Default Interest Rate if different from Interest Rate]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [For example, Reuters LIBOR 01/ EURIBOR 01]
 - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]

- (ix) ISDA Determination: [Not Applicable/Issuer is [Fixed Rate/Fixed Amount/Fixed Price/Floating Rate/Floating Amount/Floating Price] Payer]
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
 - Interest Period End Dates: []
- (x) Margin(s): [+/-] [] per cent. per annum
- (xi) Minimum Rate of Interest: [] per cent. per annum
- (xii) Maximum Rate of Interest: [] per cent. per annum
- (xiii) Day Count Fraction: [] (Condition 5.10)
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(Condition 5.9) *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Amortisation Yield: [] per cent. per annum
 - (ii) Reference Bank: [] (Condition 5.10)
 - (iii) Any other formula/basis of determining amount payable: *[Specify note of interest on overdue amounts if different to Amortisation Yield]*
18. **Dual Currency Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: *[give details]*
 - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [] (Condition 5.10)
 - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible []

or impracticable:

- (iv) Person at whose option []
Specified Currency(ies)
is/are payable:

PROVISIONS RELATING TO REDEMPTION (Condition 6)

19. **Call Option** [Applicable/Not Applicable]
(Condition 6.3) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Call Optional Date(s): []
- (ii) Early Redemption Amounts [] per Calculation Amount
(Call) per Calculation Amount and method, if any, of calculations of such amount(s):
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [] per Calculation Amount
- (b) Maximum Redemption Amount: [] per Calculation Amount
- (iv) Call Option Period: *[Specify if different to those in Condition 6.4]*
20. **Put Option** [Applicable/Not Applicable]
(Condition 6.6) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Put Date(s): []
- (ii) Early Termination Amount(s) per Calculation Amount and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (iii) Put Period: *[Specify if different to those in Condition 6.6]*
21. **Final Redemption Amount of each Note** [] per Calculation Amount
- ("Maturity Redemption Amount" - Condition 6.1)
22. **Early Redemption Amount**
- [(i)] Early Redemption Amount(s) [Not Applicable]
per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in *(If both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)*)

Conditions 6.2):]

- [(ii)] Date after which changes in law etc. entitle Issuer to redeem: *[Specify, if not the Issue Date]*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. **Form of Notes:** **[Bearer Notes]**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] (Condition 1.2)
- [Temporary Global Note exchangeable for Definitive Notes on [] days' notice] (Condition 1.2)
- [Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] (Condition 1.5)
- [Registered Notes/VPS Notes issued in uncertificated book entry form] (*Specify if Bearer Notes exchangeable for Registered Notes*)
- [Note: The exchange upon notice/at any time options as specified above and in the Conditions should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: [€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000].]*
24. New Global Note: [Yes] [No]
25. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details].
- Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(ii) and 16 (v) relates]*
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]: (Condition 1.13) [Not Applicable/give details]
28. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]

(Condition 6)

29. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions in Condition 9D (*Redenomination*)] [annexed to this Final Terms] apply]
30. Other final terms: [Not Applicable/*give details*]
- [(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

DISTRIBUTION

31. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Date of [Subscription] Agreement: []
- (iii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
32. If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
33. Total commission and concession: [] per cent. of the Aggregate Nominal Amount
34. U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA C/TEFRA D/ TEFRA not applicable]
35. Additional selling restrictions: [Not Applicable/*give details*]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the Regulated Market of the London Stock Exchange pursuant to the €1,500,000,000 Euro Medium Term Note Programme of Statnett SF.

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing: [London/other (specify)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [•] with effect from [•].] [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [•]

2. RATINGS

Ratings: [The issuance of Notes itself [has not been rated/is expected to be rated: [•]]]

[The following ratings reflect the ratings allocated to Notes of the type being issued under the Issuer's EUR 1,500,000,000 Euro Medium Term Note Programme generally.

[Insert name of rating agency [•]]

[[Insert credit rating agency legal name] is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009, although as at the date of these Final Terms notification of the corresponding registration decision has not yet been provided by the relevant competent authority.] / [[Insert credit rating agency legal name] is established in the European Union and registered under Regulation (EU) No 1060/2009.] / [[Insert credit rating agency legal name] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009.] [[Insert credit rating agency legal name legal name] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the "**CRA Regulation**") but is endorsed by [insert credit rating agency legal name] which is established in the European Union [and registered under the CRA Regulation/and has applied for registration under the CRA Regulation, although as at the date of these Final Terms notification of the corresponding registration decision has not yet been provided by the relevant competent authority]. [[Insert credit rating agency legal name] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the "**CRA Regulation**") but is certified in accordance with Article 5 of the CRA Regulation (or is applying to be certified but has not yet been certified)].

[The above disclosure should reflect the rating allocated to the Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.]

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/ offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

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

(i) Reasons for the offer [•]

[See "Use of Proceeds" wording in Base Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.]

(ii) Estimated net proceeds: [•].

[If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.]

(iii) Estimated total expenses: [•].

5. **[Fixed Rate Notes only - YIELD**

Indication of yield: [•].

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

6. **[Dual Currency Notes only - PERFORMANCE OF RATE[S] OF EXCHANGE**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained. [As the Base Prospectus has not been prepared to an Annex 12 standard, the redemption amount must be fixed, cover 100 per cent. of principal and not relate to any underlying].

7. **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking *Société Anonyme* and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [•]

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

If issued in Registered Form:

- Registrar: (Condition 2.2) [Name and specified office]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No][Not Applicable]

[Note that the designation "yes" simply means that the bearer Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the bearer Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.][*include this text if "yes" selected in which case the Notes must be issued in NGN form*]

THE BUSINESS OF STATNETT SF

Information about Statnett SF

History and Development of the Issuer

The legal and commercial name of the Issuer is Statnett SF.

The Issuer is a state-owned enterprise registered in the Kingdom of Norway with registration number 962986633 and was incorporated on 20 December 1991.

The Issuer is governed by the State Enterprise Act of Norway 1991 (the "**Act**") as amended. Following amendments to the Act, there are few differences in law between state-owned enterprises and limited companies. A state-owned enterprise is, however, not allowed to issue shares and can only be owned by the Norwegian State. Furthermore, a state-owned enterprise cannot, without the consent of its general meeting, conclude any cooperation agreements whereby it accepts unlimited liability for any or all of the obligations under the agreement. Following the amendments to the Act, the Norwegian Government is no longer liable for the Issuer's debts and liabilities incurred after 1 January 2003.

The registered office of the Issuer is Husebybakken 28B, PO Box 5192 Majorstuen, N-0302 Oslo, Norway and its telephone number is +47 23 90 30 00.

Recent Events

There are no recent events particular to the Issuer that are, to a material extent, relevant to the evaluation of its solvency.

Business overview

Principal Activities

The Issuer is the Norwegian Transmission System Operator ("**TSO**"). Being a TSO involves ownership and operation of the Norwegian high voltage electricity transmission grid (the "**Main Grid**") and responsibility for the coordination and day-to-day management of the entire Norwegian electricity system.

The Main Grid comprises power lines with voltages ranging from 132 to 420 kV and transformer stations connecting high voltage lines with lower voltage installations. The Issuer currently owns approximately 90 per cent. of the Main Grid and administers the whole of the Main Grid. Ownership of power lines and transformer stations is used as the determinant of ownership of the Main Grid.

Revenue

The Issuer's revenues derive principally from two sources, from the users of the Norwegian electricity grid and from Statnett's power transmission lines and subsea cables between areas inside Norway and to other countries. Because the Issuer is in a monopoly situation, its revenues are regulated and controlled by government authorities, specifically the Norwegian Water Resources and Energy Directorate ("**NVE**").

Each year, NVE sets an upper limit, or Revenue Cap, on the amount of revenue the Issuer may earn. This Revenue Cap then forms the basis for setting the level of tariffs that the users of the electricity grid have to pay. The basic principle for NVE is that the revenues earned should cover costs over time, as well as providing a reasonable return on investment in the electricity grid.

Actual revenues may be higher or lower than the Revenue Cap set for a year. In such cases, the NVE will take this into account in calculating the revenue limits under the Revenue Cap in following years.

The basis for calculating the return is a risk-free interest rate (5-year Norwegian government bonds) plus a risk premium of about 3 per cent., and the book value of the company's transmission assets. The book value is updated annually. Following a change in regulation, there is no longer any timelag from completion of an investment to the subsequent increase in Revenue Cap.

Business Operations

The Issuer's main business involves the operation and maintenance of the electricity transmission lines and transformer stations that it owns. As a TSO, however, the Issuer has a system-wide responsibility for the entire Norwegian electricity system as defined in the Energy Act, (laid down by the Norwegian Parliament) and through regulations (laid down by the NVE), especially regulations regarding system responsibility in the power system. In short, the system responsibility covers:

- (i) coordination and day-to-day management of the entire Norwegian electricity power system, in order to ensure a balance between electricity generation and consumption;
- (ii) efficient operation of the Main Grid, including interconnections; and
- (iii) in the long-term, ensuring quality of power supplied through development and investment in the Main Grid.

In addition to the business described above, the Issuer carries out the following administrative tasks according to concessions granted by the NVE:

(a) *Main Grid Commercial Arrangement (the "Arrangement")*

The Issuer is required to administer tariffs and fees for access to, and use of, the Main Grid. The Issuer collects fees from users of the Main Grid (which includes producers, industry with substantial power needs as well as local and regional distribution companies) and, on the basis of utilisation and ownership of the Main Grid, calculates and disburses the correct revenue to each individual grid owner, including the Issuer. The Arrangement ensures that collections and disbursements will break even over time. At any year-end, there may be a surplus or a deficit, which will be subtracted from, or added to, the following year's tariff.

(b) *The Regulating Power and Balance Settlement System ("RPBSS")*

The RPBSS is a market administered by the Issuer in order to compensate for any imbalances between actual production and consumption of electricity. The market involves the purchase and sale of power required at short notice to maintain the system balance. Receivables and payables balance every week and the RPBSS therefore has no impact on the Issuer's earnings.

Interconnections

NorNed

The Issuer and the Dutch TSO TenneT jointly own and operate a submarine high-voltage cable ("**NorNed**") between Norway and The Netherlands. NorNed was put into operation in May 2008, and interconnects the Dutch and Norwegian electricity grids. The Issuer's revenues derive from price differences between the Dutch and the Norwegian markets. Revenue and costs are shared on a 50 per cent. – 50 per cent. basis between the two owners. The price differences arise mainly because almost all electric power generation in Norway comes from hydropower, while the Dutch power system relies on traditional thermal power.

Investment in NorNed, like any other grid investment, will be taken into account by the NVE when calculating future Revenue Caps. Consequently the risks and rewards of fluctuations in trade revenues from the NorNed cable will lie with the Issuer's customers over time.

NorNed contributes to enhanced security of supply in both countries. The Dutch thermal power source is not affected by fluctuations in regional precipitation. This difference in energy sources allows the Norwegian and Dutch power systems to complement each other's operations.

Sweden and Denmark

Norway has interconnections with Sweden (overhead lines) and Denmark (subsea cables), operated jointly with the Swedish and Danish TSOs.

Organisational Structure

The Issuer has several subsidiaries, of which the following are the most significant:

- (i) Statnett Transport AS (100 per cent. owned): Statnett Transport AS offers specialist transport services for heavy equipment primarily for participants in the Norwegian electricity market on a regular and an emergency basis;
- (ii) Nord Pool Spot AS (30 per cent. owned): Nord Pool Spot AS is the exchange for the trading of Nordic power as a commodity; and
- (iii) Statnett Forsikring AS (100 per cent. owned): Statnett Forsikring AS is a captive insurance company, which only insures the risks of the Issuer and Subsidiaries within the Group.

The Issuer is not dependent on revenues received from any of the Subsidiaries within the Group to meet its cash flow requirements.

Trend Information

There has been no material adverse change in the prospects of the Issuer since 31 December 2010.

Profit Forecasts or Estimates

The Issuer does not intend to make or imply any profit forecasts or estimates in this Base Prospectus. No statement contained in this Base Prospectus should be interpreted as a forecast or estimate.

Administrative, Management and Supervisory Bodies

Senior Management Team

The Senior Management Team of the Issuer consists of:

| Name | Function |
|-----------------------|---|
| Auke Lont* | CEO |
| Gunnar G. Lovås | Executive Vice President, Strategy and Communications |
| Håkon Borgen* | Executive Vice President, Projects Division |
| Øivind Rue* | Executive Vice President, Operation Division |
| Bente Hagem* | Executive Vice President, Commercial Division |
| Knut Hundhammer | Executive Vice President, Combined division of the Finance Division and Corporate Staff** |
| Marie Jore Ritterberg | Executive Vice President, Finance Division |
| Kirsten Berg | Executive Vice President, Corporate Staff |
| Peer O. Østli | Executive Vice President, ICT Division |

* Executive board

** the formal name of this combined division has not yet been settled

The Issuer has decided to combine Finance Division and Corporate Staff into a new Division. The name of this unit has not yet been settled. Knut Handhammer is the Executive Vice President of this division and began this role on 23 May 2011. The Issuer expects that some reorganisation may still occur in relation to the new Division.

The business address of each member of the Senior Management Team is PO Box 5192 Majorstuen, Husebybakken 28B, N-0302 Oslo, Norway.

Each member of the Senior Management Team is a full-time employee of the Issuer, and does not have any significant activities outside the Issuer.

The list above represents the organisational structure and management of Statnett SF, as of the date of this Base Prospectus.

Board of Directors

Pursuant to the Issuer's articles of association, the Board of Directors consists of between seven to nine members. Of these, one must be appointed by the Main Grid user group and two or three members of the Board must be elected by the employees of the Issuer.

| Name | Function | Principal activities outside the Issuer | Address |
|-------------------------|-----------------|--|---|
| Bjarne Aamodt | Chairman | Senior Adviser, Telenor | Jomfrubråtvn 48 N-1179 Oslo |
| Thor Håkstad | Deputy Chairman | Senior adviser | Vabråten 105, N-1392 Vettre |
| Kirsten Indgierd Værdal | Board Member | Director of Agriculture in the community of Nord-Trøndelag | Sakshaugveien 44 7670 Inderøy |
| Grethe Høiland | Board Member | Managing Director Lyse Nett AS | Lyse Nett AS Vaulaflåt 4, N-4018 Stavanger |
| Heidi Ekrem | Board Member | Lawyer, Advokatfirma Mageli & Co. | Advokatfirma Mageli & Co., PO Box 343, 2303 Hamar |
| Per Hjorth | Board Member | Managing Director, Newsec Eiendoms-Consult AS | Postboks 1800 Vika N-0123 Oslo |
| Pål Erland Opgård | Board Member | Senior Engineer Statnett SF | Statnett SF Raipasvegen 23 N-9509 Alta |
| Kjerstin Bakke | Board Member | Senior Engineer Statnett SF | Statnett SF PO Box 5192 Majorstuen N-0302 Oslo |
| Steinar Jøråndstad | Board Member | Maintenance Technician, Statnett SF | Statnett SF, Vågåmo Stasjonsgruppe, 2680 Vågå |

The User Council

The articles of association of the Issuer state that it must have a user council (the "**User Council**"). The User Council was established to contribute to the efficient control of the Issuer's affairs. The User Council, consisting of representatives from major main grid user groups, has the right to make proposals and recommendations to the Issuer's governing bodies.

The User Council consists of six members. These are appointed at the annual general meeting of the Issuer for a period of two years.

| Name | Function | Principal activities outside the Issuer | | Address |
|-------------------|---|--|--------|---|
| Knut Lockert | Chairman of the User Council, Nominee of Defo (Distriktenes energiforening) | Head of Defo | | Defo PO Box 1497 vika N-0116 Oslo |
| Toini Løvseth | Deputy Chairman of the User Council, Nominee of Norsk Industri (Federation of Norwegian Industry) | Policy Manager Finnfjord AS | | Finnfjord AS 9305 Finnsnes |
| Håkon Egeland | Nominee of Energi Norge (Norwegian Electricity Industry Association) | Special Advisor | | Statkraft AS, PO Box 200 Lilleaker, N-0216 Oslo |
| Åshild Helland | Nominee of Energi Norge (Norwegian Electricity Industry Association) | Director, Lyse Energi AS | | Lyse Energi AS 4017 Stavanger |
| Tomas Iver Hallem | Nominee of KS (Kommunenes sentralforbund) | Deputy Verdal | Mayor, | KS Bedrift, PO Box 1378 Vika, N-0114 Oslo |
| Kirsten Haug | Nominee of HSH (Federation of Trade and Services) | Advisor, HSH | | HSH, PO Box 2900 Solli, N-0230 Oslo |

There are no potential conflicts of interest between the duties to the Issuer of any of the members of the Senior Management Team, the Board of Directors or the User Council listed above and their private interests or their other duties.

Major shareholders

The Issuer is wholly-owned by the Norwegian State. In Norway, a state-owned enterprise can have no owner other than the Norwegian State, and as such there are no arrangements in place the operation of which may result in a change of control of the Issuer.

Financial information concerning the Issuer's assets and liabilities, financial position and profits and losses

Historical Annual Financial Information

The following historical financial information in relation to the Issuer for its financial years ended 31 December 2010 and 31 December 2009 is contained, at the locations listed, in its financial statements for those periods prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU, which are incorporated by reference into this Base Prospectus:

- (i) the balance sheet (on page 67 of the 2010 Financial Statements and page 46 of the 2009 Financial Statements);
- (ii) the statement of comprehensive income (on page 66 of the 2010 Financial Statements) and the income statement (on page 45 of the 2009 Financial Statements, in each case referred to as "**Profit and loss account**"); and
- (iii) the accounting policies and explanatory notes (on pages 70-112 of the 2010 Financial Statements and on pages 49-90 of the 2009 Financial Statements).

The financial statements referred to above contain both the Issuer's own financial statements and consolidated financial statements for the Group.

Credit ratings of the Issuer

The Issuer is currently assigned ratings of A2 by Moody's Investors Service Ltd and A+ by Standard & Poor's Credit Market Services Europe Limited. Each credit rating agency is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009, although as at the date of this Base Prospectus notification of the corresponding registration decision has not yet been provided by the relevant competent authority.

TAXATION

NORWEGIAN TAXATION

The following is a general summary of Norwegian tax considerations relating to acquisitions, holding and disposal of Notes issued under the Programme. The information does not purport to be a complete summary of Norwegian tax law and practice currently applicable. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Norwegian tax legislation does not currently include statutory legislation relating specifically to Notes. Instead, taxation treatment must be derived from general tax rules and principles applicable to capital income and capital gains. Therefore, the answers to certain questions in respect of the legal basis and principles of recognition of income related to the Notes may be uncertain. The Final Terms, may cause the taxation of the Notes to depart from the taxation treatment described in this summary.

Due to the general nature of this summary, potential investors are advised to consult with and rely upon their own tax advisers. Noteholders tax resident in jurisdictions other than Norway should consult with and rely upon local tax advisers as regards the tax position in their country of residence.

Non-Norwegian holders

Payment of interest

Payments of principal and interest on the Notes to persons or legal entities having no connection with Norway other than the holding of Notes issued by the Issuer, and therefore not considered resident in Norway for tax purposes, (nor considered to hold the Notes in connection with business activities conducted or managed in Norway), are not subject to any withholding or deduction for or on account of any Norwegian taxes, duties, assessments or Governmental charges.

Sale, exchange and redemption of Notes

Gains or profits realised on the sale, exchange or redemption of the Notes by persons or legal entities having no connection with Norway other than the holding of Notes issued by the Issuer, and therefore not considered resident in Norway for tax purposes (nor considered to hold the Notes in connection with business activities conducted or managed in Norway), are not subject to Norwegian taxes, duties, assessments or Governmental charges.

Stamp duties and net wealth taxation

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, and therefore not considered resident in Norway for tax purposes (nor considered to hold the Notes in connection with business activities conducted or managed in Norway), will not be subject to net wealth taxation in Norway.

Norwegian holders

Payment of interest

Holders of Notes resident in Norway for tax purposes will be subject to Norwegian capital income taxation on interest which is currently 28 per cent. The same applies to persons and legal entities that hold the Notes in connection with any business activity conducted or managed in Norway.

Income is recognised for tax purposes at the time the income is considered acquired on an accrual basis. This means that neither the actual payment nor the due date of possible payment of interest is in principle decisive when determining whether income deriving from the Notes is recognised for tax purposes.

Where the Notes generate a guaranteed minimum of interest over a fixed period and such guaranteed minimum rate of interest is stated to be payable during the course of such fixed period, then, even if such guaranteed minimum rate of interest is not actually paid, the total guaranteed minimum of interest must

be divided per year proportionally over such fixed period, and taxed accordingly as capital income. By contrast, this is not the case where interest derived from the Notes is not credited to the Noteholder until the Notes reach maturity. In these circumstances, such interest is recognised for tax purposes in the year of redemption of the Note for the Noteholder.

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

Sale, exchange and redemption of Notes

Holders of Notes resident in Norway for tax purposes are taxed in Norway on realised gains (including sale, exchange and redemption) of Notes and have a right to deduct losses, which arise on such realisation, provided that one of the following conditions is met:

- the Notes are classified as debentures ("*mengdegjeldsbrev*") as opposed to non-negotiable debt, or
- the realisation of Notes is connected to business activities.

Gains are taxable as ordinary income.

The same applies to persons and legal entities that hold the Notes in connection with any business activity conducted or managed in Norway).

Net wealth taxation

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 marginal rate of tax is 1.1 per cent.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Barclays Bank PLC, BNP Paribas, Danske Bank A/S, DnB NOR Bank ASA, Nordea Bank Danmark A/S, Nordea Bank Finland Plc, Nordea Bank Norge ASA, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ) and The Royal Bank of Scotland plc (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased and paid for by, Dealers are set out in an amended and restated dealer agreement dated 25 May 2011 (as the same may from time to time be further amended supplemented or restated, the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America

Regulation S Category 2 TEFRA D, unless TEFRA C is specified as applicable in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms

Notes have not been and will not 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 not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form 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 U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, to the Issuer that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until forty days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or, to or for the account or benefit of, U.S. persons, and such Dealer and its affiliates will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto 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.

In addition, until forty days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

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

- (a) *No deposit-taking*: in relation to any Notes having 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:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) 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) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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) *General compliance*: 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, form or otherwise involving the United Kingdom.

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 Notes and the Base Prospectus have been filed with the Norwegian competent authority, 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) to persons who are registered with Oslo Stock Exchange as professional investors and/or to persons who are automatically treated as professional investors according to section 7-1 of Regulation 876 of 29 June 2007, as amended; or
- (b) in circumstances which according to chapter 7 of the Securities Trading Act do not trigger a requirement to file the Base Prospectus with Norwegian competent authority, including because the denomination of the Notes are €50,000 or more, or an equivalent amount in another currency.

Notes denominated in Norwegian Kroner may not be offered or sold within Norway or outside Norway to Norwegian citizens abroad, without the Notes prior thereto having been registered with the VPS.

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.

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). Accordingly, 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 Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except in the circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

The Netherlands

Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam N.V., admitted in a function on one or more markets or systems held or

operated by Euronext Amsterdam N.V. (*toegelaten instelling*), with due observance of the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended). No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein "**Zero Coupon Notes**" are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

Public Offer Selling Restrictions 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 offering contemplated by this Base Prospectus 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) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) 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 (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

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 laws and regulations

in force in any jurisdiction in which it purchases, offers or sells Notes or possesses or distributes this Base Prospectus or any other material relating to the issue, offering and/or sale of Notes and will obtain any consent, approval or permission required by it for the purchase, offer or sale 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 or sales and neither the Issuer nor any other Dealer shall have any responsibility therefor. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this document.

GENERAL INFORMATION

1. The admission of the Programme to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange is expected to take effect on or about 31 May 2011. The listing of the Notes on the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Notes intended to be admitted to listing on the Official List of the FSA and admitted to trading on the Regulated Market of the London Stock Exchange will be so admitted to listing and trading upon submission to the London Stock Exchange and the FSA of the relevant Final Terms and any other information required by the London Stock Exchange and the FSA, subject in each case to the issue of the relevant Notes. Prior to official listing, dealings will normally be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the FSA or the London Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

2. The establishment of the Programme was authorised by a Meeting of the Board of Directors of the Issuer by a resolution (a "**Board Resolution**") passed on 12 December 1996. The update of the Programme was authorised by a Board Resolution passed on 24 March 2011. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.
3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.
4. The Issuer is not, and has not been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have, or have had during the 12 months period prior to the date of this Base Prospectus, a significant effect on its financial position or profitability and or that of the Group.
5. Since 31 March 2011, there has been no significant change in the financial or trading position of the Issuer and its subsidiaries and since 31 December 2010 there has been no material adverse change in the prospects of the Issuer and its subsidiaries.
6. The financial statements of the Issuer have been audited for the two financial years ended 31 December 2010 and 2009 by Ernst & Young AS, independent public auditors of the Issuer for that period, and unqualified opinions have been reported thereon. The address of Ernst & Young AS is Oslo Atrium, Post Box 20, 0051 Oslo, Norway. Ernst & Young AS is a member of the Norwegian Institute of Public Accountants.
7. For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Principal Paying Agent and Registrar and from the head office of the Issuer, namely:
 - (a) the Articles of Association (*Vedtekter*) and Company Certificate (*Firmaattest*) of the Issuer;
 - (b) the current listing particulars in relation to the Programme, together with any amendments;
 - (c) the Agency Agreement;
 - (d) the Trust Deed;

- (e) the most recent publicly available audited consolidated financial statements of the Issuer for the years ended 31 December 2010 and 31 December 2009;
 - (f) the most recent publicly available unaudited consolidated financial statements of the Issuer;
 - (g) any Final Terms relating to Notes which are admitted to listing, trading and for quotation by any listing authority, stock exchange and/or quotation system. (In the case of any Notes which are not admitted to listing, trading and for quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by a Holder of such Notes);
 - (h) the Issuer ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form).
8. Bearer Notes (other than Temporary Global Notes) and any Coupon appertaining thereto will bear a legend substantially to the following effect: "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, as amended." The sections referred to in such legend provide that a United States person who holds a Bearer Note or Coupon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
9. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Principal Paying Agent or, as the case may be, the Registrar in relation to each Tranche of Notes.
10. The Issuer does not intend to provide post-issuance information.

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