Prospectus

Proposal for a merger between

Hafslund Kraftproduksjon AS and **Aktieselskabet Saudefaldene**

a wholly-owned subsidiary of a subsidiary of HAFSLUND

a wholly-owned subsidiary of Elkem

with consideration for the merger in the form of shares in Hafslund ASA

The name of the parent company after the merger will be

Hafslund ASA

Financial adviser to Hafslund

Sundal Collier & Co

Financial adviser to Elkem

MORGAN STANLEY DEAN WITTER

22nd March 2000

IMPORTANT NOTICE

Any reader of this English Prospectus must be aware that it is a translation into English from the original Norwegian Prospectus dated 22 March 2000, prepared by a translation agency. The translation has not been reviewed or verified neither by the Board of Directors nor the administration of Hafslund, Hafslund Kraftproduksjon, Elkem or Saudefaldene, the Oslo Stock Exchange, the Financial Advisers nor the Legal Advisers. No responsibility is accepted or assumed for the information contained herein.

This translation of the Prospectus has been prepared solely for courtesy purposes.

Delivery of this translation of the Prospectus to any person or entity shall not under any circumstances be deemed to indicate that no changes have occurred in matters relating to Hafslund, Hafslund Kraftproduksjon, Elkem or Saudefaldene, subsequent to 22 March 2000, the original date of the Norwegian Prospectus.

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1. Definitions and glossary

Company definitions

Hafslund:	Hafslund ASA
The Hafslund group:	Hafslund ASA and subsidiaries
Hafslund Nycomed:	Hafslund Nycomed ASA
Nycomed:	Nycomed ASA (subsequently Nycomed Amersham plc), demerged from Hafslund on 13th May 1996
Hafslund Kraftproduksjon:	Hafslund Kraftproduksjon AS, a wholly-owned subsidiary of Hafslund Produksjon Holding AS, which is in turn wholly-owned by Hafslund. Hafslund Kraftproduksjon is to be merged with Saudefaldene
Saudefaldene:	Aktieselskabet Saudefaldene, the company which is merging with Hafslund Kraftproduksjon
The Parties:	Hafslund Kraftproduksjon and Saudefaldene
Elkem:	Elkem ASA
Elkem Energi	Elkem's combined energy activities in Norway and the U.S.
The merged group:	Hafslund ASA and its subsidiaries after the merger has entered into force with legal effect and the power stations in the U.S. have been transferred
The merger:	The merger between Hafslund Kraftproduksjon and Saudefaldene. Hafslund Kraftproduksjon will be the company taking over and Saudefaldene will be dissolved after the issuance to Elkem, as the sole shareholder of Saudefaldene, of shares in Hafslund
Financial Advisers:	Sundal Collier & Co ASA and Morgan Stanley Dean Witter
Statkraft:	Statkraft SF
Borregaard:	Borregaard Industries Limited

Terms and expressions

Due diligence:	Studies carried out to verify the information provided by the parties so as to discover any circumstances that are not known
KWh:	Kilowatt-hours
MWh:	Megawatt-hours, 1 MWh = 1,000 kWh
GWh:	Gigawatt-hours, 1 GWh = 1,000 MWh
TWh:	Terawatt-hours, 1 TWh = 1,000 GWh
mill.:	Millions
Mrd.:	Billions
NOK:	Norwegian kroner
øre:	1/100 NOK
The Prospectus:	The present prospectus produced in connection with the merger
RISK:	The adjusted cost base which is the acquisition price, adjusted up or down in accordance with changes in a company's retained taxable capital/profit during the shareholder's holding period
VPS:	The Norwegian Central Securities Depositary
NVE:	The Norwegian Directorate of Watercourses and Energy
Asl.:	Law of 13th June 1997 No. 44 on Limited Liability Companies
Asal.:	Law of 13th June 1997 No. 45 on Public Limited Liability Companies
Vphl.:	Law of 19th June 1997 No. 79 on Securities Trading

2. Responsibility Statements

Statement from the boards of the companies to be merged

The prospectus has been prepared to provide the shareholders of Hafslund with the best possible basis of information for an assessment of the proposed merger, including the capital increase in Hafslund.

The boards of Hafslund, Hafslund Kraftproduksjon and Saudefaldene confirm that the factual submissions in the prospectus, to the best of their knowledge, comply with the actual circumstances and that there are no omissions of such a kind as to be able to alter the significance of the content of the prospectus. The boards of Hafslund and Hafslund Kraftproduksjon do not comment on the information regarding Saudefaldene. Similarly, the Board of Saudefaldene does not comment on the information relating to the Hafslund group. The market situation, risk circumstances and future prospects are assessed according to the best knowledge.

Oslo, 22nd March 2000

The boards of the three companies

Hafslund ASA	**Hafslund Kraftproduksjon AS**	**Aktieselskabet Saudefaldene**
Johan Fredrik Odfjell	Hans Tormod Hansen	Svein Sundsbø
(Chairman of the Board)	(Chairman of the Board)	(Chairman of the Board)
Terje Thon	Knut Øversjøen	Vegard Olderheim
Finn Kristensen	Morten J. Hansen	Sissel Fjellstad
Tønnes Herman Thomstad		Finn Bjørn Ruyter
Arne Norheim		Aksel Kornelius Rød
Per Braadland		
Terje O. Olsson		

Financial advisers

This prospectus has been prepared by Sundal Collier & Co ASA and Morgan Stanley Dean Witter to the order of, and in collaboration with, the boards and management of Hafslund, Hafslund Kraftproduksjon, Elkem and Saudefaldene. Sundal Collier & Co ASA has been the financial adviser for Hafslund and Morgan Stanley Dean Witter has been the financial adviser for Elkem in connection with the merger process.

The prospectus has been prepared on the basis of the available information, including prospectuses, annual reports and additional information received from Hafslund and Elkem.

The financial advisers have made their best efforts to produce a consistent and complete picture of the companies in connection with the proposed merger, but they cannot accept any legal and/or financial liability for the completeness and/or accuracy of the contents of the prospectus. The financial advisers also cannot accept any legal or financial liability as a result of any decision to merge based on the information submitted in the prospectus.

In other respects, reference is made to the declarations received from the boards of the companies, the auditors and the legal advisers.

Sundal Collier & Co ASA, including employees and companies controlled by employees, on 22nd March 2000 held a total of 13,202 shares in Hafslund, no shares in Elkem, no shares in Hafslund Kraftproduksjon and no shares in Saudefaldene.

Oslo/London, 22nd March 2000

Sundal Collier & Co ASA   Morgan Stanley Dean Witter

Legal adviser to Hafslund

Advokatfirmaet Schjødt AS, acting on behalf of Hafslund and Hafslund Kraftproduksjon, has reviewed the merger plan between Hafslund Kraftproduksjon and Saudefaldene, as well as the present prospectus Chapter 4 "Principal points in the merger proposal" and Chapter 12 "Legal and tax aspects" except for the sections entitled "Licensing aspects" in Chapter 12.

We can confirm that the merger plan has been produced in compliance with Norwegian law and that the merger plan with its annexes has been correctly set out in the prospectus.

Oslo, 22nd March 2000

Advokatfirmaet Schjødt AS

Legal adviser to Elkem

Advokatfirmaet Kvale & Co., acting on behalf of Saudefaldene, has reviewed the merger plan between Hafslund Kraftproduksjon and Saudefaldene, as well as the present prospectus Chapter 4 "Principal points of the merger proposal" and Chapter 12 "Legal and tax aspects".

We can confirm that the merger plan has been produced in compliance with Norwegian law and that the merger plan with its annexes has been correctly set out in the prospectus.

Oslo, 22nd March 2000

Kvale & Co. ANS

Auditors

Arthur Andersen & Co, Drammensveien 165, 0212 Oslo, are the auditors for Hafslund, Hafslund Kraftproduksjon and Saudefaldene. In addition, Revisjonsfirmaet Kjelstrup og Wiggen ANS and Grimsrud & Co, acting as independent experts respectively for Hafslund/Hafslund Kraftproduksjon and Elkem/Saudefaldene, have been retained in connection with the merger. The auditors have issued the following statements which are included in the prospectus.

Arthur Andersen & Co

- Auditors' report for 1998 and 1999 regarding Hafslund Kraftproduksjon
- Auditors' report for 1998 and 1999 regarding Saudefaldene
- Auditors' report for 1998 and 1999 regarding Hafslund
- Statement on the pro forma accounts and balance sheet for Elkem Energi
- Statement on the pro forma accounts and balance sheet for the merged group

Revisjonsfirmaet Kjelstrup og Wiggen ANS

- Expert opinion on the merger plan
- Expert opinion on the contribution in kind to Hafslund

Grimsrud & Co

- Expert opinion on the merger plan
- Confirmation of the draft opening balance of Saudefaldene
- Confirmation of the draft opening balance of Hafslund Kraftproduksjon

3. Summary

The summary is subordinate to the more detailed information in the prospectus and annexes.

Background and reasons for the merger proposal

The Norwegian power industry is still in an accelerating restructuring mode. The restructuring is related to the entire value chain, from generation through transmission and distribution to end-user sales activities. The competition for ownership positions has increased accordingly. This process is expected to generate greater opportunities for realising value creation potential in the power sector through more cost-effective structures, increased innovation and more cost efficient operation.

The merger will create one of the largest privately controlled listed power companies in the Nordic region, with activities in generation, trading, distribution, end-user sales and active management of the equity portfolio. The merger opens up for positioning the Hafslund group as a leading long-term player in the consolidation and restructuring of the power sector in Norway and the rest of the Nordic region.

To Hafslund, the merger will, amongst other things, (i) imply an improved capacity to adopt a leading position in the restructuring of the power industry, (ii) increased financial strength, (iii) increase the generation base and improve the level of regulation, (iv) strengthen the own-account trading operations and (v) add complementary competencies.

To Elkem, the merger will, amongst other things, (i) secure participation in the continued restructuring of the Norwegian power industry, (ii) increase the duration of the generation exposure and (iii) increase transparency in the value of Elkem's power-related assets.

Recommendations of the boards

The merger plan was concluded by the boards of Hafslund Kraftproduksjon and Saudefaldene on 21st March 2000, and both boards voted unanimously to recommend to their respective shareholders to approve the merger plan.

The shares which will make up the payment for the merger are expected to be issued through a capital increase in Hafslund, and the merger plan was agreed to by the Board of Hafslund on 22nd March 2000. Jens P. Heyerdahl d.y. has declared that he could not participate when the matter was considered by the Board of Hafslund, because of his relationship to Elkem as Chairman of the corporate assembly. The resolution to recommend to the shareholders that they approve the capital increase was unanimous among the other members of the Board of Hafslund.

The boards of Hafslund and Hafslund Kraftproduksjon regard the exchange ratio as satisfactory for Hafslund and Hafslund shareholders. Accordingly, the Board of Saudefaldene regards the exchange ratio as satisfactory for Elkem and its shareholders.

Consideration under the merger

Hafslund Kraftproduksjon will be the acquiring company and Saudefaldene will be the Elkem company transferring assets. The merger will be implemented through a take-over on the part of Hafslund Kraftproduksjon of all the assets, rights and duties of Saudefaldene by means of which Elkem, as the sole shareholder of Saudefaldene, will receive shares of Hafslund, in compliance with asl. § 13-2, second paragraph, and asl. § 13-1, first paragraph.

Elkem will receive 55,874,340 A shares and 38,595,729 B shares of Hafslund, each with a nominal value of NOK 1.00, for a total nominal value of NOK 94,470,069. The payment will mean that Elkem, as a result of the merger, becomes the owner of 45% of all the A shares and about 46.9% of all the B shares in Hafslund after the merger (including 1,596,700 B shares held by Elkem prior to the merger, representing 1.9% of the outstanding number of B shares after the merger).

Conditions for the merger

The merger is conditional, i.e., on the following:

- The merger plan is approved by the general meeting of Hafslund Kraftproduksjon and Saudefaldene, and that at the general meeting of Hafslund it is resolved to issue shares to Elkem and carry out the necessary amendments to the Articles of Association.

- The merger can be carried through without substantial tax disadvantages for the Parties, Hafslund or Elkem.

- All concessions, or releases from concessions, are granted on conditions which are not substantially more onerous for Hafslund Kraftproduksjon than the current conditions for Elkem.

- The Ministry of Oil and Energy gives Hafslund or a wholly owned subsidiary of Hafslund permission to enter into or take over new lease agreements with Statkraft for Sauda and Svelgen.

- Permission is given for the existing lease agreements for Sauda and Svelgen to be taken over by Hafslund.

- The official competition authorities do not prohibit the merger or impose onerous conditions in connection with it.

- Other necessary public permits are issued without new onerous conditions.

- The necessary consent in connection with the merger is given by the counterparties or other third parties for the continuation of the agreements of Elkem, Saudefaldene, Hafslund Kraftproduksjon and Hafslund.

- A new corporate assembly and a new Board of Directors of Hafslund are elected in compliance with the merger plan.

- That neither the Parties, Hafslund or Elkem, have withheld information prior to the boards of directors' approval of the merger plan.

For a full description of the conditions for the merger, reference is made to the merger plan included as Annex I to the prospectus.

The merged group

Through the merger, Hafslund and Elkem endeavour to position the Hafslund group as a leading and long-term player in the consolidation and restructuring of the power sector in Norway and in the Nordic region. Participation in this process may be capital-intensive. Through its size and solid financial position, Hafslund will be in a good position to carry out targeted and ambitious growth, including through acquisitions, mergers and efficient partnership solutions, even if they should mean reduced ownership shares for the existing shareholders.

In order to achieve this objective, the intention is to continue the existing strategy of Hafslund in addition to exploiting the strategic opportunities created by the merger. The overriding priorities will be:

- Expansion in power generation through greenfield projects, new mergers, acquisitions and partnerships with the power activities of other industrial companies and/or publicly owned utilities.
- To contribute actively to the creation of, and being an industrial player in the further development of, large horizontally oriented companies within distribution and end-user sales.

- To participate in the regional vertically oriented power companies and develop partnership solutions with the company's own activity or activity in partly owned horizontally oriented power companies.

Hafslund will endeavour to carry out the organisational and structural changes which are necessary to exploit the synergies associated with the merger and to meet the current challenges of the power sector. Any organisational changes in the merged company shall be discussed with the employee representatives in order to try to achieve optimal solutions for the merged company and the employees.

After the merger, Hafslund will continue to be an independent, listed energy company. Elkem does not intend to consolidate Hafslund as a subsidiary of the Elkem group.

Pro forma key financial figures for the new group

The pro forma figures have been produced for a better understanding of the future activity in the merged group. However, the pro forma figures should not be regarded as an expression of what would have been the financial position of the new group or its operating result, if the merger had in fact taken place on 1st January 1998. The pro forma accounts should also not be taken as an expression of a forecast of the financial situation or operating results for any period or at any time in the future. The summary of the pro forma consolidated accounts should be considered in connection with the comments on the accounts which are included in the chapter which describes the merged group and the accounts of Hafslund and the pro forma accounts of Elkem Energi before the merger.

Pro forma profit and loss account for the merged group

Consolidated profit and loss account (Figures in NOK mill.)	**1998**	**1999**
Operating revenues	2.484	2.068
Operating profit	542	445
Pre-tax profit	-7	856
Net Profit for the year	-24	630

Pro forma balance sheet for the merged group

Consolidated balance sheet (Figures in NOK mill.)	**31.12.98**	**31.12.99**
Fixed assets	5.799	7.446
Current assets	2.562	1.862
Total assets	8.361	9.308
Equity	3.195	3.481
Provisions	114	122
Long-term debt	2.971	3.495
Short-term debt	2.081	2.211
Total equity and debt	8.361	9.308

Effect for accounting purposes

The merger will be effective for accounting purposes as of 1st January 2000.

Timetable

The following timetable presupposes that the required approvals, expiration of deadlines for creditor objections, negotiation of licences etc. are completed as planned;

12th April 2000	The extraordinary general meeting of Hafslund approves the capital increase and the necessary alterations to the Articles of Association and the general meetings of Hafslund Kraftproduksjon and of Saudefaldene approve the merger plan and the necessary alterations to the Articles of Association.
by the end of July 2000	Expiration of the deadline for creditor objections in connection with the merger
ca. 1st October 2000 (and at the latest 31st December 2000)	The merger is carried out through the transfer of the assets, rights and duties of Saudefaldene with definitive effect to Hafslund Kraftproduksjon. Simultaneously, Saudefaldene will be dissolved and the share capital of Hafslund will be increased. This will mean that the merger has been completed for the purposes of company law.

The prospectus will be sent out to the shareholders of Hafslund at the latest in conjunction with the summons to the extraordinary general meeting. The prospectus will be exhibited for inspection at the administrative offices of Hafslund and Elkem, as well as at those of the financial advisers. The prospectus will also be sent out to all brokerages registered with the Oslo Stock Exchange.

4. Principal aspects of the merger proposal

Hafslund and Elkem announced on 23rd December 1999 that the companies had entered into an agreement to integrate the energy activities in Elkem with Hafslund, whereby Elkem becomes the owner of about 45.8% of all the shares of Hafslund after the merger (including about 0.8% owned at the date of announcement). On the basis of this agreement, the boards of Hafslund, Hafslund Kraftproduksjon and Saudefaldene resolved to propose to their respective general meetings that Hafslund Kraftproduksjon and Saudefaldene be merged in compliance with the merger plan included as Annex I to the prospectus.

The merger

Hafslund Kraftproduksjon AS, organisation number 964289638, Statsminister Torps vei 1A, 1722 Sarpsborg, is a wholly owned subsidiary of Hafslund Produksjon Holding AS, organisation number 980489671,which is a wholly owned subsidiary of Hafslund.

Saudefaldene AS, organisation number 915729290, 4200 Sauda, is a wholly owned subsidiary of Elkem.

The boards of Hafslund Kraftproduksjon and Saudefaldene have agreed to propose to their respective general meetings that Hafslund Kraftproduksjon and Saudefaldene be merged with Hafslund Kraftproduksjon as the company taking over, while simultaneously Saudefaldene is to be dissolved. Hafslund Kraftproduksjon will thus take over all the assets, rights and duties of Saudefaldene by means of which Elkem, as the sole shareholder of Saudefaldene, will receive shares of Hafslund, in compliance with asl. § 13-2, second paragraph, and asl. § 13-1, first paragraph.

The issue of shares of Hafslund to Elkem as a consequence of the merger will be conditional on the approval of the general meeting of Hafslund.

Immediately before the entry into effect of the merger, with accounting effect as from 1st January 2000, Elkem will transfer all its Norwegian energy activities into Saudefaldene. The accumulation of the energy activity in Saudefaldene will be carried through in such a way that the part of the Norwegian energy activity which is not in Saudefaldene will be used as a contribution in kind in a capital expansion of Saudefaldene. The holding of 15% of the shares of AS Salten Kraftsamband will be transferred to Saudefaldene through a demerger of A/S Sulitjelma Gruber.

The merger will be carried through with continuity in terms of the accounts in compliance with the Accounting Act of 17th July 1998, No 56, § 5-15, and with fiscal continuity in compliance with the Corporation Tax Act, Chapter 8.

The transfer of the energy activities in the U.S. from Elkem to Hafslund

As part of the combination, Elkem has to transfer its hydroelectric power stations in West Virginia, U.S., with associated assets, to a new company with the name of Alloy Hydro Power Inc. All the shares of this company will thereafter be transferred from Elkem to Hafslund.

The transfer of the activities in the U.S. from Elkem to Hafslund is conditional in particular on its being the case that, in compliance with the merger plan, a share purchase agreement is concluded as well as a lease agreement with Elkem valid for 15 years, that the necessary licences are issued and these do not entail new substantial and onerous conditions and that the transaction will not have any major negative consequences for the Hafslund group in terms of regulatory issues.

If the conditions for the transfer of the U.S. activities cannot be met through the conclusion of the proposed lease agreement, the parties, both Hafslund and Elkem, are in agreement that they will do their best efforts to negotiate and implement other solutions for the U.S. assets.

If such alternative solutions are not entered into by 30th June 2001, then by 10 July 2001 at the latest Elkem will contribute to the Hafslund group NOK 167.2 mill. net, plus interest. At the same time, Hafslund will be entitled to issue an extraordinary dividend of NOK 3.20 per share to the shareholders of Hafslund except for Elkem, which waives the right to this dividend on the merger shares.

Elkem will at the same time give an undertaking not to dispose of any of the merger shares before the time for the transfer of the U.S. activity or the time at which the payment of the compensation, as described above, is made. The merger shares will be held for this period on a blocked VPS account. Reference is made to Chapter 4 of the merger plan.

The consideration under the merger

As payment for the merger, the sole shareholder of Saudefaldene, Elkem, will receive a total of 94,470,069 shares of Hafslund divided into 55,874,340 A shares and 38,595,729 B shares with a total nominal value of NOK 94,470,069. The payment will mean that as a result of the merger Elkem becomes the owner of 45% of all the A shares and about 46.9% of all the B shares of Hafslund after the merger (including 1,596,700 B shares owned prior to the merger, representing about 1.9% of the outstanding number of B shares after the merger).

Elkem will receive all shareholder rights in Hafslund from the time at which the capital increase on which the merger is conditional is registered with the Register of Companies. The shares making up the payment will be entitled to dividend as from the 2000 financial year, but for the merger shares Elkem has waived the right to an extraordinary dividend of NOK 3.20 per share which is to be paid if Hafslund does not take over the energy activity of Elkem in the U.S. in connection with the merger. Pursuant to the merger plan, Hafslund will be able to issue an ordinary dividend for 1999 to its existing shareholders of NOK 1.20 per share. As compensation to Elkem for the fact that the company will not receive this dividend, it is agreed that there will be a short-term debt to Elkem in the opening balance sheet of Saudefaldene corresponding to Elkem's share of this dividend (about NOK 113 mill.).

Conditions for the implementation of the merger

The implementation of the merger is conditional on the following:

? By 9th May 2000 at the latest, the merger plan is approved by the general meetings of Hafslund Kraftproduksjon and Saudefaldene. In addition, the general meeting of Hafslund by the same deadline must approve the merger plan and authorised the necessary alterations to the Articles of Association.

? It will be possible for the merger to be carried through without significant tax disadvantages for either of the Parties, Hafslund or Elkem (including that the merger does not put Hafslund in a position to pay significantly burdensome adjustment tax) and that the tax exemptions are approved under Chapter 11 of the law on tax on assets and revenue of 26th March 1999 on conditions which the parties, Hafslund and Elkem, find acceptable. The application for a tax exemption has been sent to the Ministry of Finance.

? All licences, or exemptions from licence, will be issued on conditions which are not substantially more onerous for Hafslund Kraftproduksjon than the current conditions for Elkem. The application for the necessary licences will be sent after the approval of the merger plan by the general meetings.

? The Ministry of Oil and Energy gives Hafslund a written confirmation that Hafslund or a wholly-owned subsidiary of Hafslund will be allowed to conclude lease agreements with Statkraft for Sauda and Svelgen on similar conditions as are indicated in St.prp. (parliamentary bill) No 52 (1998-99). In this connection, it is assumed that the new lease agreement will reflect the value of the fact that Saudefaldene in existing lease agreements is paying rent for a lower volume than the current mean generation. If Elkem has concluded new lease agreements as mentioned above, the Ministry of Oil and Energy and / or Statkraft shall grant permission that Hafslund or a wholly-owned subsidiary of Hafslund enters into the agreements without substantially onerous conditions being imposed for such an entry.

? Permission will be granted for the existing lease agreements for Sauda and Svelgen to be transferred to Hafslund or a wholly-owned subsidiary of Hafslund until the new agreements as mentioned above enter into effect.

? The official competition authorities do not prohibit the merger or impose onerous conditions in connection with it.

? Other necessary public licences, including licences under the law on generation, conversion, sales and distribution of energy (the energy act) of 29th June 1998, No 50 and the Norwegian Act relating to the Acquisition of Business Undertakings of 23rd December 1994, No 79, are issued, and that these do not involve new onerous conditions. The necessary applications/notifications will be sent after the general meetings have approved the merger plan.

? Necessary consent as a result of the merger is given by the counterparties or by other third parties to the continuation of the agreements of Elkem, Saudefaldene, Hafslund Kraftproduksjon and Hafslund, and that there are no valid notice of cancellation of any agreements as a result of the merger, unless the relevant agreements in the reasonable opinion of both parties, neither independently nor as a whole, have a substantial negative significance for the financial position and further activity of the Parties, Hafslund or Elkem.

? A new corporate assembly and a new Board of Hafslund are elected according to the merger plan.

? Neither of the Parties, Hafslund or Elkem, before the agreement of the merger plan by the boards has withheld information which may be assumed to have been likely to have had a substantial effect on the exchange ratio or the result of the due diligence.

As soon as the merger plan is approved by the general meetings, the merger will be reported to the Register of Companies. At the same time, the definitive announcements and applications will be sent to the authorities. If the general meetings approve the merger on 12th April 2000, the deadline for creditor objections under the companies act will expire in July 2000. At that time it is also assumed that the relationship to counterparties and other third parties will be clarified. It may possibly take somewhat longer time for all necessary public approvals to be issued. However, the parties expect that all the conditions for the merger will be met on about 1st October 2000. If one or more of the conditions for the merger should not be met by that date, the parties will jointly attempt to find a solution. If the agreement is not entered into by 31st December 2000, either of the parties may, after a resolution by the Board, prior to the registration of the entry into force of the merger in the Register of Companies cancel the merger plan with the effect that the merger is not implemented.

Effect for accounting purposes

The merger will be carried through with effect for accounting purposes as from 1st January 2000. Until the definitive registration of the merger with the Register of Companies, separate accounts will be kept for the companies engaging in the merger. At the same time, an account will be kept for the merged company from the last previous end of year prior to the date of the entry into effect of the merger. This will also apply to the consolidated items which are indicated in the consolidated accounts.

Until the date of entry into force of the merger, in compliance with Clause 10.7 of the merger plan, Hafslund will, in reporting its quarterly figures in 2000, report financial figures in the form reported by Hafslund prior to the merger. As mentioned above, the parties expect that all the condition for the merger will be met by about 1st October 2000.

Executive bodies and management

The merger plan presupposes that at the next ordinary general meeting of Hafslund, a new corporate assembly will be elected. The new corporate assembly shall consist of 15 members, of which 5 will be elected by and from the employees, 5 will be nominated by the shareholders of Hafslund prior to the merger and 5 will be nominated by Elkem. The new corporate assembly will take up its duty as from the time of the entry in to force of the merger, but no later than 1st August 2000.

The merger plan also presupposes that the corporate assembly of Hafslund will, by 15th June 2000, elect a new Board of Hafslund consisting of 8 Board Members, of whom;

3 Board Members will be nominated by the shareholders of Hafslund prior to the merger;
3 Board Members will be nominated by Elkem (including the Chairman of the Board who will be Ole Enger);
2 representatives will be elected by and from the employees of Hafslund.

The Chairman of the Board will not have a casting vote.

The new Board will take up its duty as from the time of the entry into force of the merger, but no later than 1st August 2000. After the day on which the general meeting of Hafslund has approved the merger plan, Elkem shall be entitled to appoint two observers to the Board of Hafslund.

To the extent that the Board of Hafslund prior to the merger's entry into force will consider matters related to the merger or the merger plan, the observers from Elkem or Elkem's selected representatives to the Board of Hafslund will not take part.

The parties agree that Hans Tormod Hansen will continue as the Chief Executive Officer of Hafslund.

The merged company, Hafslund Kraftproduksjon, will have its administrative offices in Sauda. The offices of Hafslund at Karenslyst Alle 11, Oslo, will be continued.

Significance of the merger for the employees

The rights of the employees will be continued in compliance with the Employment Environment Act, Chapter XII A.

The future organisational structure will be determined by the Board of the merged group. Any organisational alterations must be approved by the employee representatives.

The employees of Hafslund, Hafslund Kraftproduksjon and Saudefaldene must for all other matters be informed about the merger plan in compliance with asl. § 13-11 and at information meetings in compliance with the Norwegian Act relating to the Acquisition of Business Undertakings.

5. Background and rationale for the merger

Background

The Norwegian power industry has been and is still in an accelerating restructuring, mainly characterised by local and regional consolidation between publicly owned units, including the total or partial sale of energy companies owned by the municipalities, as well as the entry and positioning of major, Pan-Nordic players. The restructuring has affected the entire value chain in the power industry, from the generation segment via distribution to the end customers. The competition for ownership positions has increased correspondingly. This process is expected to produce increased opportunities to achieve potential for value creation in the power sector through more cost efficient structures, increased innovation and more efficient operation.

Since the demerger of Hafslund Nycomed in 1996, Hafslund has been actively positioning the company as a private player in relation to this market development, and major investments have been made in transmission and distribution as well as end customer activities. Elkem has historically primarily developed its energy activities mainly in close association with its other industrial activities. However, in the last few years, the company has taken active steps to detach its energy activity and increase its market possibilities independently of the rest of the activities, in particular through developing and expanding activities in power trading and management.

Rationale for the merger

The merger creates one of the largest privately controlled listed power companies in the Nordic region, with power generation, power trading, distribution, end-user sales and active management of the equity portfolio. Through the merger, Hafslund and Elkem intend to position the Hafslund group as a leading and long-term player in the consolidation and restructuring of the power sector in both Norway and the rest of the Nordic region.

The Boards of Hafslund and Saudefaldene estimate that the achievable rationalisation and synergy gains are in the order of NOK 50 mill. per year. These synergies are primarily related to administrative services, the level of employment in the operational units and the combination of each power trading activities. In addition, it is expected that the merger will facilitate the implementation of existing efficiency programmes in Hafslund. Hafslund will endeavour to carry out the organisational and structural alterations which are necessary to exploit the synergies associated with the merger and to comply with the current challenges in the power sector.

The primary strategic priorities in the power business at the moment are (i) expansion in power generation through construction projects, transactions and/or partnership solutions, (ii) contributing to the creation of large horizontally integrated companies in distribution and end-user sales, and (iii) participating in the regional vertically-orientated power companies and developing collaboration solutions with the company's own activity or activity of partly-owned horizontally-oriented utilities.

The parties consider that the merger gives Hafslund a good basis to realise these strategies.

Hafslund's rationale for the merger

Increase the possibility to take a leading position in the restructuring of the power industry
The merger will strengthen Hafslund's capacities to achieve the objectives of the company and will improve the company's strategic position substantially. Through an increased resource base, wider presence and active industrial ownership by Elkem, Hafslund will be able to establish the size and strength which is necessary to take part in an integrated Nordic and European power market. In this connection, Hafslund will be able to emerge as a more attractive collaboration partner for publicly-owned companies which will continue to represent the largest part of the capital that is committed to the power industry.

Increased financial strength
Participation in the restructuring of the power industry will be capital-intensive. With its size and solid financial position, Hafslund will be well-positioned to carry out a targeted and ambitious growth, in particular through acquisitions, mergers and efficient collaboration solutions, even if this should mean reduced ownership shares for the existing shareholders. The merger will increase Hafslund's book equity ratio from 32.2% to 37.4%. Hafslund will, through the merger and the effects of this which in time are expected to materialise, increase its attractiveness as an investment object and thus improve its access to the capital markets.

Increased resource base and an improved balance in power generation
Hafslund's generation capacity after the merger will be about 6.3 TWh, of which about 5.6 TWh is located in Norway. This makes Hafslund the fourth-largest power generator in Norway. In addition, Hafslund will hold rights to the expansion of Sauda. Through increased regulation capacity and improved geographical balance in the generation portfolio (generation in all parts of the country), Hafslund's flexibility and risk profile will be substantially improved in line with the co-ordination of the total generation system.

Strengthened own-account trading operations
The combination of Hafslund Markets and Elkem's power trading activity creates the leading Norwegian player in power trading, with a significant presence in risk management. The combined unit will have a well diversified portfolio and a Nordic power trading business which to a larger extent will be able to exploit the possibilities created by the deregulation of the Nordic market. The increased generation capacity in the merged group will generate positive effects for the own-account trading activity through more optimal control of the total regulation capacity.

Additional expertise
Through its long presence in the Nordic power market, Elkem has developed significant competence. Elkem's experience from power generation for use in its own production of metals and materials gives Elkem a complimentary insight compared to Hafslund, including knowledge of production optimisation, political issues and geographical coverage. With Elkem's entry into Hafslund, the company gets a partner with a similar view on how the strategic possibilities in the power industry can best be exploited for profitable growth and value creation for the benefit of the shareholders of the company.

Elkem's rationale for the merger

Positioning for participation in the further restructuring of the Norwegian power market
Through its significant ownership in Hafslund after the merger, Elkem will be able to contribute to and take part in the synergies which will be created through the combined entity. Elkem considers that Hafslund will be well-positioned to take part in the growth opportunities in the Norwegian power market, as well as the possibilities for selective growth on a Nordic basis and other opportunities in specific business areas in which the company has a competitive edge. The most important elements in this matter are the absolute size of the merged group, its financial capacity, wide geographical presence and the combination of Hafslund and Elkem's experience and competencies in the power business. The merger gives Elkem a larger development potential in the power sector through a significantly broader power exposure, including presence in parts of the value chain in which the company has not previously been involved and in which interesting strategic positions can be established.

Increased long-term dimension in power generation
The merger gives Elkem longer duration to their generation exposure. The reason for this is that the majority of Elkem's power generation takes place in power stations which revert to the state within a 30 year period or which are the object of lease agreements which expire within the same time frame. Through Hafslund's power stations, which are neither subject to reversion nor concession, Elkem obtains ownership in an energy portfolio with a longer duration than its previous portfolio.

The value of Elken's power assets is made transparent
Through the merger, Elkem will be able to display the values which have been built up in the company's energy division. This relates to both power stations, lease entitlements and expansion opportunities. Such a display should also provide the basis for improved valuations of Elkem's other activities, and thus in time contribute to a lower cost of capital.

6. The consideration under the merger

Elkem, as the sole shareholder of Saudefaldene, will receive 55,874,340 A shares and 38,595,729 B shares of Hafslund, with a nominal value of NOK 1.00 each, for a total nominal value of NOK 94,470,069.00. The consideration will mean that Elkem, as a result of the merger, will become the owner of 45% of all the A shares and about 46.9% of all the B shares of Hafslund after the merger (including 1,596,700 B shares previously owned, representing about 1.9% of the outstanding number of B shares after the merger).

The background for determining the consideration under the merger

The Boards of Hafslund and Elkem on 23rd December 1999 concluded an agreement to integrate the energy activity of Elkem with Hafslund, based on an exchange ratio in which Elkem receives 45% of all the shares in Hafslund. The provisional agreement was concluded subject to a limited due diligence verification, and the conclusion of a definitive merger plan. In connection with the limited due diligence, no circumstances were discovered which caused an alteration to the original merger consideration.

The exchange ratio was determined after negotiations between Hafslund and Elkem. The basis for the proposal is valuations of the activities included in the merger. In the valuations, the parties drew a distinction between the activity in power generation and other activities.

For assets and rights in power generation, the values are mainly determined based on discounted cash flow calculations, driven by assumptions about future power price trends, mean generation and real cost levels (including lease rents for Elkem's leased stations), and taking account of tax positions. In the calculations for Norwegian generation, the real price of power is assumed to increase from below 14 to above 17 øre per kWh in 2010, and to remain constant thereafter. For the U.S. activities, the value is mainly based on the present value of contracts concluded on the assumption of the conditions of those contracts, as well as expected future market conditions, including the effects of deregulation. The value which is given by discounted cash flow calculations is assessed against the market capitalisation of Hafslund and the prior valuations of the parties and estimates of a normal value of the generation capacity, including transaction values. The parties believe that the value which is attributed to the assets and rights mentioned is reasonably consistent with these supplementary considerations.

Hafslund's generation assets (mean generation 2,932 GWh) have been valued at about NOK 4.0 billion, whereas Elkem's corresponding activity (mean generation 3.401 GWh), including lease agreements and expansion rights, has been valued at about NOK 3.8 billion. The difference in value for each kWh of mean generation is mainly owing to the different durations of the power rights. An assumption of a higher (lower) level for the price of power would produce higher (lower) values for the productive assets, but would only have a marginal effect on the relative value relation between Hafslund and Elkem. The parties thus do not set decisive store by the above-mentioned indicated absolute values, which are the result of the discounted cash flow analysis.

For the other substantial industrial assets, mainly Hafslund's activities in distribution and end-user sales (as well as financial investments), transaction values have been used, primarily as a consequence of the fact that a not insignificant part of the assets has been the subject of transactions during 1999. The total value of Hafslund's distribution and end-user sales activities is thus set at about NOK 2.7 billion (respectively about NOK 2.4 billion and about NOK 0.3 billion). Elkem's other assets have been valued at about NOK 0.4 billion.

Adjusting for debt (Hafslund about NOK 4.2 billion and Elkem about NOK 0.2 billion) and Hafslund's financial assets (about NOK 1.8 billion), the total value for both Hafslund and Elkem has been set at about NOK 4.3 billion and about NOK 4.0 billion respectively, with the reservation that changed conditions for the power price trends will produce higher/lower values without substantial changes in the relative value relation between the parties. Hafslund's value was not substantially different from the capitalised value of the company at the time of the conclusion of the agreement.

The agreed exchange ratio is a result of an overall evaluation, in which the parties, in addition to the valuations which are described above, have also taken account of the character of the transaction and the contribution of each of the parties to the future development of Hafslund.

In conclusion, it is also important to point out that it is the relative value between Elkem Energi and Hafslund which is important for the assessment of the merger consideration, rather than the absolute value which is given above.

Expert statements

Expert statements about the proposed merger plan have been obtained from the auditors Kjelstrup og Wiggen ANS and Grimsrud & Co as independent experts for respectively Hafslund/Hafslund Kraftproduksjon and Elkem/Saudefaldene. In addition, Revisjonstirmaet, Kjelstrup og Wiggen has given an expert opinion with regard to the contribution in kind to Hafslund. The reports are attached as Annexes III and IV to the prospectus.

The rights of the new shares

The new shares of Hafslund which will be issued in connection with the merger will be registered with the VPS and will be entitled to dividend as from the 2000 financial year. Further, they will have the same rights as existing shares of Hafslund as from the registration with the Norwegian Register of Business Enterprises of the capital increase necessitated by the merger, but, however, as to the merger shares which Hafslund is to issue as consideration for the merger, Elkem has waived the right to an extraordinary dividend of NOK 3.20 per share which will be paid if Hafslund does not take over Elkem's energy activities in the U.S. in connection with the merger.

According to the merger agreement, Hafslund may pay an ordinary dividend for 1999 to its existing shareholders of NOK 1.20 per share. As compensation to Elkem for not receiving such dividend, a short term debt to Elkem is included in the opening balance sheet of Saudefaldene corresponding to Elkem's share of this dividend (about NOK 113 mill.).

7. Market conditions

General

Norway has one of the most liberal markets for retail sales and distribution of power in the world. The power sales are open to free competition, but transmission and distribution of power are regulated monopolies. Sale of generation assets and consideration of greenfield generation projects are, however, subject to substantial governmental control.

The Norwegian power sector consists of 62 companies involved in generation, 39 companies in generation and regional distribution, 179 vertically-integrated companies with both generation and distribution networks and 156 pure grid companies. The grid utilities usually have their own retail sales to end users, and in recent years sales to end customers have been to a large extent established in separate companies. In Norway, there are approximately 2 mill. end customers (households and small industries). The power-intensive industry is a major consumer of power, and the largest players have their own power generation (Source: Enfo).

Power generation

The total generation of power in the Nordic region is about 360 TWh per year, with the share of Norway being above 30% (112 TWh in annual mean generation). The consumption in Norway has shown a smooth increase in the last 10 years, and amounted to approximately 120 TWh in 1999.

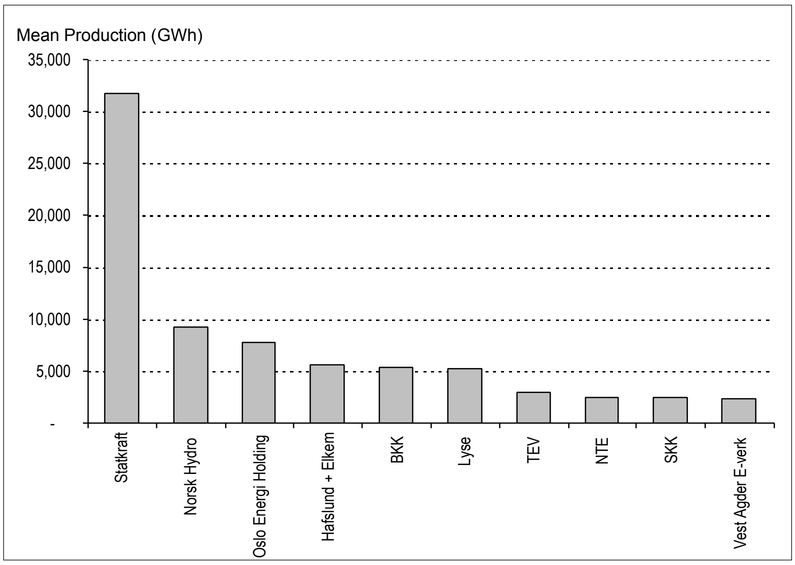
The power systems of the Nordic countries are interlinked with major transfer lines. Norway is "electrically linked" to both Sweden, Finland, Russia (through air lines) and Denmark (through sea cables). In addition, Denmark (Jutland) and Sweden are linked to the German market, and a relatively large amount of power exchange takes place between these countries.

The marginal costs of power generation in the Nordic region are lowest for Hydro Electric Power (less than 5 øre/kWh), followed by nuclear power (less than 10 øre/kWh) and coal power (12-16 øre/kWh). Based on demand and end-user sales mechanisms, it is the costs of Danish coal generation which normally set the price level in the Nordic power market as a whole.

The power generators sell the power in the wholesale market. In principle, this takes place through sale in the spot market, and hedging/risk management in the market for power derivatives and the bilateral market.

In Norway, power generation is dominated by public owners (about 85%), whereas the share of power generation in public ownership in Sweden, Denmark and Finland is respectively about 70%, 60% and 50%. Both Sweden and Norway are large hydro power generators. In Sweden, the three largest players account for almost 90% of the total generation. In Norway, the market is more fragmented, but in recent years the concentration has increased here as well. In the rest of the Nordic region, also, the countries are dominated by few, but large players.

The table below shows the largest power generators in Norway:



Source: Hafslund, annual reports of the companies

All players other than the must obtain a concession in order to acquire any major Norwegian waterfall. If the acquiror is more than 33% privately owned, the authorities impose the condition that the power stations must revert to the state. When acquiring more than 20% in a company which owns waterfalls, a licence is required for all private and public owners, both Norwegian and foreign.

In 1999, a series of publicly owned vertically integrated power companies was offered for sale, and holdings were sold in Vestfold Kraft, Skiensfjordens Kommunale Kraftselskap, Tatfjord Kraft and Hedmark Energi. The common feature of all transactions was that Statkraft was the acquiror, either directly or indirectly.

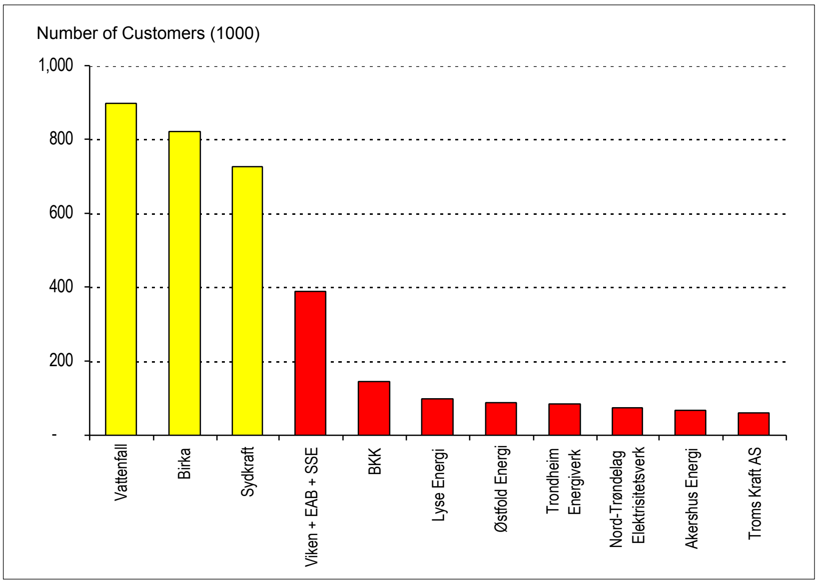
Many municipalities and larger district authorities which owns power entities, are seeking to realise their values. Since 55% of power generation is owned by such authorities, large financial capacity will be required in order to meet the expected future offerings of publicly owned power companies in the future. This situation calls for the setting up of private players with adequate financial strength to avoid a situation where foreign capital is the only alternative to increased state ownership in the Norwegian power industry.

Distribution

For practical purposes, the Nordic region constitutes an integrated system through the central grid (the national high-voltage level). Both Norway and Sweden have a state owned central grid company. In Finland the two former companies have been integrated into a national distribution company, divided between public and private ownership. In Denmark, the forthcoming liberalisation is being prepared by the introduction of legislation, which facilitates the separation of the former integrated distribution and generation companies.

The regional and local distribution grids in the four Nordic countries are organised in different ways and have different ownership structures. In Norway, the owners are mainly the municipalities or the larger district authorities. In Sweden, privatisation has gone further, especially since the large power companies have acquired pure distribution networks. In Finland, the structure is approximately the same as in Sweden, whereas the distribution companies in Denmark continue, as the main rule, to be operated as non-profitmaking co-operatives owned by the inhabitants of the various regions.

There are slightly more than 200 distribution companies in Norway at present. For comparison, there are a total of 250 distribution operators in Sweden and 112 in Finland. The three largest players in Sweden and distribution companies in Norway with more than 50,000 customers are shown in the table below:



Source: Hafslund

The transmission and distribution of power is a monopoly activity, and there is a widespread opinion in the sector that there is a significant potential for improving efficiency. NVE has stated that it is an objective to achieve a cost reduction in Norway of 25-30% compared to the cost level of 1996. NVE indicates the total potential for improved efficiency to be in the order of 20-40%, or annually between NOK 4 and 6 billion for the sector as a whole.

In order to force through the improvement in operational efficiency, NVE has altered the basis of earnings for Norwegian distribution companies as of 1st January 1997. Previously, the model for stipulating earnings could be described as a coverage of costs, but the system was changed to a model based on maximum revenues, in which an upper limit is set for each annual revenue which the distribution companies are entitled to collect from their customers. Such revenue frames are adjusted for inflation and adjusted annually with an efficiency requirement factor (between 1.5 and 4%) for each individual distribution company. The purpose of the regulation is to provide a normal return to distribution companies that under NVE's benchmarking are shown to be efficient. NVE also sets a maximum permitted return (currently 15%) on book capital (ie. the capital which NVE permits to be used in the calculation of the return). The yield of the distribution company is calculated as the operating result taken in relation to the book capital.

In order to meet the increasing efficiency requirements and to achieve a satisfactory return, it is necessary to increase efficiency in the individual distribution companies and to exploit economies of scale through both horizontal and vertical consolidation of the distribution networks. NVE's introduction of maximum revenues is an important driving force behind the increasing restructuring of the distribution sector in Norway. Hafslund and Elkem believe that the distribution structure in the course of the next 2-5 years will change significantly, developing larger and fewer owners and players.

The regulation relating to the distribution companies in Sweden and Finland is at present substantially weaker than in Norway, but the other Nordic countries are also in a phase of increased consolidation of the distribution activities.

Energy (end-user sales)

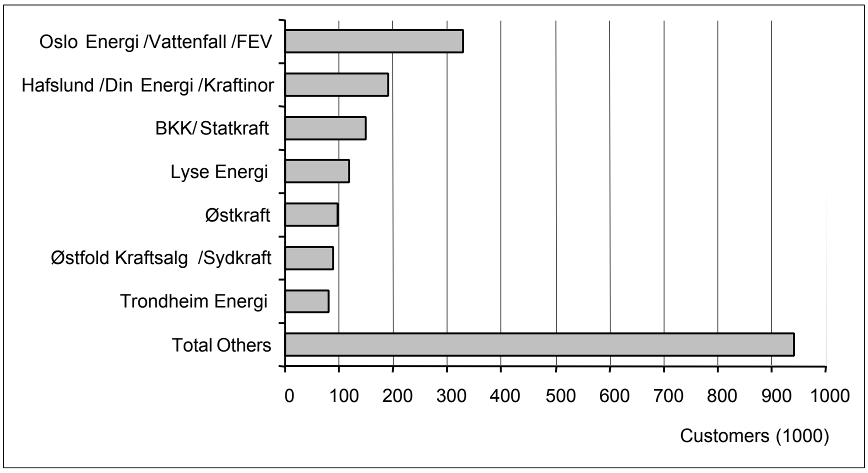
During the last few years competition in the Norwegian end-user market for power has been facilitated by removing the fees for changing suppliers in 1997 and through the cancellation of restrictions in changing quarterly targets in 1998.

The end-user sales companies purchase power in the market and then sell it on to the end customers. The revenues are generated through a margin between the purchase price and the sale price. The end-user sales companies' customers are households, small businesses and other industrial activity.

Changed framework conditions have led to stronger competition in Norwegian end-user sales, and there is increased focus on mass communication and branding of the end-user sales players. Oslo Energi, BKK, Østkraft, Lyse Energi and Hafslund have all been represented in the national media with branding campaigns. In addition, Statoil, Norges Energi and Forbrukerkraft have carried out major national and regional advertising campaigns.

In structural terms, the Norwegian market is characterised by high activity, and through the changes which took place in 1999 we can see the contours of two major blocks in end-user sales in Norway with respectively Statkraft (Statkraft/BKK, Statkraft/Sydkraft/Østfold Energi and Statkraft/HEAS) and Vattenfall (Vattenfall/Oslo Energi and Vattenfall/Fredrikstad Energiverk) being the centres of concentration. However, the market can still be characterised as fragmented, because Oslo Energi/Vattenfall as the largest player has a national market share of less than 20%.

The table below shows an overview of the largest players in the Norwegian end-user market, ranked by number of customers:

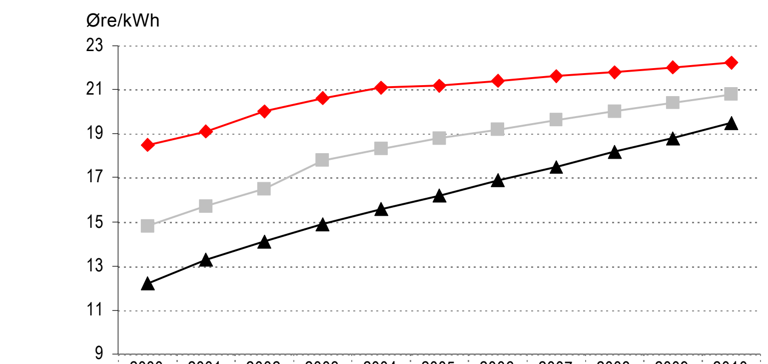


Source: Hafslund

Differentiation and organic growth in the Norwegian power market is continuing with a focus on price. As a consequence, the gross margin vis-à-vis the customers were reduced in 1999, but the sector expects that the margin will stabilise at this level. Despite a relatively high campaign activity during 1999, the frequency of switching supplier has not increased correspondingly. 16% of the households have switched supplier since the market was opened. The corresponding figure at the beginning of 1998 was 10%.

Trading (Markets)

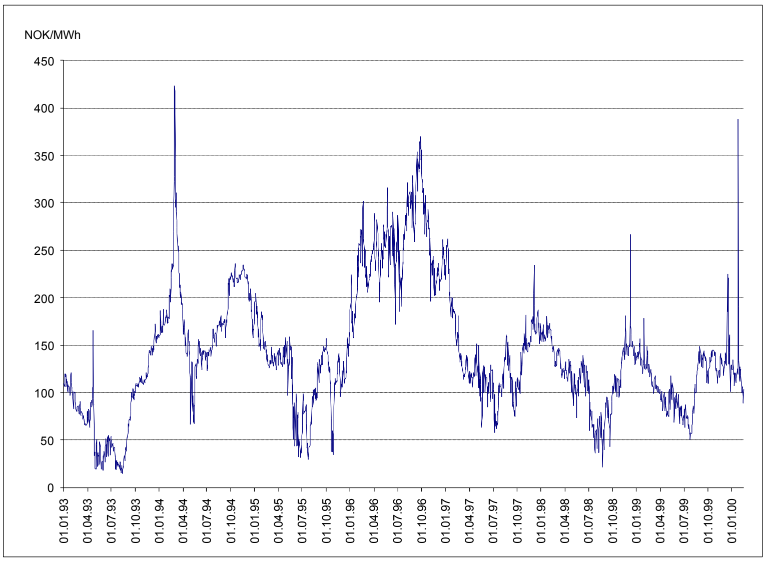
The figure below gives an overview of the expected future power prices and of how these expectations have changed during the last two years:



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
31.12.97	18.5	19.1	20.0	20.6	21.1	21.2	21.4	21.6	21.8	22.0	22.2
31.12.98	14.8	15.7	16.5	17.8	18.3	18.8	19.2	19.6	20.0	20.4	20.8
31.12.99	12.2	13.3	14.1	14.9	15.6	16.2	16.9	17.5	18.2	18.8	19.5

Source: Hafslund, based on observable market prices (nominal prices)

The graphs show that the market expects an increase in power prices from the current level of about 12 øre/kWh to about 19.5 øre/kWh in 2010 (nominal). The table also shows that the expectations for future power prices have been adjusted downwards since January 1998. This is partly explained by the fact that all years since 1996, the amount of rain has been above average. A mild and rainful 1999 contributed to maintaining the surplus of water and the supply in 1999 for Norway and Sweden in total was about 10% higher than the average, while at the same time the temperature was about 1 degree above normal. This trend contributed to the fact that the average system price for 1999 was substantially lower than for 1998. (The system price is the market price (spot price) calculated before taking into consideration the transfer restrictions (bottlenecks) in the distribution network. The power prices are produced by the bottlenecks being allowed for.) Fluctuations in the system price for power (in NOK/MWh) since 1993 are given in the table below:



Source: Hafslund

The own-account trading market during the last year has been characterised by increased standardisation, volume growth in volume and lower margins. In year 2000, Hafslund and Elkem expect less growth due to market saturation. The geographical growth of the market is, however, expected to make a positive contribution to volume growth in overall volume.

8. Presentation of the Hafslund group

Hafslund is an independent listed power company with activities in power generation, power trading, distribution, end-user sales and active management of the equity portfolio. The company was founded in 1898 in Sarpsborg. Hafslund had 349 employees as of 1st January 2000 and has its head office in Oslo.

History

Hafslund was founded in 1898, and in the same year the company acquired an estate in Skjeberg in Østfold. This estate owned 50% of the waterfall rights in Sarpefossen. These waterfall rights were exploited by Hafslund by starting the construction of a hydroelectric power station. This construction was one of the first in Norway. The company continued its commitment in the energy sector in the early 1900s by acquiring two companies, A/S Vamma Fossekompagni and A/S Kykkelsrud, which had started power construction in two waterfalls above Sarpefossen in the Glomma river. The Hafslund group became the owner of waterfall rights in these three waterfalls before the right of the state to the reversion was introduced into the licence laws. Consequently, the state cannot claim reversion for Hafslund's power stations.

To be able to consume the power from the power station in Sarpefossen, the Hafslund group constructed a smelter on the property of the estate in Skjeberg in 1899. The works originally produced calcium carbide, but were later converted to produce ferrocilicium. This activity was sold in 1990.

In the middle of the 1980s, the Hafslund group started up several smaller power projects in the New England area of the U.S.

Until 1985, Hafslund was a pure power company. In 1985, the company purchased Actinor with its main activities being Nycomed, Norweld and Unitor. Norweld and Unitor were sold and the Hafslund Nycomed group was set up. Hafslund Nycomed essentially had two areas of activity - pharmaceuticals and power. In 1996, Hafslund Nycomed was demerged and this demerger made it possible again to reorientate Hafslund as a power company.

At the turn of 1997-98, Hafslund acquired the SkanKraft group which later changed its name to Hafslund Markets. Hafslund Markets took over the management of the group's power generation and long-term consumption agreements.

Hafslund Energi was established in 1998 and is responsible for the end-user sales operation. Hafslund has expanded in this area of activity and is currently the sole or partial owner of a customer base with a total of 190,000 end customers.

During 1999 Hafslund particularly strengthened its industrial position in distribution, in particular through an ownership share in Viken Energinett (25%). Viken Energinett is the largest distribution company in Norway with approximately 390,000 customers.

Business concept, objectives and strategy

Business concept
Hafslund aims to be a leading Norwegian listed power company with activities in power generation, power trading, distribution, end-user sales and active management of the equity portfolio. The company is to be competitive, have high competence and be characterised by innovation.

Key objectives
Hafslund's key objective is to be an active and long-term industrial player in the consolidation and restructuring of the power sector in Norway and the Nordic region more generally. In order to achieve the potential for value creation, Hafslund intends to contribute with risk capital, competencies, technology and efficient collaboration solutions. Hafslund aims to create stable, long-term and competitive risk-adjusted return on capital invested.

Strategy for the operating areas

Generation
Hafslund has had an expectant attitude to investments in generation capacity in the Norwegian and Nordic power market. This is mainly due to the fact that Hafslund has viewed the transaction prices too high, as well as regulatory uncertainty. Hafslund will focus on consolidating Norwegian generation assets in order to improve the industrial position. This is possible both through Norwegian private owned generation and also through mergers with public owned companies.

For the operational activities, the strategic focus is aimed at efficiency both in income, operations and capital employed.

Distribution
The distribution activities in Norway are still subject to extensive restructuring and consolidation, and Hafslund has ambitions to play an active role in the forthcoming restructuring. Hafslund wishes to be an independent industrial partner in regional partnership solutions, and its objective is to extend its commitment as an active, long-term and industrial distribution owner in Norway.

Hafslund intends to use its ownership commitments to achieve good industrial solutions and increase its value creation. Viken Energinett has been given an option to acquire Hafslund's distribution assets in Østfold, and an exercise of this option will make an important contribution to the consolidation of distribution companies in the south-eastern parts of Norway.

The ownerships in Haram (100%) and Tussa (10%) are intended to be used to contribute to a regional consolidation of distribution companies in Møre and Romsdal.

For the operational activities, the focus is on securing return on the investments in distribution through lower costs of administrative and technical services as well as development of competencies.

End-user sales
In order to secure a satisfactory return, competitive prices and the exploitation of the potential for value creation in the end-user activities, there must be built large units which can cope with the competition from the large Nordic and European end user companies.

The target for Hafslund Energi is to become one of the three major players in Norway through contributing in setting up a large Norwegian entity based on ownership collaboration with regional players, in order thereafter to expand into the Nordic region on the basis of the Norwegian entity.

For the operational activities, the focus will be efficient operation through joint solutions, internet products, price control, client support programmes and collaboration with other suppliers.

Markets
The objective for Hafslund Markets is to increase value creation through a controlled increase of the exposure to the power price risk with the main focus on selected European markets. The sale of services is to be scaled down in favour of the sale of risk management products.

Investments
Hafslund's financial investment strategy is based on the fact that Hafslund now has the opportunity to invest substantial amounts in its core activities of distribution and end-user sales.

Hafslund Invest, through a highly skilled investment management, will secure competitive return on capital invested. The strategy is to take active positions in sectors and companies. The ambition is to outperform the General Index of the Oslo Stock Market by a minimum of 2% over time. Hafslund will prioritise in order to be an active owner and therefore wishes to exploit its industrial experience to create added value in its investment portfolio.

The activities of the group

Hafslund is a listed energy company with more than 100 years of activity in the Norwegian power industry. Hafslund is organised in five operational areas, Generation, Distribution, Markets, Energy and Invest. The table below provides an overview of the company's industrial portfolio:

Hafslund ASA

Generation	Distribution	Energy	Markets	Invest	Other
■ Hydro generation ■ 9 power stations in Norway ■ 2.785 GWh ■ 3 power stations in the U.S. ■ 96 GWh ■ Bio-fuel ■ 1 power station in the U.S. ■ 51 GWh	■ Regional distribution in Østfold ■ Volume 6,1 TWh ■ Distribution grid ■ Viken (25%) ■ Haram (100%) ■ Rygge (33%) ■ Rakkestad (33%)	■ End customers ■ Owned; appr. 30.000 ■ Partly owned; appr. 160.000; – Din Energi (47%) – Kraftinor (49%) ■ Established in Denmark through Dan el AS (11%) ■ Appr. 400.000 customers	■ Wholesale/retail ■ Leading Nordic player ■ Operating in the Nordic region, Spain and the U.S.	■ Book value NOK 2 billion ■ ST financial assets (42%) ■ Energy-related investments (33%) ■ Actinor/Tensil (25%)	■ Hafslund Alfa ■ Hafslund Manor ■ Orion Systems

Kilde: Hafslund

Hafslund Generation

Hafslund owns and operates 13 power stations, nine in Norway and four in the U.S., with a total annual mean generation of 2.9 TWh. The main challenge of activity is to make a constructive contribution to the further consolidation of Norwegian energy generation, increase efficiency further in its own power stations and be an active driving force in the improvement of the framework conditions for Norwegian power generation.

Norwegian power stations

Hafslund owns and operates nine power stations in Norway. The total mean generation is 2,785 GWh, which constitutes approximately 2.5% of the total consumption of electricity in Norway. Hafslund's power stations are located in the watercourse of the Glomma river and Hafslund was the owner of the waterfall rights before the right of the state to reversion was included in the licence legislation. Consequently, the state cannot assert reversion of any of the power stations. Sarp power station is operated by Hafslund, but it is jointly owned with Borregaard for 50% each. All the other stations are wholly owned by Hafslund.

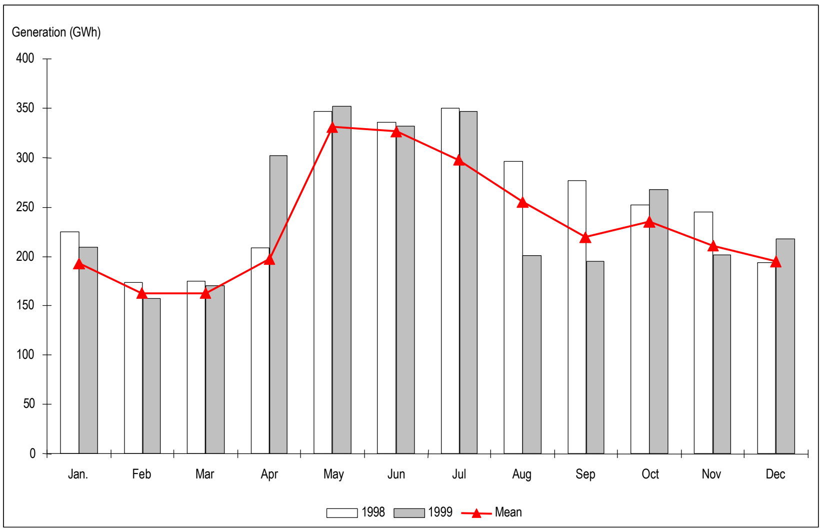
The table below sums up the key figures for the Norwegian power stations:

Power station	Location	Share of ownership	Mean generation[1]	Capacity	No. of generation units	Waterfall drop (metres)
Vamma	Askim	100%	1.215 GWh	216 MW	11	28,5
Kykkelsrud/Fossumfoss	Askim	100%	1.090 GWh	190 MW	3	26,2
Kykkelsrud	Askim	100%	30 GWh	22 MW	3	19,5
Sarp	Sarpsborg	50%	270 GWh	40 MW	1	20,5
Hafslund	Sarpsborg	100%	160 GWh	31 MW	4	20,5
Eidsvollverkene	Eidsvoll	100%	20 GWh	4 MW	4	7-19
Total			2.785 GWh	503 MW	26	

[1] *Hafslund's share of mean generation (precipitation 1961-90)*

Apart from Eidsvollverkene, all the stations are part of Glomma below Øyeren. The average annual water flow in these parts of the Glomma is about 700 m^3/s, and the average flood rate is about 2,000 m^3/s. The maximum usable flow of the power stations is about 970 m^3/s in Kykkelsrud and Vamma and about 825 m^3/s in Sarpefossen. All the power stations are unemployed and they are remotely controlled from the control centre which is located in the offices of the Hafslund group in Sarpsborg.

Hafslund's electricity power stations have an average degree of regulation of 16%, and the table below shows an overview of mean generation per month, as well as the actual generation for the past two years:



Source: Hafslund

Hafslund's actual generation in Norway was 2,953 in 1999, a 6% deviation from the mean generation of 2,785. There is an estimated 75% likelihood that actual generation will be within +/-10% of the mean generation.

The power stations in the U.S.

Hafslund owns and operates four power stations on the East Coast of the U.S., in the states of New Hampshire and Maine. In total, the power stations have mean generation of 147 GWh, or about 5% of Hafslund's total generation. The key figures for the U.S. power stations are summed up in the table below:

Power station	Location	Type of power station	Share of ownership	Mean generation[1]	Capacity	Expiration of licence (year)
Errol	New Hampshire	Hydro	100%	17 GWh	3 MW	2023[2]
Brassua	Maine	Hydro	100%	16 GWh	4 MW	2012[3]
Greenville	Maine	Bio-fuel	71%	51 GWh	15 MW	Permanent[4]
Pontook	New Hampshire	Hydro	100%	63 GWh	11 MW	2032[5]
Total				147 GWh	33 MW	

[1] Hafslund's share of mean generation (For Greenville this is 35-100 GWh)
[2] The installation is to be transferred free of charge in 2032
[3] Expected value in 2012 according to the agreement is USD 3 mill. (nominal)
[4] The existing power contracts expire in 2007
[5] The lease of the water rights expires in 2032, whereas the long-term power contract expires in 2017

The power market in the U.S. is in the course of a deregulation process in which it is expected that successive states will go through a corresponding process to what Norway went through in 1991. It is expected that the U.S., in connection with the opening of the markets between the states, will have increased overcapacity of generation with corresponding downward pressure on power prices. Hafslund therefore has the ambition for its U.S. activity to expand by acquiring small/medium-size power stations with long-term contract coverage and satisfactory return.

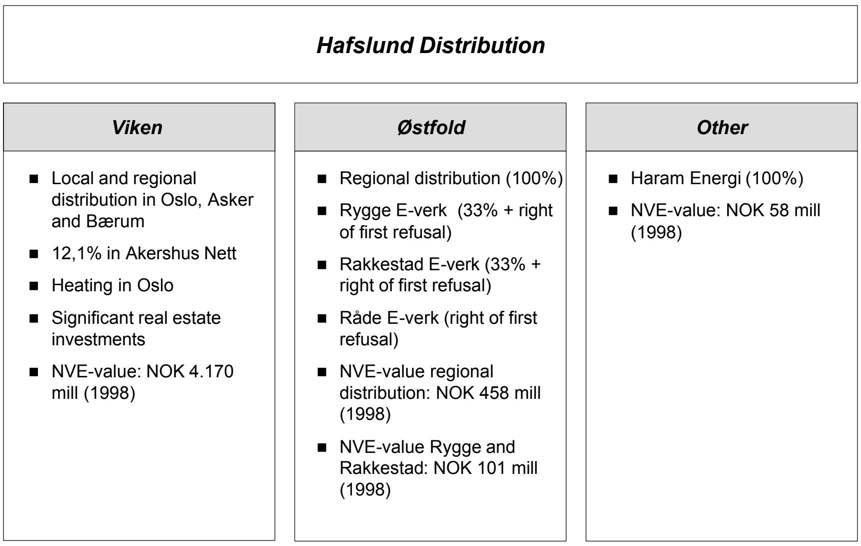
Financial information

The table below sums up the selected key figures for Hafslund Generation:

Segment information (Figures in NOK mill.)	**1997**	**1998**	**1999**
Operating revenues	608	510	536
Purchase of energy and materials	158	11	30
Gross contribution	450	499	506
Operating expenses	160	160	151
Depreciation	50	52	57
Operating profit	240	287	298
Other key financial figures			
Operating margin	53 %	58 %	59 %
Investments	18	193	14
Minority interests	23	20	19
Generation in Norway (GWh)	2,811	3,080	2,953
Generation in the U.S. (GWh)	72	149	163
Generation cost per mean generation unit (øre/kWh)		5.6	5.0
Sales price per kWh Norway (øre/kWh)	12.2	12.3	11.9

Hafslund Distribution

The company's ownership and strategic position as a distribution owner has been significantly strengthened during the last year through transactions and agreements, and with the implementation of the agreements concluded Hafslund's distribution activity can be broken down into three main areas, as shown in the table below:



Source: Hafslund

Viken Energinett

In the process of the partnership between Hafslund and Viken Energinett to acquire shares in the energy company Asker og Bærum (EAB) in June 1989, an agreement was negotiated between Hafslund and Viken Energinett by which Hafslund through a rights issue receives an ownership share of 25% of Viken Energinett with effect as from 1st January 2000. Hafslund's capital contribution was divided into three: (i) a 50% ownership share in EAB, (ii) the local distribution network in the municipalities of Skedsmo and Sørum and (iii) a cash payment of NOK 737 mill. The total value of Hafslund's capital contribution is estimated at more than NOK 1,400 mill. Skedsmo og Sørum Nett was re-sold as of 3rd January 2000 to Akerhus Nett against an ownership of 12.1%.

In the agreement with Hafslund, Viken has an option to take over the regional distribution activity of Hafslund, as well as Hafslund's other distribution activity in Østfold. Viken's purchase options can be exercised in the second half of 2000, and may give Hafslund an increase of its ownership share to 33% in Viken as well as a cash payment.

Viken Energinett is currently the largest distribution company in Norway with a total of 390,000 customers, and the agreement and collaboration with Viken produces a good basis for Hafslund's opportunities to take part in the further restructuring of the distribution activities in the eastern parts of Norway.

Distribution in Østfold

Hafslund owns and operates the regional distribution networks in Østfold. The regional distribution network is the level below the central distribution network which is operated by Statnett and above the distribution network which is operated by the local distribution stations. The regional 50 kV high-voltage distribution network consists of 700 km of power lines and 35 km of cables, of which 50 km are at 132 kV. The distribution network is operated from a 24-hour manned group centre. All the transformer stations can be remotely controlled and monitored from the central control unit. The NVE value for the regional distribution network in Østfold is NOK 458 mill.

Hafslund has ambitions in the course of two to three years to be one of the five most cost efficient distribution network operators. An important resource for achieving this objective is to separate its distribution owner and operator role. This has been done through the establishment of an internal subcontracting unit, Hafslund Alfa as of 1st January 1999, see below.

In the course of 1999, Hafslund purchased 33% of the distribution networks in Rygge Elverk and Rakkestad Energiverk, including a right of first refusal to acquire the remaining 67%. Hafslund has also a right of first refusal on the distribution network owned by the municipality of Råde.

Other distribution activities

Hafslund owns and operates the local distribution network in Haram (NVE value of NOK 58 mill.). Hafslund's commitment in Haram Energi (100%) and Tussa Kraft (10%) is intended to be used to contribute to a regional consolidation of the distribution companies in Møre and Romsdal.

Financial information

The table below provides an overview of selected key figures for Hafslund Distribution:

Segment information (Figures in NOK mill.)	**1997**	**1998**	**1999**
Operating revenues	218	292	323
Expenses overlying networks	56	82	109
Losses in distribution	18	17	17
Gross contribution	145	193	197
Operating expenses	55	109	78
Depreciation	24	39	39
Operating profit	66	45	80
Other key financial figures			
Income from associates	0	0	-6
Operating margin	46 %	23 %	41 %
Investments	120	166	19
Net book value of associated companies	0	0	1,489
Volume transmitted	5,337	6,135	6,070
Result from operations in % of NVE value	15 %	8 %	13 %

Hafslund Energy

Hafslund Energy comprises investments in sales and marketing of electrical power in the private and business market. Hafslund is the sole or partial owner of customer bases with a total of about 190,000 end customers, and is thereby one of the three largest players in Norway, after Vattenfall/Oslo Energi (about 330,000 customers) and on a level with Statkraft/BKK.

The business area consists of assets in the end-user companies Din Energi AS (47% ownership share) and Kraftinor AS (49%), with about 120,000 and 34,000 customers respectively, as well as a wholly-owned central operational activity of about 31,000 customers. Din Energi AS has in principle western Akershus and lower

Buskerud as its home market and is owned by Energiselskapet Buskerud (51%), Hafslund (47%) and Nedre Eiker Energi (2%), whereas Kraftinor was established in the autumn of 1998 through a merger of the customer bases of Narvik Energi, Vesterålskraft and Lofotkraft. Hafslund's wholly-owned client base is divided into about 4,500 customers in Møre (Haram) and the remainder in the eastern area (mainly Østfold and Skedsmo/Sørum).

The participations in the partly owned companies are represented formally through a representation on the Boards. Hafslund also organises and co-ordinates joint initiatives and meetings between wholly-owned and partly owned companies in order to connect the environments more closely together and to achieve economies of scale in areas which require special competence or are too costly to develop alone.

In Denmark, Hafslund, in collaboration with 8 Danish distribution stations, has established the electricity trading company Dan el AS, in which Hafslund has an ownership share of 11%. The company is now a joint purchasing company which manages all trading in the wholesale market on behalf of the owning companies and has access to 400,000 end customers. Hafslund believes that company will evolve into a pure end-customer company in due time, with Hafslund as an industrial owner.

Hafslund has ambitions to take part in the establishment of a leading Norwegian end-customer company, through consolidation, purchase and organic growth. The company wishes in particular to contribute to the creation of a larger end-user sales unit through consolidating its wholly-owned and partly owned customer bases, in order to achieve economies of scale. Hafslund also intends to increase its customer base further in the future, either by merging with other companies, direct purchase of selected customer bases from local and regional electricity stations or linked to Hafslund's effort to take part in the restructuring of the Norwegian distribution sector.

Financial information
The table below provides a summary of selected key figures for Hafslund Energy (established 1998):

Segment information (Figures in NOK mill.)	**1998**	**1999**
Operating revenues	81	140
Purchase of energy	75	119
Gross contribution	6	21
Operating expenses	8	44
Write-offs of power portfolios/discounts	11	13
Depreciation	5	7
Operating profit	-18	-43
Other key financial figures		
Share of result of associated companies	0	4
Investments	35	13
Net book value of associated companies	0	251
Power sales (GWh)	465	918
Contribution to cover (øre/kWh)	1.4	2.2

Hafslund Markets

Hafslund Markets comprises the activities in wholesale trading and retailing of electrical power, as well as the sale of the power volume from Hafslund Generation. In addition, it operates the sale of services to energy stations and power-consuming industry. The business area was established at the turn of 1997-98 through Hafslund's acquisition of the SkanKraft group. Hafslund Markets is a leading Nordic player with offices in Oslo, Stockholm and Helsinki, and also has an operational activity in the U.S. and Spain. The competitive advantage is the competence arising from a deregulated Norwegian marketplace in power trading and IT-system development.

In the Nordpool area (Norway, Sweden, Finland and (since July 1999) Denmark), Hafslund has 23 management/advisory clients, and the company operates extensive own-account trading. In Spain, the focus is on own-account trading at the same time as the unit manages power from Portuguese producers. The activity in the U.S. comprises own-account trading in the market and the development of electricity administration and clearing in California.

The level of activity in Hafslund Markets is to a large extent determined by the overriding objectives of the group for exposure in electric power. Through the implementation of routines for the handling of Hafslund's own generation and sales of power to consumers, Hafslund Markets provides the group with a total overview of the exposure of Hafslund at any given time to fluctuations in market prices in power.

Financial information

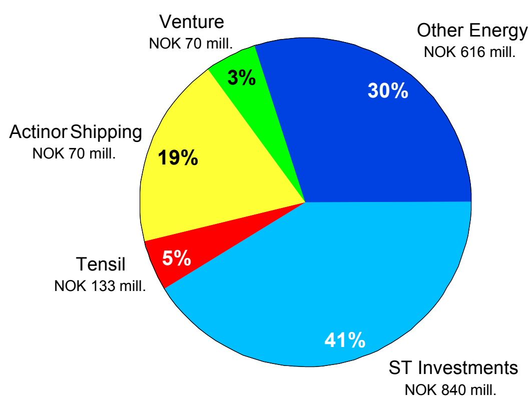
The table below provides a summary of selected benchmark figures for Hafslund Markets:

Segment information (Figures in NOK mill.)	**1997**	**1998**	**1999**
Contribution from sales of power	47	23	0
Other revenues	13	14	18
Gross contribution	60	37	18
Operating expenses	45	28	66
Depreciation	15	4	5
Operating profit	0	5	-53
Other key financial figures			
Share of result of associated companies	0	0	2
Investments	72	0	0
Net book value of associated companies	0	0	24
Average spot price øre/kWh	13.5	11.6	11.2
3-year contracts øre/kWh	17.4	14.4	13.2

Hafslund Invest

For several years, Hafslund has had a significant financial capacity, something which is necessary for taking part in the restructuring of a capital-intensive energy sector. During 1999, the size and composition of the financial portfolio altered through the investment by Hafslund of significant amounts in its core activities of distribution and end-user sales, and the realisation of the investment in Saga Petroleum ASA. The responsibility for investments in the core activities is allocated to the individual business areas. This means that ownership shares in Viken (25%), Rygge E-verk (33%) and Rakkestad E-verk (33%) (combined purchase price NOK 1,489 mill.) are reported under the distribution activities, Din Energi (47%) and Kraftinor (49%) (totalling NOK 251 mill.) are reported under Hafslund Energy and Energiunion, CBF Energimegling and Calpool (total amount invested NOK 31 mill.) are reported as part of Hafslund Markets.

The net book value of the financial portfolio was a total of NOK 2,056 mill. as at 31st December 1999, and the composition of it is shown in the pie chart below:



Short-term investments (42%)

Short-term investments of a total of NOK 840 mill. as of 31st December 1999, are made with a long-term horizon, and the portfolio is dominated by major positions in Norwegian listed companies. At the end of 1999, the largest items were the following: Norsk Vekst (purchase price NOK 116 mill.), Kreditkassen (NOK 72 mill.) and Norske Skog (NOK 61 mill.).

Hafslund is not an index-based investor, but seeks to take active positions in sectors and companies. The ambition is to beat the Oslo Stock Market General Index by a minimum of 2% over time.

Other energy investments (30%)
Other energy investments has a net book value at NOK 616 mill. as at 31st December 1999, and the most important items are NOK 290 mill. in Arendals Fossekompani ASA (ownership share 20%), NOK 122 mill. in Tussa Kraft AS (10%), NOK 66 mill. in Oppdal Energi AS (47%) and an investment of NOK 86 mill. (16%) in Scudder Latin American Fund. Hafslund's investments in energy-related shares are part of the effort to become a leading listed Nordic power company, and the company regards the investment shares as an option for a possible future restructuring of the power market and they form a part of a long-term strategic initiative.

Other long-term investments (25%)
Other investment shares, with a net book value in total of NOK 530 mill., consist of an ownership share of 36.6% in Actinor Shipping ASA (net book value NOK 397 mill.) and an ownership share of 46.5% in Tensil (indirect ownership share of 39.9% in Fesil with net book value of NOK 133 mill.). These are investments which fall outside the core activity of Hafslund and have a limited connection with the energy market. Each investment has a different history and is treated as a separate project in Hafslund, but the main assumption is that these investments shall be realised over time.

Venture capital (3%)
The venture capital investments, mainly in energy, consist of a total of NOK 70 mill. in net book values as at 31st December 1999, divided among 12 companies. Hafslund has a total budget for venture capital investments of NOK 100 mill. The venture capital investments give Hafslund a good insight into activities relating to its core area and over time will be able to produce substantial technological advantages in that area.

Hafslund's ownership share in ElTele Østfold (33%) was entered in the accounts as part of the venture capital investments as at 31st December 1999. This investment was sold in March 2000 to UPC with an accounting profit of about NOK 70 mill.

Financial information
The table below provides a summary of selected key figures for Hafslund Invest:

Segment information (Figures in NOK mill.)	**1997**	**1998**	**1999**
Operating expenses	6	6	4
Income from investments, including associated companies	101	-10	55
Short-term Investments			
Dividend/received	175	34	299
Alteration not achieved	na	-368	347
Profit from investment activities	270	-350	697
Other key financial figures			
Cost price of financial trading shares/bonds	930	1,838	873
Unrealised profit as of 31.12 on ST shares/bonds	348	-368	229
Return on financial trading shares	33.0 %	-36.0 %	69.2 %
Return of the General Index of Oslo Stock Market	31.6 %	-27.0 %	45.5 %

Other areas of activity
Hafslund's other areas of activity consist of Hafslund Alfa, a 62% ownership share in Orion Systems AS, the group headquarters at Skøyen and the Hafslund Manor.

Hafslund Alfa
Hafslund Alfa was established on 1st January 1999 and is the internal contracting unit of the Hafslund group. Hafslund Alfa is an important element in the drive for greater cost efficiency in the group as a whole. The unit is intended to contribute cost efficient and competitive services to the Generation and Distribution, as well as to external clients.

Overall, the market and competitive situation does not provide the basis for an expansion strategy in the contracting activity, but the area is a key to greater profitability in the core activities.

Orion Systems

Orion Systems AS is one of the largest suppliers of IT systems for the power trading industry in the Nordic region. Orion Systems, after four complete operating years, has established itself as a leading player in the market, with a good foothold in Norway and Sweden, and with good opportunities in the deregulated power markets.

Hafslund Manor

Hafslund Manor is part of Hafslund's heritage after 100 years of industrial activity in Norway. The manor and the estate, which is the second largest in Norway, is operated by Hafslund as a separate profit unit, in which the main activity is the production of corn, potatoes and vegetables. A park of 14 hectars surrounds theis beautyful building, which is used for corporate hospitality purposes.

Financial information

The table below provides a summary of selected key figures for other activities:

Segment information (Figures in NOK mill.)	**1997**	**1998**	**1999**
Operating revenues	1,053	1,045	480
Operating expenses	1,007	1,025	536
Depreciation	31	20	12
Operating profit	15	0	-67

Organisation, management and executive bodies

Organisation

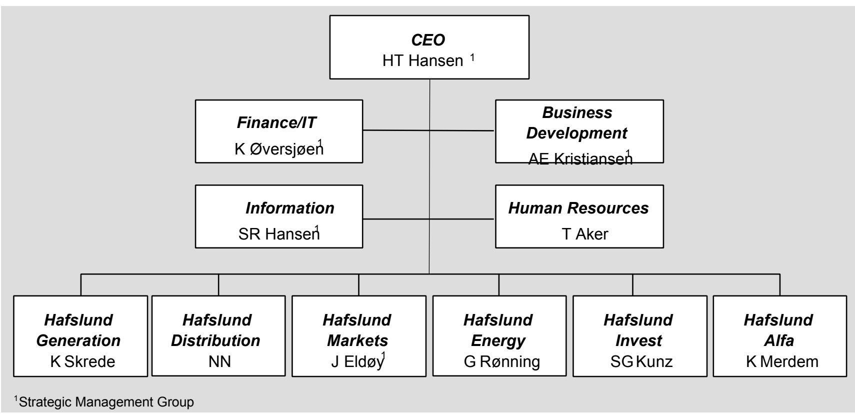
At the end of last year, the Hafslund group had 349 employees. The table below shows the development in the number of employees over the last three years, broken down by areas of activity:

Number of employees	**1997**	**1998**	**1999**
Generation	131	108	54
Distribution	150	105	53
Markets	21	26	35
Energy	0	11	18
Invest	3	4	3
Others (including Alfa)[1]	130	225	186
Total	**435**	**479**	**349**

[1] *As from 1999 Tennant is no longer reported as part of the Hafslund group (included in "Others" with 82 employees in 1998)*

Management

The exhibit below shows the organisational structure of Hafslund:



The strategic management group in Hafslund consists of the following persons:

Hans Tormod Hansen (44), CEO, Asker
Hansen has a PhD degree from NTNU and has been CEO of Hafslund since May 1996. Previously, Hansen was employed as a Senior Engagement Manager with McKinsey (1989-96), where his main focus was the energy sector, and he has long experience in the deregulation of the electricity market in the Nordic region and in European countries. He was with Det Norske Veritas (1988-89). Hansen has several board positions, including Fesil, Viken Energinett and NetSys Technology Group and honorary positions in sectoral organisations such as the EVL, EnFo and the GLB.

The total remuneration (including pension payments) for the CEO was NOK 1,573,041 in 1999. The CEO has a period of notice of 6 months, and on the termination of his employment relationship on detailed conditions he is entitled to a salary 18 months after the end of the notice period. His pension age is 65, with a right to terminate his employment relationship with reduced salary after reaching the age of 62.

Knut Øversjøen (34), CFO, Bærum
Øversjøen has a Master of Science from the Norwegian School of Management and has been CFO of Hafslund since 1996. Previous working experience includes positions as finance director in Kopinor (1988-90) and as portfolio manager/assistant finance director in Hafslund Nycomed (1998-96). Øversjøen has a series of board positions, including Actinor Shipping ASA and Pelican AS.

Arne Erik Kristiansen (42), Director of Business Development, Oslo
Kristiansen has an MBA and has been Director of Business Development in Hafslund since 1996. He has worked Hafslund Nycomed since 1985, of which two years within the U.S. energy activities, and since 1989 has been mainly involved in group strategy and business development internationally in pharmaceuticals. Kristiansen has earlier employment experience with Rank Xerox and Saba Molnlycke. Kristiansen has board positions in Actinor Shipping ASA, Viken Energinett, Cogen AS, Pals AS and Hafslund's activities in the U.S.

Jomar Eldøy (36), Director of Hafslund Markets, Oslo
Eldoy has been employed by Hafslund since January 1997. He was involved in building up the SkanKraft group (1993-97) and the first Norwegian power market - Norsk Kraftmarked (1993-1994). His earlier employment experience includes positions as a market maker in Carl Kierulf & Co/Orkla Finans (1990-93) and development manager of the Norwegian option market (NOS) (1987-90).

Svein Roald Hansen (50), Director for Information and Public Relations, Fredrikstad
Hansen has been employed in Hafslund since September 1999. He was formerly a journalist, editorial secretary (1970-83), editor (1998-92), political advisor (1983-90) and Secretary of State in the Office of the Prime Minster (1992-95) and Chairman of the Municipality of Fredrikstad (1995-99). Hansen is a member of the Board of Posten Norge BA.

The table below provides an overview of the shareholdings of the members of the management in the Hafslund group since 1997:

	Number of shares				Major purchases or sales
Managers	**31.12.97**	**31.12.98**	**31.12.99**	**22.03.00**	**during last year**
Hans Tormod Hansen	0	0	0	0	None
Knut Øversjøen	600	1,000	1,000	1,000	None
Arne Erik Kristiansen	12	12	12	12	None
Svein Roald Hansen	0	0	0	0	None
Jomar Eldøy	1,000	11.400	11.400	11.400	None

There are no option arrangements for the employees of Hafslund.

The Board of Directors
The Board of Hafslund consists of the following members:

Johan Fredrik Odfjell (51), Chairman of the Board, Bergen
Odfjell has an MBA from Harvard Business School. He was formerly CEO of the Vesta group and now works as a consultant and professional board member. He is Chairman of the Board of Nera and Norges Handels- og Sjofartstidene, Vice-Chairman of Nycomed Amersham and Det Norske Veritas and a member of the Board of Skandia, Bergesen and Kvaerner.

Jens P. Heyerdahl d.y. (56), Board Member, Oslo
Heyerdahl qualified as a lawyer from the University of Oslo and has an MBA from INSEAD in France. Heyerdahl has been CEO of Orkla ASA since 1979 and was formerly the Vice Managing Director of Orkla Industries and Director of the Oslo office of Orkla Industries. Heyerdahl is Chairman of the corporate assembly of Elkem, Chairman of the Representative Board of Bergesen, deputy Chairman of the Representative Board of Storebrand and member of the Representative Board of DnB.

Heyerdahl has declared that he could not participate when the matter was considered by the Board of Hafslund, because of his relationship to Elkem as Chairman of the corporate assembly.

Terje Thon (54), Board Member, Bærum
Thon qualified as a civil engineer from NTH Elektro in 1970, and has a PMD from Harvard Business School in 1985. Thon has been Deputy CEO of Telenor AS since 1994, and was formerly deputy CEO of Norsk Telekom AS and CEO of TBK AS. His previous experience includes positions as CEO of EB group and a civil engineer for ÅSV and NVE.

Finn Kristensen (63), Board Member, Oslo
Kristensen qualified as an electrician. He was a member of parliament in the period 1969-1985, and had different cabinet positions in the period 1981-1993 for a total of seven years, as respectively minister of industry, minister of industry and minister of industry and energy. From 1983, Kristensen has worked in his own company as an adviser/consultant and member of the board of several companies in various sectors.

Tonnes H. Thomstad (52) Board Member, Hole
Thomstad attended the Norwegian Army Academy in 1968-71, minored in State Affairs 1972 and attended the INSEAD Executive Programme in 1978. He was an officer in the Army's Special Forces 1966-76, consultant and later CEO of NEBB in 1976-85. Thomstad has run his own operations since 1985.

Arne Norheim (62), Board Member, Sandnes
Norheim qualified as a civil engineer from the University of Strathclyde in 1964. He worked formerly as CEO of A/S Betong, Jonas Øgland AS, Norway Foods and most recently in Sparebank 1 SR-Bank (1981-2000). Norheim now runs his own business.

Per Braadland (44), Board Member elected by the employees, Sarpsborg
Braadland is head of IT in Hafslund. He has formerly been a member of the corporate assembly of Hafslund Nycomed (1998-96) and the Board of Hafslund Energi (1993-96). Braadland has been the representative of the employees on the Board of Hafslund since November 1996.

Terje O. Olsson (42), Board Member elected by the employees, Askim
Olsson worked as an electrical engineer in Hafslund since 1977 and is the main employee representative. He was elected in 1990 and was on the Board of Hafslund Nycomed in the period 1990-1996. Olsson has been the representative of the employees on the Board of Hafslund since 1996.

The remuneration of the Board Hafslund is entered in the accounts with NOK 790,000 in 1999, of which the Chairman of the Board received NOK 181,000.

The table below provides a summary of the shareholdings of the Board Members of Hafslund since 1997:

The Board	Number of shares 31.12.97	31.12.98	31.12.99	22.03.00	Significant purchases/sales during last year
Johan Fredrik Odfjell	10.000	10.000	10.000	10.000	None
Jens P. Heyerdahl d.y.	6.977	19.945	19.945	19.945	None
Terje Thon	0	0	0	0	None
Finn Kristensen	0	0	0	0	None
Tønnes H. Thomstad	0	0	0	0	None
Arne Norheim	0	0	0	0	None
Per Braadland	29	29	29	29	None
Terje O. Olsson	122	122	122	122	None

The Corporate Assembly

The Corporate Assembly of Hafslund consists of the following members:

Name	Residence	A shares	B shares
Hans Halvorsen (65), Chairman	Oslo	7.692	3.985
Ragnar Søegaard (54)	Oslo	0	0
Bertil P.A.E. Tiusanen (50)	Uppsala (Sweden)	0	0
Nils Bjørnebekk (65)	Moss	0	0
Olaug Svarva (42)	Oslo	0	0
Sten Åke Forsberg (53)	Oslo	0	0
Sverre Morten Blix (38)	Oslo	0	0
Annie Stang Blakstad (64)	Nes in Akershus	876	0
Arne Th. Arnesen (48) (elected by the employees)	Sarpsborg	1.454	609
Kjell Brattås (48) (elected by the employees)	Eidsberg	1.434	2.085
Eivind Myrvold (46) (elected by the employees)	Sarpsborg	1	5
Lise Chatwin Olsen (37) (elected by the employees)	Oslo	0	0

Financial information on the Hafslund group

The table below shows the profit and loss account, the balance sheet, the cash flow analysis, selected key figures and segment information for the Hafslund group for the last three financial years. The figures have been produced in compliance with the new accounting act. This means that the system of presentation has been altered, that the net liable tax advantage has been entered in the balance sheet and that the additional tax cost has been altered accordingly. Hafslund's accounts for 1999 are included as Annex IX to the prospectus.

Profit and loss account

Consolidated profit and loss account (Figures in NOK Mill.)	**1997**	**1998**	**1999**
Operating revenues	**1.930**	**1.966**	**1.531**
Purchases of energy and materials	1.185	1.102	722
Wages and other staff costs	164	217	245
Ordinary depreciation	97	110	120
Other operating expenses	169	224	233
Total operating expenses	**1.615**	**1.653**	**1.320**
Operating profit	**315**	**313**	**211**
Share of profit in associated companies	**101**	**15**	**69**
Financial income	284	224	778
Financial expenses	-211	-778	-425
Net financial items	**73**	**-554**	**353**
Pre-tax profit	**489**	**-226**	**633**
Taxes	167	-57	147
Net profit for the year	**322**	**-169**	**486**
Proportion attributable to minorities	19	17	10
Proportion attributable to the majority	303	-186	476

Balance sheet

Consolidated balance sheet (Figures in NOK Mill.)	**01.01.98**	**01.01.99**	**31.12.99**
ASSETS:			
Waterfalls and regulations	1.421	1.419	1.394
Other intangible fixed assets	244	362	221
Total intangible fixed assets	**1.665**	**1.781**	**1.615**
Fixed production assets	**1.362**	**1.640**	**1.528**
Shares in associated companies	462	490	2.417
Other financial fixed assets	594	768	722
Total financial fixed assets	**1.056**	**1.258**	**3.139**
Total fixed assets	**4.083**	**4.679**	**6.282**
Inventories	87	74	7
Accounts receivable and other receivables	637	570	424
Shares and bonds	930	1.470	873
Bank deposits	294	157	348
Total current assets	**1.948**	**2.271**	**1.652**
Total assets	**6.031**	**6.950**	**7.934**

Consolidated balance sheet (Figures in NOK Mill.)	**01.01.98**	**01.01.99**	**31.12.99**
EQUITY AND DEBT:			
Paid-up capital	1.413	1.413	1.413
Retained profit	1.040	771	1.121
Minority interests	92	98	22
Total equity	**2.545**	**2.282**	**2.556**
Provisions	**116**	**97**	**103**
Long-term interest-bearing debt	1.515	2.929	3.462
Other long-term debt	34	42	33
Total long-term debt	**1.549**	**2.971**	**3.495**
Short-term interest-bearing debt	971	944	1.300
Accounts payable	338	285	114
Other short-term debt	512	371	366
Total short-term debt	**1.821**	**1.600**	**1.780**
Total equity and debt	**6.031**	**6.950**	**7.934**

Cash flow analysis

Consolidated cash flow statement (Figures in NOK Mill.)	**1997**	**1998**	**1999**
OPERATIONAL CASH FLOW:			
Net profit for the year	322	-169	486
Deferred tax	24	-85	113
Ordinary depreciation	97	110	120
Share of income from associated companies	-92	1	-27
Other items not having an effect on liquidity	-4	402	-397
Change in accounts receivable, inventory and accounts payable	-203	43	-31
Change in other operational items	-317	-968	950
Net cash flow to/from the business	**-173**	**-666**	**1.214**
CASH FLOW TO/FROM INVESTMENTS:			
Investments in fixed assets/intangible fixed assets	-297	-466	-62
Sale of fixed assets	24	33	0
Investments in associated companies	-25	-85	-1.646
Change in long-term investments/associated companies	125	-86	-56
Change in long-term receivables	-7	-20	-14
Net cash flow to/from investments	**-180**	**-624**	**-1.778**
CASH FLOW TO/FROM OF FINANCE:			
Issue of long-term interest-bearing debt	0	1.500	533
Change in other interest-bearing debt	667	-113	356
Change in other long-term debt/liabilities	21	8	-7
Dividend	-115	-242	-127
Net cash flow to/from financial activities	**573**	**1.153**	**755**
Net change of liquidity position	**220**	**-137**	**191**
Liquidity position as at 1st January	74	294	157
Liquidity position as at 31st December	294	157	348

Financial key figures

Key figures	1997	1998	1999
Gross operating margin (1)	21,3%	21,5%	21,6%
Net operating margin (2)	16,3%	15,9%	13,8%
Number of shares at end of period (mill.)	115,5	115,5	115,5
Average number of shares during period (mill.)	115,5	115,5	115,5
Earnings per share, NOK (3)	2,62	-1,61	4,12
Cash flow per share, NOK (4)	3,46	-0,66	5,16
Book value per share, NOK (5)	22,04	19,76	22,14
Dividend per share	2,10	1,10	1,20

(1) (Result from operations + Ordinary depreciation) / Operating revenues

(2) Result from operations / Operating revenues

(3) Proportion attributable to the majority of the result for the year / Average number of shares in the period

(4) (Proportion attributable to the majority of the result for the year + Ordinary depreciation) / Average number of shares in the period

(5) Net accountable equity at the end of the period / Number of shares at the end of the period

Segment information

Information on the areas of activity (Figures in NOK Mill.)	1997	1998	1999
Operating revenues			
Hafslund Generation[1]	608	510	536
Hafslund Distribution[2]	218	292	323
Hafslund Markets	51	38	52
Hafslund Energy	0	81	140
Others / eliminations[3]	1.053	1.045	480
Total operating revenues	**1.930**	**1.966**	**1.531**
Operating profit			
Hafslund Generation[1]	240	287	298
Hafslund Distribution[2]	66	45	80
Hafslund Markets	0	5	-53
Hafslund Energy	0	-18	-43
Others / eliminations[3]	9	-6	-71
Total operating profit	**315**	**313**	**211**

[1] The figures are not directly comparable, since the assets of Hafslund Generation and Hafslund Markets until 1st April 1997 were presented together

[2] The increase in the operating revenues and Result from operations in 1998 for Hafslund Distribution were due to the purchases of local distribution networks in the municipalities of Haram, Skedsmo and Sørum with effect for accounting purposes as from 1st January 1998.

[3] With effect as from 1st July 1999 the investment is reported in Hafslund UK Holding (now Tensil Ltd) as an associated company. From the same time Hafslund's holding fell from 100% to the present 46,5%, as a result of the merger. Operating revenues and Result from operations have been consolidated for the first half-year at respectively NOK 410 mill. and NOK 9 mill. Operating revenues for the years 1998 and 1997 have been consolidated for respectively NOK 995 mill. and NOK 1.008 mill. Result from operations for the years 1998 and 1997 er have been consolidated for respectively NOK 29 mill. and NOK 28 mill.

Comments on the financial development

1999 results

The operating profit for 1999 (NOK 211 mill.) was influenced by low power prices, the expansion of Hafslund Energy as a national supplier in the end customer market and the negative trading result in the U.S. power trading activity, as well as non-recurring costs associated with power contracts and early pensions. The return from the group's investment activities, including the result from associated companies, was NOK 701 mill. and included in particular profit from the sale of shares in Norsk Hydro/Saga of NOK 502 mill. The net interest expense was NOK 263 mill., representing an average interest rate of 7.3%.

Hafslund Generation
The operating revenues of Hafslund Generation in 1999 amounted to NOK 536 mill. (1998: NOK 510 mill.), representing an increase of approximately 5%. The operating profit improved by about 4% to NOK 298 mill. (NOK 287 mill.).

Hafslund's power stations generated a total of 3,116 GWh in 1999, representing 7% above the mean generation. The generation was broken down into 2,953 GWh in Norway and 163 GWh in the U.S. respectively.

For Hafslund's Norwegian power stations, the operating profit was NOK 220 mill. (NOK 228 mill.). The result is influenced by lower achieved sales prices as against 1998. Higher produced volume and lower operating costs, in particular as a result of the setting up of Hafslund Alfa, compensated for some of this effect.

The operating profit in the U.S. was NOK 78 mill., an increase of 32% as against 1998. Higher generation in the summer months in Greenville, as well as lower maintenance costs were the main reasons for this positive development.

Hafslund Distribution
The operating revenues of Hafslund Distribution in 1999 amounted to NOK 323 mill. (NOK 292 mill.). The operating profit was NOK 80 mill. (NOK 45 mill.), corresponding to an increase of 78%.

The operation of the regional distribution networks in 1999 was stable and in line with expectations. The cost level was reduced, which produced a positive contribution to the operating results.

High cost efficiency, stable and good returns and a stable low level of depreciation are important success factors for regional distribution networks. The establishment of Hafslund Alfa is an important element in this connection for the work towards improved cost efficiency.

Hafslund Markets
The operating revenues of Hafslund Markets in 1999 amounted to NOK 52 mill. (NOK 38 mill.). The operating profit was NOK -53 mill. (NOK 5 mill.).

The result was strongly affected by the negative operating result in the U.S. of NOK -57 mill., which was owing to the positioning in relation to the coldest summer in California in 60 years.

The power trading company Hafslund Delta had a trading result of NOK 31 mill. before operating costs, an increase of 35% as against 1998.

Hafslund Energy
The operating revenues of Hafslund Energy in 1999 amounted to NOK 140 mill. (NOK 81 mill.). The operating result stood at NOK -43 mill. (NOK -18 mill.).

The result for 1999 is affected by the expansion of a central marketing unit and systems for positioning the company for further growth.

Other activities
Other activities consist of Hafslund Alfa, Orion Systems AS, the group headquarters, Hafslund Manor and Tensil Ltd (up to 1st July 1999), and in 1999 achieved operating profits of NOK -67 mill.. Hafslund Alfa, which was established as a contracting activity at the start of 1999, achieved an operating result of NOK -9 mill.. The result is further affected by non-recurring items associated with gains from the sale of Skedsmo & Sørum Nett for NOK 19 mill., by early pension costs of NOK -20 mill. and the termination of a power contract with Østfold Energi of NOK -20 mill..

Hafslund Invest
Hafslund's financial trading portfolio had a return of 69.2% in 1999, as compared with the General Index of the Oslo Stock Market of 45.5%. The accountable profit in 1999 was NOK 646 mill. (1998: NOK -334 mill.). The significant increase in return relative to the Oslo Stock Exchange is owing most importantly to the fact that the holding of 7.7 mill. shares in Saga Petroleum ASA was sold with a net profit of NOK 171 mill.. In addition, the Saga holding was entered in the accounts at the turn of the year with an unrealised loss of 331 mill. NOK, so that in terms of the accounts for 1999 the result of the investment was NOK 502 mill.

1998 results
The operating profit for 1998 was NOK 313 mill. The underlying ordinary operation was stable in 1998, but the operating result was affected by costs associated with rationalisation initiatives, early pensions and the expansion of the end-user sales activities. The group had a negative return from investment activities including the result from associated companies of NOK -364 mill., which was mainly due to an unrealised loss of NOK 331 mill. in the investment in Saga Petroleum. Net interest expense was NOK -175 mill., with an average rate of interest of 6.3%.

Of the major transactions which affected the operating result in 1998, the acquisition of Pontook Hydro in New Hampshire, U.S., and the activity in Skedsmo & Sørum Elektrisitetsforsyring, both with effect for accounting purposes as from 1st January 1998.

1997 results
The operating profit for 1997 was NOK 315 mill. The underlying operation was stable in 1997. The group had a return from investment activities including the result from associated companies of NOK 284 mill., including equity write-ups relating to Actinor Shipping and Fesil of respectively NOK 75 mill. and NOK 28 mill. Net interest expense was NOK -110 mill., implying an average rate of interest of 5.5%.

Financing Structure
For a description of the financing structure, including the borrowing terms and repayment structure, reference is made to notes 23 and 24 in the annual accounts for 1999, included as Annex IX to the prospectus.

Events since most recent submission of accounts
No significant events have occurred since the submission of the annual accounts for 1999 which can be expected to have a substantial negative effect on the activities of the Hafslund group and its financial results.

Share capital and shareholder structure

Present share capital
As at 22nd March 2000, Hafslund has a share capital of NOK 115,463,420.00 divided between 68,290,861 A shares and 47,172,559 A shares, each with a nominal value of NOK 1.00, fully paid-up.

The shares of the company are listed on the main list of the Oslo Stock Exchange, as well as on the exchanges in London and Copenhagen. The shares are registered in VPS. The registrar is Christiania Bank og Kreditkasse. The securities number of the share is ISIN NO 0004306408 (A shares) and ISIN NO 0004306416 (B shares).

Historical development of the share capital
The table below shows the development of the share capital since the demerger of Hafslund and Nycomed in 1996:

Month	Type of change	Change of the share capital	Total share capital	Nominal value of the shares	Change in the number of shares	Total number of shares
05-96	After the demerger of Nycomed	na	102.473.785	1,-	na	102.473.785
06-96	Directed issue towards Oslo Energi Holding AS	12.989.635	115.463.420	1,-	12.989.635	115.463.420

Authorisation for the issue of shares/repurchase of own shares

No authorisations have been issued for the issue of shares or the repurchase of the own shares of Hafslund. Nor are there any outstanding options, subscription rights or subscription right shares in the company.

Voting rights and ownership relation

Hafslund has two classes of shares. A-shares confer one vote per share. B-shares do not have voting rights. The company does not have any ownership restrictions beyond those determined in Norwegian licensing law.

The Articles of Association of Hafslund stipulate that if there is a relative increase of the capital in a share class, the shareholders will only be able to have a right to the shares in the share class in which they previously held shares.

Shareholder policy

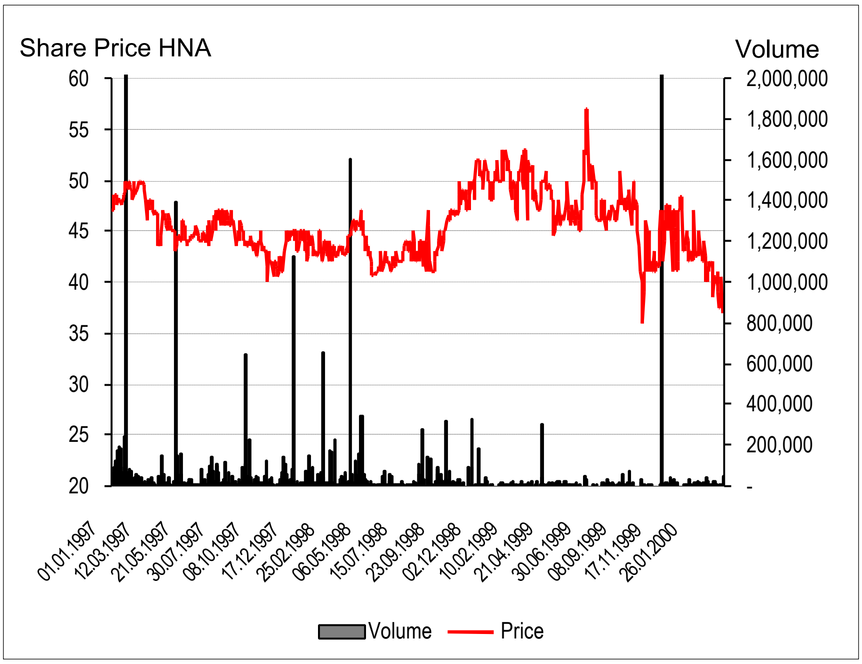
Hafslund has an objective of giving the shareholders a competitive return in comparison to alternative investments with comparable risk. This return is sought through a combination of value appreciation and dividends.

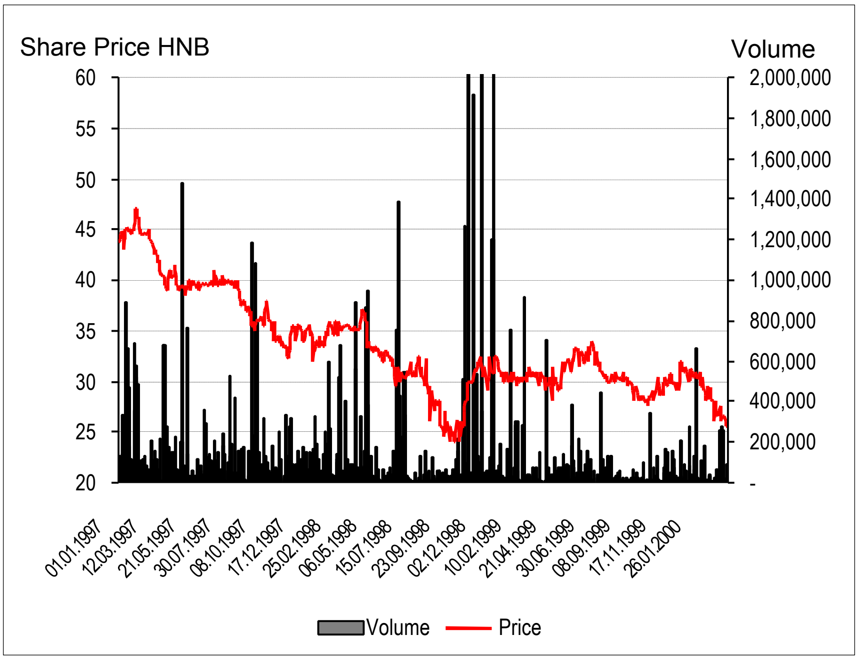
The size of the dividend will vary according in particular to the financial results of the individual year. The company takes the view that the payout ratio should be relatively high.

Hafslund seeks to give its shareholders and the financial market in general rapid and relevant information. The idea is that it should be possible to raise the level of knowledge about Hafslund in particular and the area of activity of the company in general, so that the pricing of the share reflects to the largest possible extent the underlying values and earnings capacities of the group. Through the annual report and the interim reports, as well as announcements to the stock exchange and media, shareholders and the financial market will in general be kept informed of the important course of developments.

Share price development

The figure below shows the share price development for the company since 1st January 1997:





Shareholder structure

As at 22nd March 2000 Hafslund had a total of 8,731 shareholders, of whom 370 were resident outside Norway. The table below shows the 20 largest shareholders in the company as at 22nd March 2000:

Shareholder	A shares	B shares	Total shares	Share of capital	Share of votes
Oslo Energi Holding AS	27,026,851	9,368,670	36,395,521	31.5 %	39.6 %
Vattenfall Norge AS	13,658,172	0	13,658,172	11.8 %	20.0 %
Folketrygdfondet	8,022,559	2,003,625	10,026,184	8.7 %	11.7 %
Orkla ASA	4,405,555	5,497,237	9,902,792	8.6 %	6.5 %
Østfold Energi AS	5,124,680	3,938	5,128,618	4.4 %	7.5 %
Storebrand Livsforsikring AS	1,486,652	749,300	2,235,952	1.9 %	2.2 %
Vital Forsikring ASA	50,000	2,130,411	2,180,411	1.9 %	0.1 %
Elkem ASA	0	1,596,700	1,596,700	1.4 %	0.0 %
State Street Bank & Trust	526,234	954,540	1,480,774	1.3 %	0.8 %
Verdipapirfondet Avanse	0	1,267,750	1,267,750	1.1 %	0.0 %
Nordstjernen Holding AS	0	1,200,000	1,200,000	1.0 %	0.0 %
Gjensidige Nor Spareforsikring	0	836,512	836,512	0.7 %	0.0 %
Norske Liv Aksjer Likvid	0	804,603	804,603	0.7 %	0.0 %
UBS AG	51,016	731,637	782,653	0.7 %	0.1 %
Tine Pensjonskasse	0	726,400	726,400	0.6 %	0.0 %
Norsk Hydros Pensjonskasse	0	721,325	721,325	0.6 %	0.0 %
DnB Real-Vekst	0	712,200	712,200	0.6 %	0.0 %
Herdebred A/S	339,057	372,394	711,451	0.6 %	0.5 %
Verdipapirfondet Avanse Spar	0	676,300	676,300	0.6 %	0.0 %
Den Danske Bank A/S	15,080	613,592	628,672	0.5 %	0.0 %
Total Top 20	60,705,856	30,967,134	91,672,990	79.4 %	88.9 %
Other shareholders	7,585,004	16,205,426	23,790,430	20.6 %	11.1 %
Total shares outstanding	68,290,860	47,172,560	115,463,420	100.0 %	100.0 %

9. Presentation of Elkem Energi

Elkem Energi comprises the energy activities of the listed industrial company Elkem ASA, which has a history going back to 1904. Elkem's energy activities were originally closely associated with the smelters in the Elkem group, but changes in the legislation and the framework conditions for energy policy have meant that there has been a gradual unlinking of the power stations from the individual smelters.

Introduction and history

Elkem is a listed Norwegian industrial company with about 13,000 shareholders. The company was established in 1904, initially as a technology company. Gradually, the company also became directly involved in production. Today, Elkem's most important products are aluminium, ferrosilicon, silicon metal, carbon products and microsilica. The group is one of the world's leading suppliers of metals, alloys and special products for the steel, foundry, chemistry, electronic and aluminium industries.

The Elkem group has about 4,000 employees, of whom about 3,000 are employed in Norway. The group consists of 26 wholly or partly owned production units in Europe as well as North and South America and has sales offices throughout the world.

Elkem Energi's activity was originally closely associated to the individual smelters, but changes in the legislation and the framework conditions of energy policy meant that there has been a gradual disconnection of the power stations from the individual smelters. Elkem first assembled its energy activities into a single division, and as from 1999 the Norwegian power activity was reported in the accounts as its own result area, Elkem Energi.

Saudefaldene is a wholly-owned subsidiary of Elkem and comprises the power stations in Sauda. The other Norwegian power activities in Elkem (apart from power recovery based on heat from its smelters) will be contributed to Saudefaldene before the merger.

As part of the combination, Elkem will correspondingly transfer its hydroelectric power stations in the U.S. to a new company. All the shares of the company will thereafter be transferred from Elkem to Hafslund.

Elkem has always regarded the energy business as part of its core activity. For this reason, the company has worked to alter the framework conditions to improve liquidity in the long-term power market, and to ensure that the group's own Norwegian power generation can be strengthened through the deferral or lapsing of the reversion to the state. During the last three years, Elkem has concluded long-term contracts for power supplies from Vattenfall and has acquired extended rights to the power stations in Sauda and Svelgen (St.prp. (Parliamentary Bill) No 52 (1998-99)). In addition, Elkem has carried through the expansion of Lakshola power stations and submitted an application for a licence for the expansion of Sauda.

Business concept, objectives and strategy

Objectives

Elkem Energi is intended to secure optimal utilisation of Elkem's power resources, first and foremost through being a leading low-cost power producer. Elkem Energi is to be the most competent wholesale trading player among the industrial companies in the Nordic region, in order to obtain competencies in the top range in risk management, trading activity and portfolio administration. Elkem Energi is intended to secure for Elkem a long-term power base based on an extension of long-term contracts and an expansion of access to its own power.

Strategy for the individual areas of activity

Power generation

Elkem Energi is to be one of the leading low-cost power generators in Norway with special focus on production optimisation, cost efficient operation of the power stations and optimal investments.

Power generation and operation of power stations are to be organised in small, competence-rich units with the help of co-localisation, automation and remote control. The energy division is to establish cost efficient systems to identify and implement optimal operational and maintenance investments to achieve the objective of low-cost power generation.

Elkem Energi is to work to maintain the current generation installations and implement cost-oriented investments in existing installations and new generation capacity. The energy division is intended to identify, negotiate and if appropriate implement profitable acquisitions, partnerships or mergers in order to increase Elkem's ownership of and control over power generation capacity. As a minimum, Elkem's power generation capacity is to be in excess of the critical mass for the possibility of rational power station operation and production planning.

Power trading/risk management

Elkem Energi intend to have the highest possible return in wholesaling in the power market relative to the risk. The division is to lead the optimisation of Elkem's power portfolio. Elkem Energi is to purchase and continue the systems development for forecasting future price trends based on analyses of fundamental conditions in the power market. The division is to exploit and contribute to the further development of its consultancy company Contango AS, in which Elkem has an ownership share of 70%.

Elkem Energi is to be the driving force in the industry-based wholesaling environment which as of now comprises Elkem, Norske Skog and Borregaard. The environment should shortly be extended to include several industrial companies. Elkem Energi is to be the most attractive competitive environment in the Nordic region for wholesaling on the basis of industrial activity.

The energy division will participate actively in the process by exploiting the synergies available in co-ordinating trading and risk management in the product and raw materials markets where Elkem operates.

Distribution/transfer costs

Elkem Energi is to have technical and commercial competence and capacity in order to be able to contribute actively to secure physical power access to the installations and to be the necessary support for the trading activities. The division is to work for a specific formulation of the tariffs in the central distribution network and in the regional distribution networks which gives Elkem the lowest possible transfer costs. Elkem Energi is to systematise its work in transfer costs and develop systems for cost control and monitoring of the trend of transfer costs throughout Elkem. Elkem Energi is to initiate an approach and survey the individual power consuming units with a view to reducing the transfer costs.

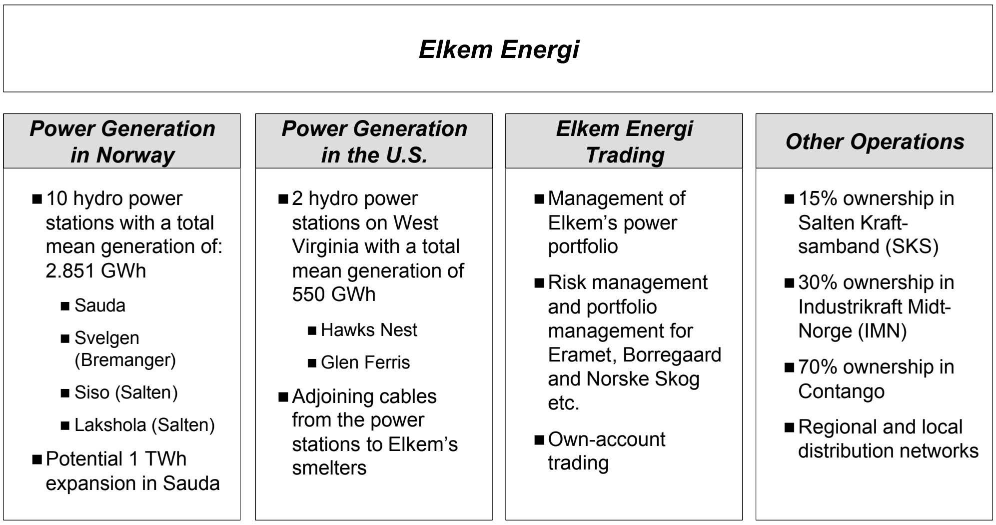
Elkem Energi is intended to own transfer installations to the extent that this is necessary to secure long-term direct linkage to the overlying distribution network or in some other way to secure low/prevent increased distribution costs.

Consultancy/advisory activity

The energy division is to exploit the competence of the division in all relevant areas for the resolution of energy-related problems for Elkem's activities in Norway and internationally. The energy division is to be at any time the most competent adviser of the group management in energy-related questions. Elkem Energi is to follow the current political processes at any given time, as well as public regulations and legislative provisions, with regard to the possibilities they provide for creating added value for Elkem. The division is to lead the work on establishing favourable long-term power access for Elkem's present and future smelters and propose or advise on the establishment/management of the power access of the divisions/stations. The division is to advise Elkem's management clients.

The activities of Elkem Energi

Elkem Energi comprises the entire energy activity of the Elkem group, and the table below provides an overview of the industrial portfolio of the unit:



Source: Elkem

Power generation in Norway

Elkem Energi owns or leases 10 hydroelectric power stations in Norway, with a total annual mean generation of 2,851 GWh, or approximately 2.5% of the total electricity consumption in Norway. The power stations have a degree of regulation of 66% (storage capacity in total 1,726 GWh), an installed output of 475 MW and good geographical distribution.

The table below provides an overview of the key figures for the Norwegian power stations:

Power station	Location	Ownership structure	Expiration of lease/licence (year)	Mean generation[2]	Installed output	Commenced operation (year)
Sauda I	Sauda	Lease agreement	2010/2030[1]	227 GWh	28 MW	1919
Sauda II	Sauda	Lease agreement	2010/2030[1]	154 GWh	21 MW	1922/1972
Sauda III	Sauda	Lease agreement	2010/2030[1]	547 GWh	66 MW	1931
Sauda IV	Sauda	Licence	2009/2030[1]	297 GWh	47 MW	1967
Svelgen I	Bremanger	Lease agreement	2010/2030[1]	48 GWh	10 MW	1921
Svelgen II	Bremanger	Lease agreement	2010/2030[1]	205 GWh	28 MW	1958
Svelgen III	Bremanger	Licence	2021	127 GWh	22 MW	1963
Svelgen IV	Bremanger	Licence	2029	273 GWh	51 MW	1973
Siso	Salten	Licence	2026	862 GWh	170 MW	1968
Lakshola	Salten	Licence	2056	110 GWh	32 MW	1999
Total				**2.851 GWh**	**475 MW**	

[1] In St. prp (Parliamentry Bill) No 52 (1998-99) Elkem is offered new lease agreements for Sauda I-IV and Svelgen I and II up to 2030 on detailed conditions. Negotiations are continuing with Statkraft on the extension of the conditions of the proposal
[2] Based on the precipitation 1961-90

The power stations in Sauda

Saudefaldene was set up in 1913 and operates four power stations (Sauda I-IV) with an average total annual generation of 1,225 GWh. The total effective capacity of these installations is 162 MW.

Sauda I-III, with developed waterfalls, reverted to the state on the conclusion of an agreement for anticipated reversion in 1966 and are now owned by Statkraft. At the same time as the anticipation of the reversion, an agreement was concluded for their re-lease applicable up to 31st December 2009. The associated regulation installations reverted by the Royal Recommendation of 11th July 1986. In this connection, a decision was taken that the reverting regulation installations should also be leased back to Saudefaldene. The lease agreement relating to the power and regulation installations was subsequently extended until 31st December

2010, in accordance with a decission of parliament of 8th November 1991 (St.prp. (Parliamentary Bill) No 104 (1990-91)) and Recommendation No 30 (1991-92)). The conditions of the extended agreements are given in the proposal and the opinion given by parliament.

At the same time as the agreement on the anticipated reversion and the re-lease, by Royal Recommendation of 15th July 1966 Saudefaldene was given a licence to construct Sauda IV. The construction to some extent exploited waterfall rights which have reverted and which belonged to Statkraft, but it also comprises waterfall rights which have been acquired by Saudefaldene in the Opo and Åbødal Watercourses. The power station Sauda IV with associated regulation installations will revert to Statkraft on 31st December 2009 according to the regulation licence and reversion agreement of 1966.

In the discussion of St.prp. (Parliamentary Bill) 52 (1998-99) in June 1999 the parliament approved that Elkem through Saudefaldene should be granted a new lease agreement for power installations and waterfall rights in the Sauda watercourse to enter into force from 1st January 2001 until 31st December 2030. The power station Sauda IV is to be transferred to Statkraft on 1st January 2001 and leased from the same day to Elkem through Saudefaldene together with the other plant. The lease is based on the assumption of a volume of power of 1,026 GWh/year which was fixed by NVE on the basis of the assumption by parliament that 1931-90 water statistics would be used. The lease price starts at 15.75 hours/kWh (1989 NOK) (cf. St.prp. (Parliamentary Bill) No 52 (1998-99)). The lease must also reflect the values in the existing lease agreement for Sauda I-III and the ownership of Sauda IV which will end with the conclusion of a new lease agreement, including the fact that Saudefaldene under the existing lease agreement for Sauda I-III pays for a smaller volume than the current mean generation.

With a new lease agreement, the power installations Sauda I, II, III and IV with associated waterfall rights will be owned by Statkraft. If the power expansion in the watercourses is achieved, Elkem will carry out investments and own the new installations until the end of the lease period on 31st December 2030. On 1st January 2031, Statkraft will take over Saudefaldene's part of the new installations against a refund of the net book value for tax purposes of the expansion investments.

It is presupposed that the leasee (Elkem through Saudefaldene) will submit a licence application in compliance with the plans developed for the further expansion of power by 1st July 2001. Sunnhordland Kraftlag AS will be the owner of the waterfall rights to the Lingvang and Tengesdal watercourses. It is assumed that if the licence application has not been submitted by the above-mentioned date, Statkraft and Sunnhordland Kraftlag AS will be able to make a joint application for a licence.

NVE has ordered a replacement of certain pipes for the power stations Sauda I, II and III. The deadline for the phasing out of the relevant pipes was originally set by NVE at 1st January 2000 for Sauda III and 1st January 2006 for Sauda I and II, but it was later postponed until 1st January 2007 for all the power stations in expectation of a possible alteration and expansion of the installations.

Plans for an upgrade and expansion are anchored in the co-ordinated plan for the watercourses, approved by parliament on 1st April 1993. The water tables for which exploitation is sought in the project, are all included in category 1 of the general plan, i.e. an application for a licence may be made for them. NVE expects to give its opinion in the course of 2001. The case will then be considered by the Ministry of Oil and Energy before approval of the expansion is given by parliament.

On the basis of the above, the licence application has been submitted for upgrading the power stations. The desired plan will be able to generate about 1 TWh/year of new power in addition to the current generation.

The power centre in Sauda handles all physical power trading for Elkem's power stations and smelters and handles physical power trading for Elkem's management clients.

Saudefaldene has 38 employees.

The power stations in Svelgen and Bremanger Kraft
Elkem operates four power stations, transformer stations and energy stations in Svelgen. Svelgen is the municipality centre of Bremanger municipality.

The power station Svelgen I was put into operation in 1921 and exploits the lower part of the watercourse of Svelgen and Vinge rivers. The power station and the associated waterfall rights in the two watercourses were transferred to the state and leased back by the conclusion of an agreement for anticipated reversion in 1957. The power station Svelgen II came into production in 1958. The power station exploits the upper part of the Svelgen watercourse, which was covered by the agreement on anticipated reversion.

The lease agreement for Svelgen I was subsequently extended until 31st December 2010, in compliance with the resolution of parliament of 8th November 1991 (cf. St.prp. (Parliamentary Bill) No 104 (1990-91) and Recommendation No 30 (1991-92)). The conditions of the extended agreements are given in the Bill and the comments of the parliament. The power station Svelgen II, with associated regulation installations, reverted to Statkraft in 1995. Under St.prp. (Parliamentary Bill) No 70 (1992-93) the lapsing of the power installations is to be replaced by a power contract. The conditions of the contract are shown by the said Bill and St.prp. (Parliamentary Bill) No 104 (1990-91), cf. Recommendation No 30. An agreement was later concluded with Statkraft for the operation of both power installations.

In its handling of St.prp. (Parliamentary Bill) No 52 (1998-99) in June 1999, the parliament approved that Elkem should be granted a new lease agreement for the power installations Svelgen I and II with associated regulation installations and waterfall rights to run from 1st January 2001 up to 31st December 2030. The lease is based on a volume of power of 233 GWh/year which was determined by the NVE on the basis of the assumption by parliament that 1931-90 water statistics will be used. The lease price was originally 15.75 øre/kWh (1999 NOK) (cf. St.prp. (Parliamentary Bill) No 52 (1998-99)). The lease price is also to reflect the values of the existing agreements for Svelgen I and II which terminate with the conclusion of the new lease agreement.

As the industrial development of Elkem's smelter continued, it was necessary to have more power, hence the power station Svelgen III was put into operation in 1963, exploiting the water resources from the Indrehus and Børe watercourses. A pumping station has also been part of the power station since 1996. The largest power station, Svelgen IV, was established in 1972 with Storebotnvatn in the Nordal watercourse as the intake reservoir. These power installations revert to the state in 2021 and 2029 respectively. Under the Industrial Concessions Act § 41, cf. Ot.prp. (Parliamentary Bill) No 70 (1992-93), Elkem is given the right to negotiate with the Ministry for a re-lease or repurchse agreement for the power installations for a new period of 50 years (cf. Norsk Hydro's repurchase of the power stations Tyin, Fortun Moflåt and Mæl in 1995).

The storage capacity of the Bremanger power stations is just under half the annual generation, and the power is mainly delivered to the Bremanger smelter (Elkem), with some being exchanged continuously with the central distribution network in Svelgen.

Bremanger Kraft owns the local distribution network in Svelgen and delivers power to 665 customers. Elkem Energi's organisation in Svelgen has 13 employees.

The power stations in Siso and Lakshola in Salten
The Siso power station has two generation units of respectively 80 and 90 MW, and its mean annual generation is about 862 GWh. The installation has a storage capacity of 940 GWh (110%) and a fluvial basin of 234 km^2, of which the Blåmann glacier covers 1/3. The height of the fall is 671-615 m.

The Lakshola power station was put into operation in autumn 1999. The station has one generation unit of 32 MW and is intended to achieve mean generation of 110 GWh. The installation has a storage capacity of 20 GWh and a fluvial basin of 77 km^2. The height of the waterfall is 314-375 m.

Siso and Lakshola will revert to the state in 2026 and 2056 respectively. As is the case for Svelgen III and IV, there is a concession to negotiate agreements for re-lease or repurchase of the power installations for a new period of 50 years (under § 41 of the Industrial Concessions Act, cf. St.prp. (Parliamentary Bill) No 70 (1992-93)).

There are five permanent employees in Elkem Energi Salten. In addition, the infrastructure of the Salten smelter for some joint services.

Elkem's power activities in the U.S.

The energy activities in the U.S., the unit Alloy Hydro Power, consists of the hydroelectric power stations Hawks Nest and Glen Ferris in the state of West Virginia. The power stations are on the New and Kanawha rivers. Both power stations have a dam, but relatively small regulation capacity. Hawks Nest was constructed in the period 1930-1936 and has an output of 102 MW. Glen Ferris was built in 1913 and has a capacity of 5 MW.

Average generation for the two units is 550 GWh per year. The power stations are both near Elkem Alloy (100% owned by Elkem), the largest smelters in the world for the production of silicon metal. All power generation presently goes to the smelter.

In Alloy Hydro Power there are also power cables which run from the power stations to Elkem Alloy. In the merger, the new group will also include an option for a 50% ownership interest in a power cable of 11.2 miles running from Elkem Alloy to AEP, which is the leading power genrator/supplier in West Virginia. This cable is at the moment 100% owned by the smelter.

The power station operates under licence from the federal authorities. Relicensing takes place every 30 years, for the first time in 2017.

In connection with the merger, as shown in Chapter 4 under the heading "Transfer of energy activity in the U.S. from Elkem to Hafslund", a lease agreement will be concluded with the right to receive power between Elkem Alloy and Alloy Hydro Power. The agreement is valid for 15 years and relates to the receipt of all volume produced at a fixed real price during the lifetime of the agreement.

Elkem Energi Trading

Elkem Energi Trading is organised as an independent profit centre in Elkem Energi. The objective at the moment is to increase the return of Elkem Energi within the prevailing defined risk limits. The principal task is to manage the energy portfolio of Elkem, with consumption of 8 TWh/year and power generation of 2.85 TWh/year.

The unit has built up core competence in risk management and management of industrial portfolios. Other clients/partners are Eramet, Borregaard Energi and Norske Skog. In addition to the management of industrial power portfolios, Elkem Energi Trading has built up a profitable and active own-account trading business.

At present there are 4 persons are working in the unit. In addition, they co-operate with the power centre in Sauda, which carries out all physical management for internal and external clients. The division is characterised by low costs and high competence in market analysis, risk management and administration.

Other activities

Other activities in Elkem Energi comprised ownership shares in Salten Kraftsamband (15%), Industrikraft Midt-Norge (30%) and Contango (70%), as well as the distribution activities in Norway.

Salten Kraftsamband (SKS)

Elkem, through its ownership of A/S Sulitjelma Gruber, owns 15% of the shares in SKS. Since SKS owns 10% of its own shares, the ownership proportion is in reality 16.67% of the assets of the company.

SKS's power generation has a mean generation of about 1,200 GWh/year. The company owns the regional distribution network in the Salten area at the 132 and 66 kV level, for transformation to 22 and 11 kV. In addition, the company is active in the wholesale market, and as from July 1997 has also sold directly to end customers. As from March 1999, the company has been included in the Interkraft group. SKS also provides data and other services to energy stations inside and outside the region. The company has approximately 100 employees.

Industrikraft Midt-Norge

Industrikraft Midt-Norge DA is a company which is owned by Norske Skogindustrier ASA (30%), Elkem (30%), Statoil (20%), Nord-Trøndelag Elektrisitetsverk (10%) and Trondheim Energiverk AS (10%).

Industrikraft Midt-Norge has applied for a licence for the construction of a power heating station for Norske Skog's factory area in Skogn in Levanger in Nord-Trøndelag. The power station will be run by natural gas from the Haltenbank. The gas will come from the gas installation in Tjeldbergodden and will be passed through a pipeline of 160 km in the Trondheimsfjord to the factory area of Fiborgtangen.

The power heating station is planned with two generation units, each of about 400 MW. This will produce maximum annual generation of up to 6.4 TWh of electrical power. The delivery of heat to the paper factory in the form of steam and hot water will at the maximum be about 1.5 TWh.

The power station activity will be linked to the main distribution network with a 300 kW power cable from a new linking station in Fiborgtangen to the transformer station.

The owners of Industrikraft Midt-Norge will have available the electrical power generated from the installation in proportion to their ownership share.

The owners of Industrikraft Midt-Norge will contribute their percentage shares (for Elkem 30%) of each year’s tax approved costs budget to cover project and reporting costs. However, Elkem has not made a commitment in terms of investing itself.

Contango AS

Elkem Energi has an ownership share of 70% in the consultancy Contango AS, which was set up in June 1998. The primary objective of the company is to be a link between business and technology. The 6 employees of the company have long experience in trading and risk management, and has specialised in consultancy and systems solutions.

Contango works primary for major clients in banking/finance, oil/gas and energy. The largest clients are Norsk Hydro, Elkem, Orkla Borregaard, Norske Skog and DnB Markets. In January 2000, Contango also concluded a partnership agreement with Hydro Data to provide consultancy in the design, development and maintenance of systems for trading and risk management in all units of Hydro.

Distribution activities in Norway

Elkem Energi's distribution activities comprises the regional distribution networks in Bremanger, Sauda and Salten as well as the local distribution network in Bremanger. The distribution network in Salten consists of 2 linked stations (8 fields) and 15 km of 132 kV lines. In addition, Elkem owns, jointly with Salten Kraftsamband, part of the joint installations. The total value of Elkem's distribution activity is included in the merger agreement at NOK 35 mill.

Organisation, management and executive bodies

Organisation

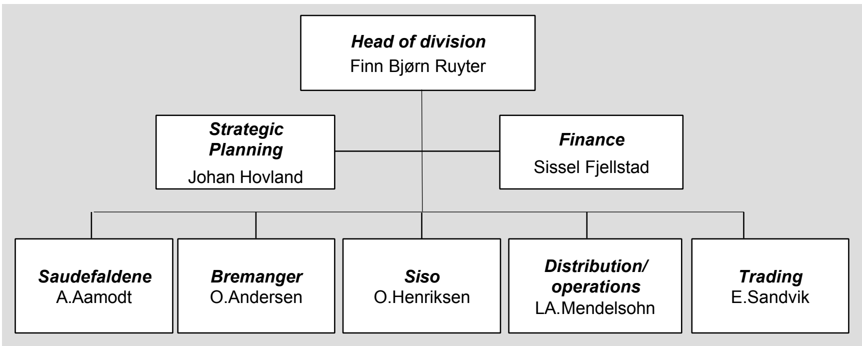
At the end of last year, Elkem Energi had 66 employees. The table below shows the evolution of the number of employees in the last three years, broken down into areas of activity:

Number of employees	1997	1998	1999
Generation in Norway	51,0	50,5	53,0
Elkem Trading[1]	6,5	8,5	8,0
Administration/Others	5,5	5,5	5,0
Total	**63,0**	**64,5**	**66,0**

[1] The number of employees in 1999 includes 4 employees in Oslo and 4 in the power centre in Sauda.

Management

An organigram is given below for Elkem Energi:



The management of Elkem Energi consists of the following persons:

Finn Bjørn Ruyter (36), Divisional Head, Oslo
Ruyter is a civil engineer from NTNU in Trondheim and has an MBA from the Norwegian School of Management (BI). He has been with Elkem Energi since 1996. Previous employment experience includes positions in Norsk Hydro as systems advisor/programmer (1991-92), oil logistician/head of planning (1992-94) and power trader (1995-1996).

Sissel Fjellstad (29), Head of Finance, Oslo
Fjellstad has a Master of Science in economics and business administration from the Norwegian School of Economics (NHH) and also has pedagogical training from NHH. She has worked as head of finance at Elkem Energi since October 1997. Previous employment experience includes two years as a consultant and one year as a deputy director in Vegdirektoratet.

Johan Chr. Hovland (35), Manager Strategic Planning, Bærum
Hovland has a Master of Science in business administration from the Norwegian School of Economics (NHH) and has been the Manager Strategic Planning in Elkem Energi since 1998. Previous employment experience includes positions as a consultant in Department of Industrial Economics in the Ministry of Industry (1991-93), leading consultant in the Department of Energy and Water Resources in the Ministry of Industry and Energy (1993-95) and adviser in Prosessindustriens Landsforening (1995-98).

Eirik Sandvik (29), Head of Trading, Oslo
Sandvik qualified as a civil engineer at NTNU and has been head of trading in Elkem Energi Handel since 1997. He is a member of the Board of Nordisk Krafthandlerforening.Previously, Sandvik worked as an analyst in Hydro Energi.

Leif Arne Mendelsohn (52), Head of Distribution/Technical operations, Oslo.
Mendelsohn qualified as a civil engineer at NTNU in 1971 and has been employed in Elkem since 1986; first as head of IT systems development, and since 1. april 1988 as head of technical operations in Elkem Energi. Mendelsohn has played an important role in the planning and construction of Lakshola power station. He has earlier experience (1978-1986) in project management and IT (Kongsberg McDermot Engineering) and has worked in the engineering sector (Kaare Backer, Fagbygg A/S).

Arne Aamodt (38), Head of Power Station (Managing Director), Sauda
Aamodt qualified as a civil engineer at the NTNU in Trondheim and has been employed in Elkem Saudefaldene since 1994. Previous work experience includes positions in Statkraft/Statkraft Engineering AS (1987-93) and consultant engineer with Aas-Jacobsen (1985-87). Aamodt is a member of the Board of Lyse Produksjon AS.

Aamodt is the Managing Director of Saudefaldene. His total remuneration as Managing Director was NOK 652,000 in 1999.

Olav Henriksen (60), Head of Power Station/Technical operations, Fauske
Henriksen qualified as an electrical power engineer, and has been employed in Elkem Salten since 1974 as works manager (1974-81) and chief electrician (1981-88) in the electricity division, head of power station (1988-90). Since 1990 he has been head of power stations/technical operations of Elkem Salten. Earlier employment experience includes in particular work as an electrical assistant in Elektro and Elektrisk Byrå in Mo in Rana (1961-64), and as an installer with Elektrisk Byrå, Siemens and Elkem Salten (1964-74).

Oddleiv H. Andersen (49), Head of Power Station, Flora
Andersen qualified as a civil engineer at the South Dakota School of Mines and Technology, Electrical Engineering. Andersen has been employed in Elkem since 1979, first as an electrical engineer in Elkem Bremanger Smelteverk (1979-82) and since 1982 as head of power station in Elkem Bremanger. Earlier employment experience includes a position as an assistant in Ytre Fjordane Kraftlag and as divisional engineer in Bergenshalvøens Kommunale Kraftselskap (1977-79).

The Board
The Board of Saudefaldene consists of the following members;

Svein Sundsbø (56), Chairman, Oslo
Sundsbø qualified as a civil agronomist at NLH and has been EVP of Elkem with responsibility for energy, HMS, information and communication since 1995. Previous employment experience includes in particular positions as CEO of Norges Forskningsråd (1992-95) and Minister of Agriculture (1985-86). Sundsbø has held and still holds a series of board positions in various companies.

Vegard Olderheim (62), Board Member, Asker
Olderheim qualified as a civil engineer in mechanics at the NTNU in 1963, and has been director of human resources in Elkem since 1999. He has been employed in Elkem since 1970, in particular as works director of Elkem Bremanger, marketing director in Foundry and works director in Elkem Sauda.

Finn Bjørn Ruyter, Board Member, Oslo (see Management of Elkem Energi)

Sissel Fjellstad, Board Member, Oslo (see Management of Elkem Energi)

Aksel Rød (57), Board Member elected by the employees, Sauda
Rød has been a works operative in Saudefaldene for 39 years. He is Chairman of EL&IT division in Sauda and for many years has been the central employee representative in NEKF and a member of the negotiating committee for salaries. Rød is a representative for Arbeiderpartiet in the local council and has been Chairman of the Cultural Committee on several occasions.

Remuneration is not paid for board membership in Saudefaldene.

Financial information on Elkem Energi

Pro forma profit and loss accounts (not audited) for 1997, 1998 and 1999 have been produced with associated balance sheets for Elkem Energi. The pro forma figures are based on the historical accounts for Saudefaldene, the divisional accounts for SISO, Bremanger Kraftverkene, the trading activity and the administration which was formerly part of Elkem, as well as divisional accounts for the power stations in the U.S. Significant adjustments have been made of easrnings, financial items, tax, current assets and short-term debt, as described below. The annual accounts for Saudefaldene for 1999 are included as Annex I Appendix 9 to the prospectus. The auditors' opinion on the pro forma figures is given as Annex VIII to the prospectus.

Pro forma profit and loss account

Consolidated profit and loss account (Figures in NOK mill.)	**1997**	**1998**	**1999**
Operating revenues	**508**	**518**	**537**
Purchase of energy and materials	91	103	111
Wages and other staff costs	32	35	37
Ordinary depreciation	54	57	58
Other operating expenses	93	95	97
Total operating expenses	**270**	**290**	**303**
Operating profit	**238**	**228**	**234**
Share of result from associated companies	**0**	**-6**	**-11**
Financial income	10	10	14
Financial expenses	14	14	14
Net financial items	**4**	**4**	**0**
Pre-tax profit	**234**	**218**	**223**
Taxes	81	73	79
Net profit for the year	**153**	**145**	**143**
Proportion attributable to minorities	0	0	0
Proportion attributable to the majority	153	145	143

Pro forma balance sheet

Consolidated balance sheet (Figures in NOK mill.)	**31.12.97**	**31.12.98**	**31.12.99**
ASSETS:			
Intangible fixed assets	156	180	157
Fixed production assets	867	919	986
Financial fixed assets	15	21	20
Total fixed assets	**1,038**	**1,120**	**1,163**
Total current assets	**276**	**291**	**211**
Total assets	**1,314**	**1,411**	**1,374**
EQUITY AND DEBT:			
Equity	838	913	925
Provisions	15	17	19
Long-term debt	0	0	0
Short-term debt	461	481	430
Total equity and debt	**1,314**	**1,411**	**1,374**

Pro forma key financial figures

Key figures	1997	1998	1999
Gross operating margin (1)	57,4%	55,0%	54,2%
Net operating margin (2)	46,7%	44,0%	43,5%
Number of shares at the end of the period	100.000	100.000	100.000
Average number of shares in the period	100.000	100.000	100.000
Earnings per share, NOK (3)	1,53	1,45	1,43
Cash flow per share, NOK (4)	2,08	2,01	2,01
Book value per share, NOK (5)	8,38	9,13	9,25
Dividend per share[1]	na	na	na

(1) (Operating profit + Ordinary depreciation) / Operating revenues

(2) Operating profit / Operating revenues

(3) Proportion attributable to the majority of the result for the year / Average number of shares in the period

(4) (Proportion attributable to the majority of the result for the year + Ordinary depreciation) / Average number of shares in the period

(5) Book value of equity at the end of the period / Number of shares at the end of the period

[1]Dividend per share does not have any meaning, since substantial adjustments to the figures have been made, see below

General information on the pro forma accounts for Elkem Energi

The pro forma presentation (not audited) is provided to give an historical picture of the earnings of the activities which are to be merged with Hafslund Kraftproduksjon in connection with the merger. In addition, they include Elkem's energy activity in the U.S. which is to be acquired by a US subsidiary of Hafslund, and for which a 15 year lease agreement will be concluded with right to receive power between Elkem's smelters in Alloy and a US subsidiary of Hafslund.

The pro forma figures have been produced to make as comparable as possible the historical accounts and the newly established group. It is stressed that there is greater uncertainty with pro forma figures than is the case with historical figures.

The pro forma figures have been produced on the assumption that the transfer of the Norwegian energy activities from Elkem to Saudefaldene took place on 1st January 1997, and on the basis of continuity of accounts.

In the preparation of the figures, the guiding principles of the Hafslund group have been taken as the basis, for a description of which references is made to Annex IX of the prospectus.

The activity in the U.S.'s profit and loss account has been converted to NOK at the average exchange rate for the year, whereas the balance sheet has been converted at the exchange rate on the balance sheet date. Conversion differences have been attributed directly to equity. Starting with the exchange rate as of 1st January 1997 the positive accumulated conversion differences as at 31st December 1997 amounted to NOK 38.2 mill., as of 31st December 1998 to NOK 47.6 mill. and as of 31st December 1999 to NOK 65.7 mill.

The historical operating revenues and operating expenses have been used as the basis for the estimated revenues and expenses. Internal purchases and sales between the combined units have been eliminated in the pro forma figures. In the course of the period for the pro forma figures, Elkem has changed its price policy in sales of power to other Elkem units. These changes have not been allowed for in the pro forma figures. This means that the assumption has been a price of 14 øre/kWh in the pro forma figures for sales from Bremanger and Siso for three years, whereas the actual prices taken as the basis for sales from Saudefaldene to these companies have operated on more market-based prices in the period (11-14 øre/kWh). For the U.S. activity, a price of USD 18.8/MWh has been assumed.

Joint administrative expenses, which have been divided between the energy activities in Norway in the Elkem group have been removed from the pro forma figures. These costs amount to NOK 8.7 mill. in 1999, NOK 6.6 mill. in 1998 and NOK 5.8 mill. in 1997 and are part of the synergies which could be achieved in connection with the merger. For the U.S. activity, the domestic costs are included in relation to the former agreements.

Lakshola power station started production on 1st January 2000. The pro forma figures have not been adjusted retrospectively for expected revenues and costs of Lakshola. An increase is expected in the operating profit as a result of this generation of around NOK 4 mill. per year. Contango is not included in the pro forma figures, because the results from the activity are regarded as not having significance for the group.

Depreciation in the accounts for the Norwegian units are based on historical depreciation. For the activity in the U.S., the depreciation are calculated on the basis of the company's new cost price and based on a period of appreciation of 33 years for buildings and installations associated with the power stations and 10 years for other depreciable operating assets.

Revenue from investments in associated companies is the share of results from Industrikraft Midt-Norge. There is assumed to be an ownership share of 30% for both 1999 and 1998.

Financial expenses consist of estimated interest expense of 7% on all borrowing.

Financial income consist of dividends received from Salten Kraftsamband and interest income from bank deposits and interest-bearing receivables. For interest income, a basic rate of interest of 5% has been assumed.

Tax expense is estimated at 28% of the profits for the Norwegian activities plus land tax (grunnrenteskatt) of NOK 15.6 mill. in 1999, NOK 9.8 mill. in 1998 and NOK 14.9 mill. in 1997. For the U.S. activity, a tax rate of 39.5% has been assumed.

Intangible assets
Intangible assets are outstanding tax benefits linked to assets of the Norwegian activities which will be transferred to Hafslund.

Upward adjustment of the taxable value for Siso power station, Svelgen III, Svelgen IV and Sauda IV under the provision of 20th January 1997 was carried out in 1997. The definitive determination of the new acquisition values was made by NVE. Elkem disputed these values to the assessment authorities.

After approval by the assessment authorities in 1999 and other minor adjustments, the taxable value was reduced. This reduction is mainly owing to a determination of the value of roads associated with the above-mentioned power stations. The alteration in outstanding tax from 1988 until 1999 is above all owing to this adjustment. A series of unresolved circumstances relating to the calculation of the acquisition value of power stations continues. If Elkem Energi is successful on these points, the future tax costs and land tax will be reduced.

Long-term operating assets
Long-term operating assets had been valued at the cost of acquisition after deduction of ordinary depreciation. Individual assets associated with the power generation of the company have been appraised. The latest appraisal took place in 1988. The economic depreciation for the business is calculated on the basis of the acquisition cost or appraised value and broken down on a linear basis over the assumed economic life of the individual operating assets. The cost price includes planning and project costs, as well as interest accrued in the investment period. Assets in installation are not depreciated before they are used.

Financial assets
Financial assets consist of investments in Industrikraft Midt-Norge DA (30%), Contango (70%) and Salten Kraftsamband (15%), as well as some minor shareholdings. In addition, net pension funds are included, which are calculated on the basis of the provisions of the accounting standards for pensions. For the assumptions adopted, reference is made to the annual accounts of Saudefaldene for 1999, note 6. In addition, they include the capitalised costs of 889.8 mill. in 1999 in connection with the expansion project in Sauda.

Current assets
Current assets consist mainly of cash and external receivables from the activities which in historical terms have been operated in Norway. They also include receivables from clients associated with the activity in the U.S. These are calculated on the basis of a credit period of 30 days.

The current assets have been adjusted to cover the liable tax for Siso Bremanger, as well as the adjustment of the short-term debt of around NOK 3.5 mill. associated with the liable public charges in 1999 for Siso and Bremanger. In addition, adjustments have been made for the investments in the period for the pro forma figures for Siso, Bremanger and the U.S. activity. The adjustments have been made to achieve an outgoing balance sheet in 1999 which to the largest possible extent complies with the opening balance sheet which is submitted in conjunction with the merger with Hafslund. To cover investments and tax from Siso and Bremanger, a relatively large liquidity holding must be assumed in 1997 which will gradually be dissolved. The adjustment in 1999 was for NOK 31.6 mill., in 1998 NOK 128.2 mill. and in 1997 NOK 111.2 mill.

Equity
The assumption is that the capital increase in conjunction with the combination of the Norwegian energy activities in Saudefaldene already took place in 1997, so that they are included in the pro forma figures for all years. In other respects, the equity consist of the actual equity of Saudefaldene in the last three years. It is therefore assumed that the excess of the other units has currently being included as a dividend.

Provisions for commitments
Provisions for commitments are linked to Saudefaldene and relate to provisions for possible future commitments in relation to existing lease agreements and compensation to landowners who are affected by the expansion of the power facilities. In other respects, reference is made to note 7 of the annual accounts of Saudefaldene for 1999.

Short-term debt
Short-term debt includes debt to Elkem of NOK 200 mill. The loan is running at six months NIBOR + 10 basis points and is expected to be redeemed at the latest by 31st December 2000. For the calculation of interest, reference is made to the description of the financial expenses. Any repayment of debt in the period has not been calculated for the pro forma figures.

In addition, the item also includes accounts payable, payable tax and outstanding public duties. In the opening balance sheet, it is assumed that Elkem will meet its tax commitments for Siso and Bremanger for 1999, whereas the tax commitments are given in the pro forma figures. For the activity in the U.S., a tax liability has been included representing 1/4 of the annual amount since the tax is payable on a quarterly basis.

Comments on the financial trend

1999 results
The operating profit for Elkem Energi in 1999 amounted to NOK 537 mill. (1998: NOK 518 mill.), representing an increase of 4%. The operating profit improved by 2% to NOK 234 mill.

Elkem's power stations generated a total of 3,382 GWh in 1999, corresponding to 91 GWh above the mean generation (mean generation in 1999 was 2,741 GWh for Elkem's Norwegian power stations, and increased to 2,851 GWh as from 2000 when Lakshola Power station will come into operation). The generation breaks down into 2,955 GWh in Norway and 427 GWh in the U.S. respectively.

For Elkem's Norwegian power stations, the operating profit was NOK 219 mill. (NOK 201 mill.). The increase is primarily a result of high generation. The cost associated with the reversion increased at the same time by about NOK 7 mill., as against 1998.

The operating profit in the U.S. was NOK 15 mill., a decrease of NOK 12 mill. as against 1998. Around 90 GWh in lower generation was the main reason for this.

With regard to Industrikraft Midt-Norge (associated company), the owners have been charged for their relative share of the accrued costs. Elkem's share is based on a 30% ownership share and amounted in 1999 to NOK -10.8 mill.

1998 results
The operating profit was NOK 228 mill. in 1998. The generation in the power stations was around 70 GWh below the normal level in Norway and 35 below the normal level in the U.S.

Elkem's share of Industrikraft Midt-Norge costs in 1998 was around NOK 5.7 mill.

1997 results
The operating results were NOK 238 mill. in 1997. Generation in the Norwegian power stations was around 95 GWh above the normal level and in the U.S. 42 GWh below the normal level.

Events since the most recent submission of accounts
There have not been important events since the submission of the accounts in 1999 which can be expected to have a substantial negative effect on Elkem Energi's activity and commercial results.

Share capital and shareholder structure

Present share capital
As at 27th March 2000, Saudefaldene has a share capital of NOK 70,000,000, split into 70,000 shares each with a nominal value of NOK 1,000, fully paid-up. In connection with the combination of the Norwegian energy activities in Saudefaldene (contribution in kind of assets) for the definitive implementation of the merger, the share capital will increase to NOK 100,000,000, split into a total of 100,000 shares, each with a nominal value of NOK 1,000.

The shares of the company are not registered with the VPS.

Historical development of the share capital
The table below shows the trend of the share capital since 1988:

Month	Type of change	Change of the share capital	Total share capital	Nominal value per share	Change of the number of shares	Total number of shares
Before 88		na	12.000	1,000	na	12.000
09/88	Converting debt	48.000	60.000	1,000	48.000	60.000
12/92	Converting debt	10 000	70.000	1,000	10.000	70.000
2000	Contribution in kind	30 000	100.000	1,000	30.000	100.000

Shareholder structure
Elkem ASA is the sole shareholder of Saudefaldene.

Authorisation for the issue of shares/redemption of own shares
There are no authorisations to issue shares or repurchase own shares in Saudefaldene. Nor are there any outstanding options in the company.

Voting rights and ownership relation
Saudefaldene has one share class, and all shares have the same rights. The company does not have ownership restrictions going beyond those determined by Norwegian licensing legislation.

10. Presentation of the merged group

The merger will create one of the largest private listed power companies in the Nordic region. Through the merger, Hafslund and Elkem intend to position the Hafslund group as a leading and long-term player in the consolidation and restructuring of the power sector in Norway and in the Nordic region more generally.

Objectives and strategy

The merger will create one of the largest private listed power companies in the Nordic region, with activities in power generation, power trading, distribution, end-user sales and active management of the equity portfolio.

Through the merger, Hafslund and Elkem intend to position the Hafslund group as a leading and long-term player in the consolidation and restructuring of the power sector in Norway and in the Nordic region as a whole. Participation in this process may well be capital-intensive. With its size and solid financial position, Hafslund will be well-placed to carry out targeted and ambitious growth, including through acquisitions, mergers and efficient partnership solutions, even if they should mean reduced ownership shares for the shareholders.

In order to achieve this objective, it is intended to continue Hafslund's existing strategy in addition to exploiting the strategic opportunities created by the merger. The overriding priorities will be:

? Expansion in power generation through greenfield projects, new mergers, acquisitions and partnerships with the power activities of other industrial companies and/or publicly owned utilities.

? To contribute actively to the creation of, and being an industrial player in, the further development of large horizontally oriented companies in distribution and end-user sales.

? To participate in the regional vertically oriented power companies and develop partnership solutions with the company's own activity or the activity in partly owned horizontally oriented power companies.

Hafslund will endeavour to carry out the organisational and structural changes which are necessary to exploit the synergies associated with the merger and to meet the current challenges of the power sector. Any organisational changes in the merged company shall be discussed with the employee representatives in order to try to achieve optimal solutions for the merged company and the employees.

After the merger, Hafslund will continue to be an independent, listed energy company. Elkem does not intend to consolidate Hafslund as a subsidiary in the Elkem group.

Operating activities

All the activities in both Hafslund and Elkem Energi prior to the merger will be continued in the merged group. The table below provides an overview of the industrial portfolio of the merged group:

Hafslund ASA

Generation	***Distribution***	***Energy***	***Markets***	***Invest***	***Other Activities***
▪ Norway ▪ 19 hydro power stations in a well-balanced portfolio ▪ 5.636 GWh ▪ Potential 1 TWh expansion in Sauda ▪ U.S. ▪ 5 hydro power stations and 4 bio-fuel power stations ▪ 697 GWh	▪ Regional distribution in Østfold ▪ Volume: 6,1 TWh ▪ Distribution: ▪ Viken (25%) ▪ Haram (100%) ▪ Rygge (33%) ▪ Rakkestad (33%) ▪ Regional distribution in Sauda, Bremanger and Salten, local distribution in Bremanger	▪ End customers in Norway ▪ Owned; ca 31.000 ▪ Partly owned; ca. 160.000, through; ▪ Din Energi (47%) ▪ Kraftinor (49%) ▪ Establishing organisation ▪ Established in Denmark through Dan el AS (11%) ▪ Ca. 400.000 customers	▪ Wholesale and own account trading of power ▪ Risk management and portfolio management for: Elkem, Eramet, Borregaard and Norske Skog ▪ Operating in the Nordic region, Spain and the U.S.	▪ Book value ca. NOK 2 mrd. ▪ Short-term financial investments (42%) ▪ Energy related investments: 33% ▪ Actinor/Tensil: 25% ▪ Ownership in SKS, IMN etc.	▪ Hafslund Alfa ▪ Hafslund Manor ▪ Orion Systems (62%) ▪ Contango (70%)

Source: Hafslund

Power generation

The merged group will be the fourth largest power producer in Norway with a total generation capacity of more than 6.3 TWh, of which 5.6 TWh in Norway and 0.7 TWh in the U.S.. In addition, it will have rights to expansion in Sauda of up to 1 TWh. The generation base of the merged group will be well diversified with regard to geography and regulation capacity. The table below provides an overview of the key figures for the Norwegian power stations:

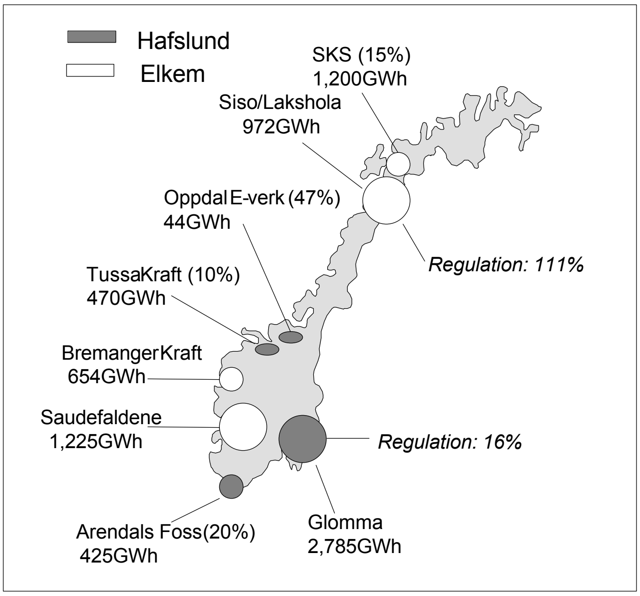
Power station	**Location**	**Ownership structure**	**Expiration of lease/licence (year)**	**Mean generation[1]**	**Installed output**
Vamma	Askim	Owned	Permanent	1.215 GWh	216 MW
Kykkelsrud/FF	Askim	Owned	Permanent	1.090 GWh	190 MW
Kykkelsrud	Askim	Owned	Permanent	30 GWh	22 MW
Sarp	Sarpsborg	Owned	Permanent	270 GWh	40 MW
Hafslund	Sarpsborg	Owned	Permanent	160 GWh	31 MW
Eidsvollverkene	Eidsvoll	Owned	Permanent	20 GWh	4 MW
Sauda I	Sauda	Lease agreement	2010/2030[2]	227 GWh	28 MW
Sauda II	Sauda	Lease agreement	2010/2030[2]	154 GWh	21 MW
Sauda III	Sauda	Lease agreement	2010/2030[2]	547 GWh	66 MW
Sauda IV	Sauda	Licence	2009/2030[2]	297 GWh	47 MW
Svelgen I	Bremanger	Lease agreement	2010/2030[2]	48 GWh	10 MW
Svelgen II	Bremanger	Lease agreement	2010/2030[2]	205 GWh	28 MW
Svelgen III	Bremanger	Licence	2021	127 GWh	22 MW
Svelgen IV	Bremanger	Licence	2029	273 GWh	51 MW
Siso	Salten	Licence	2026	862 GWh	170 MW
Lakshola	Salten	Licence	2056	110 GWh	32 MW
Total				5.636 GWh	978 MW

[1] Based on the precipitation 1961-90

[2] Elkem is allowed by St.prp (Parliamentary Bill) No 52 (1998-99) to extend the lease agreements for Sauda I-IV and Svelgen I and II until 2030 on conditions to be specified. Negotiations are continuing with Statkraft on the extention according to the conditions of the Parliamentary Bill

In addition to the existing stations, as mentioned above, the merged group is offered agreements which confer rights to further expansion in Sauda. The licence application has been submitted and this expansion will be able to produce up to 1 TWh in increased generation capacity.

A geographical overview of the Norwegian generation base is given in the exhibit below:



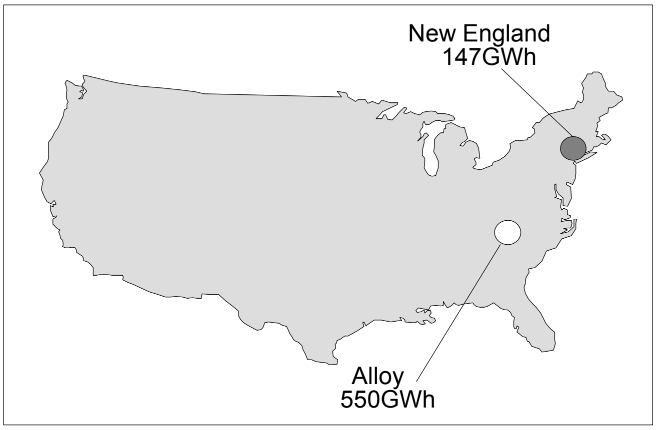
Source: Hafslund and Elkem (Figure in brackets gives the ownership share)

The power generation activity in the U.S. consists of six power stations with total mean generation of 697 GWh. Key figures for the individual stations are provided in the table below:

Power station	Location	Type of power station	Share of ownership	Mean generation[1]	Capacity	Expiration of licence (year)
Errol	New Hampshire	Hydro	100%	17 GWh	3 MW	2023[2]
Brassua	Maine	Hydro	100%	16 GWh	4 MW	2012[3]
Greenville	Maine	Biobrensel	71%	51 GWh	15 MW	Permanent ownership[4]
Pontook	New Hampshire	Hydro	100%	63 GWh	11 MW	2032[5]
Hawks Nest	West Virginia	Hydro	100%	515 GWh	102 MW	Permanent ownership[6]
Glen Ferris	West Virginia	Hydro	100%	35 GWh	5 MW	Permanent ownership[6]
Total				697 GWh	140 MW	

[1] The merged group's share of mean generation (For Greenville this is 35-100 GWh)
[2] The installation will be transferred free of charge in 2032
[3] Expected value in 2012 under the agreement is USD 3 mill. (nominal)
[4] The existing power contracts expire in 2007
[5] The lease of the waterfall rights expires in 2032, while the long-term power contracts expire in 2017
[6] Licence renewed every 30 years, for the next time in 2017

A geographical overview of the U.S. generation base is given in the exhibit below:



Source: Hafslund and Elkem

Financial information

The table below provides an overview of selected key figures for the merged group's power generation activity:

Segment information (Figures in NOK mill.)	1998	1999
Operating revenues	1,000	1,049
Purchase of energy and materials	114	141
Gross contribution	886	908
Operating expenses	284	275
Depreciation	107	113
Operating profit	495	520
Other key financial figures		
Operating margin	56 %	57 %
Investments	116	120
Minority interests	20	19
Generation in Norway (GWh)	5,748	5,908
Generation in the U.S. (GWh)	665	590
Generation cost per mean generation unit (øre/kWh)	5.6	5.3

Distribution activities

The distribution activity of the merged group will in essence be a continuation of Hafslund's distribution activity prior to the merger, and in addition Elkem Energi's regional distribution networks in Bremanger, Sauda and Salten and the local distribution network in Bremanger with a total book value of about NOK 21 mill. will be included. The total distribution activity is summed up in the table below:

The merged group's distribution operations

Viken (25% share)	***Østfold distribution***	***Other distribution***
■ Local and regional distribution in Oslo, Asker and Bærum ■ 12,1% in Akershus Nett ■ Heating in Oslo ■ Significant real estate investments ■ NVE-value: NOK 4.170 mill. (1998)	■ Regional distribution (100%) ■ Rygge E-verk (33% + preferred right to buy the rest) ■ Rakkestad E-verk (33% + preferred right to buy the rest) ■ Råde E-verk (preferred right to buy the rest) ■ NVE-value regional distribution: MNOK 458 (1998) ■ NVE-value Rygge og Rakkestad: NOK 101 mill. (1998)	■ Haram Energi (100%) ■ Regional distribution in Sauda, Bremanger and Salten ■ Local distribution in Bremanger ■ NVE-value: NOK 79 mill. (1998)

Source: Hafslund/Elkem

For a more exact description of the distribution activity, reference is made to Chapter 8. This also applies to the presentation of the key financial figures for the distribution activity of the merged group, which for 1998 and 1999 are identical to the key figures for Hafslund before the merger.

End-user sales

The end-user sales activities of the merged group will essentially be a continuation of Hafslund's end customer approach prior to the merger, and in addition Elkem Energi's 665 customers in Bremanger will be included under the area. For a more exact description, reference is made to Chapter 8. This also applies to the presentation of the key financial figures for the end-user sales activities of the merged group, which for 1998 and 1999 are identical to the key figures for Hafslund prior to the merger.

Markets

The merger implies a combination of Hafslund Markets and Elkem Energi's power trading activities, creating the leading Norwegian environment in power trading, with a significant presence in risk management and management of industrial power portfolios.

The activity of the merged group will comprise wholesaling and retailing of electrical power and sale of all self-generated power in the merged group, as well as risk management and management of industrial power portfolios for a series of major industrial clients. Elkem's trading collaboration with Norske Skog and Orkla/Borregaard is assumed to be continued.

The merged group possesses high competence in market analysis, risk management and portfolio management and has offices in Oslo, Stockholm and Helsinki and international activity in the U.S. and Spain. The competitive advantage is experience and competence derived from the deregulated Norwegian market.

Financial information

The table below provides a summary of selected key figures for the power trading activity of the merged group;

Segment information (Figures in NOK mill.)	**1998**	**1999**
Gross contribution	65	42
Operating expenses	34	76
Depreciation	5	6
Operating profit	26	-40
Other key financial figures		
Share of result of associated companies	0	2
Net book value of associated companies	0	24
Average spot price øre/kWh	11.6	11.2
3-year power contracts øre/kWh	14.4	13.2

Investments

The merged group's investment activity will essentially be a continuation of Hafslund's financial portfolio prior to the merger (net book value of about NOK 2 billion), and in addition, Elkem Energi's investment's in Salten Kraftsamband (15%) and Industrikraft Midt-Norge (30%) will be included in the area of activity. For a more detailed description, reference is made to Chapters 8 and 9. This also applies to the presentation of the key financial figures for the investment activity of the merged group, which for 1998 and 1999 are identical to the key figures for Hafslund prior to the merger.

Other areas of activity

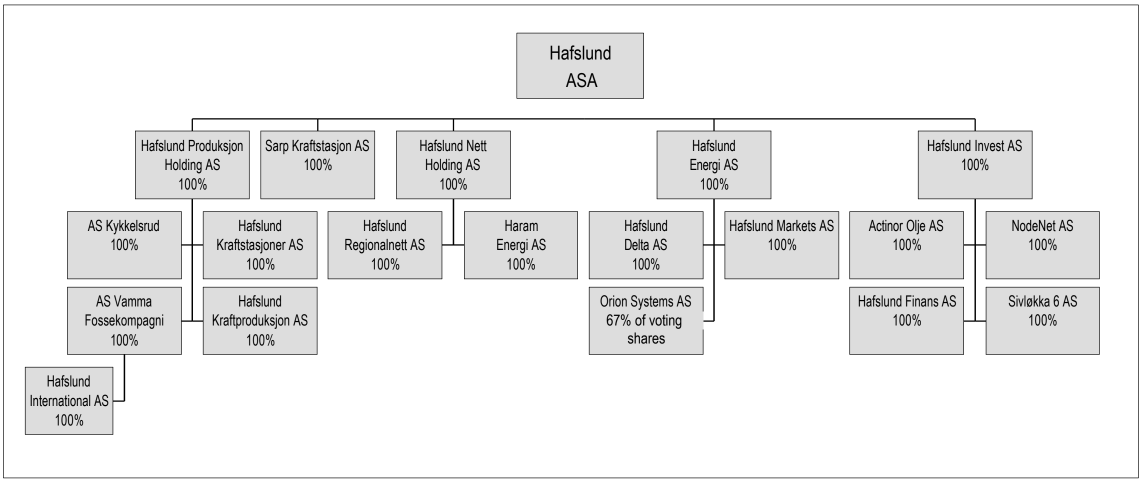
The other areas of activity of the merged group will consist of Hafslund Alfa, the group headquarters at Skøyen, Hafslund Manor, and holdings in Orion Systems (62%) and Contango (70%). Key financial figures for other areas of activity of the merged group for 1998 and 1999 are identical to the key figures for Hafslund prior to the merger, and therefore reference is made to the description in Chapter 8.

Synergies

The boards of Hafslund and Saudefaldene estimate that the synergies and rationalisation gains which can be achieved are in the order of NOK 50 mill. per year. The synergies are primarily related to administrative services, staffing in the operational units and the combination of the power trading activities of the parties. In addition, it is assumed that the merger will permit the implementation of existing efficiency programmes in Hafslund. Hafslund will endeavour to implement the organisational and structural changes necessary to exploit the synergies associated with the merger and to meet the current challenges in the power sector.

Group structure

The figure below shows the planned legal structure of the merged group:



Source: Hafslund

The activity in the U.S. will be a "subordinate organisation" under Hafslund International AS.

Organisation, management and executive bodies

Management

The boards of Hafslund and Saudefaldene are in agreement that Hans Tormod Hansen, the present Chief Executive Officer and Managing Director, will continue as the Chief Executive Officer of the merged group. The divisional director of Elkem Energi, Finn Bjørn Ruyter, will sit in the group management with responsibility for the power stations. Any other changes to the group management of Hafslund will be assessed by the new Board when it enters into office, see below.

Board and corporate assembly

The merger agreement presupposes that at the next ordinary general meeting of Hafslund, a new corporate assembly will be elected. The new corporate assembly shall consist of 15 members, of which 5 will be elected by and from the employees, 5 will be nominated by the shareholders of Hafslund prior to the merger and 5 will be nominated by Elkem. The new corporate assembly will take up its duty as from the time of the entry into force of the merger, but no later than 1st August 2000.

The merger plan also presupposes that the corporate assembly of Hafslund will, by 15th June 2000, elect a new Board of Hafslund consisting of 8 Board Members, of whom:

3 Board Members will be nominated by the shareholders of Hafslund prior to the merger;
3 Board Members will be nominated by Elkem (including the chairman of the Board who will be Ole Enger);
2 representatives will be elected by and from the employees of Hafslund.

The chairman of the Board will not have a casting vote.

The new Board will take up its duty as from the time of the entry into force of the merger, but no later than 1st August 2000. After the day on which the general meeting of Hafslund has approved the merger plan, Elkem shall be entitled to appoint two observers to the Board of Hafslund.

To the extent that the Board of Hafslund prior to the merger's entry into force will consider matters related to the merger or the merger plan, the observers from Elkem or Elkem's selected representatives to the Board of Hafslund will not take part.

The merged company, Hafslund Kraftproduksjon, will have its administrative offices in Sauda. The offices off Hafslund aat Karenslyst allé 11, Oslo, will be continued.

Relationship with Elkem after the merger

Conditional on the implementation of the merger, Elkem and Hafslund have concluded the following agreements on market conditions:

? Agreements of Hafslund's management of Elkem's power purchasing agreements and Hafslund's purchase and sale of power in the market on behalf of Elkem. As part of such management, Elkem and Hafslund are negotiating for the conclusion of agreements for physical supplies of power from Siso and Svelgen III and IV to Elkem's smelters in Salten and Bremanger.

? Agreement on financial delivery of power from the power stations in Sauda and Svelgen I and II to Bremanger smelter and Elkem's ferrosilicon operations in Norway.

? Agreement that Hafslund shall enter into the power delivery agreement which Elkem has with Eramet (power agreement concluded as part of an agreement for the sale of Elkem's manganese activity in the summer of 1999), and delivery to the new gas installation in Sauda (gas installation in the smelter) and repurchase of licence power from Sauda and Sørfold municipality (as part of the licence conditions the power producer must provide power to the municipalities and district authorities).

In conjunction with the merger, as reported in Chapter 4 above in the section "Transfer of energy activity in the U.S. from Elkem to Hafslund", a lease agreement will also be concluded with a right to receive power between Elkem Alloy and Alloy Hydro Power. The agreement will be valid for 15 years, and will relate to the receipt of all generated volume (mean generation is 550 GWh/year) at a fixed price (USD 0.0188/kWh (2000-USD)).

All agreements related to the purchase and sale of services between Elkem Energi and the Elkem group after the merger will be continued on unchanged conditions, but in such a way that the conditions for all such agreements combined will not be more expensive for Elkem Energi and Hafslund than market conditions.

In other respects, the relationship to Elkem after the merger will be based on ordinary business conditions with an arms length distance in all transactions and interactions.

Pro forma financial information for the merged group

Below are pro forma profit and loss account, balance sheet, segment information and selected key figures for the two last fiscal years for the merged group. The figures have been produced in compliance with the new Accounting Act and prepared as though the merger had been implemented as of 1st January 1998. The pro forma figures have been developed to improve understanding of the future activity of the merged group. However, the pro forma accounts should not be taken as an expression of how the new group's financial position or operating profit would be if the merger actually had taken place on 1st January 1998. The accounts should not be taken as an expression of a description of the financial situation or operating profit for any period of any time in the future.

Pro forma profit and loss account

Consolidated profit and loss account (Figures in NOK mill.)	**1998**	**1999**
Operating revenues	**2.484**	**2.068**
Purchase of energy and materials	1.205	833
Wages and other staff costs	252	283
Ordinary depreciation	167	177
Other operating expenses	318	329
Total operating expenses	**1.942**	**1.622**
Operating profit	**542**	**445**
Share of result from associated companies	**9**	**58**
Financial income	234	792
Financial expenses	-792	-439
Net financial items	**-558**	**353**
Pre-tax profit	**-7**	**856**
Taxes	17	227
Net profit for the year	**-24**	**630**
Proportion attributable to minorities	17	10
Proportion attributable to the majority	-41	620

Pro forma balance sheet

Consolidated balance sheet (Figures in NOK mill.)	**31.12.98**	**31.12.99**
ASSETS:		
Total intangible fixed assets	1.961	1.772
Fixed production assets	2.559	2.514
Total financial fixed assets	1.279	3.160
Total fixed assets	**5.799**	**7.446**
Total current assets	**2.562**	**1.862**
Total assets	**8.361**	**9.308**

EQUITY AND DEBT:		
Total equity	3.195	3.481
Provisions	114	122
Total long-term debt	2.971	3.495
Total short-term debt	2.081	2.211
Total equity and debt	**8.361**	**9.308**

Pro forma key financial figures

Benchmark figures	**1998**	**1999**
Gross operating margin (1)	28,5%	30,1%
Net operating margin (2)	21,8%	21,5%
Number of shares at the end of the period (mill.)	209,9	209,9
Average number of shares in the period (mill.)	209,9	209,9
Earnings per share, NOK (3)	-0,20	2,95
Cash flow per share, NOK (4)	0,61	3,80
Book value per share, NOK (5)	15,22	16,58
Dividend per share	1,10	1,20

(1) (Operating profit + Ordinary depreciation) / Operating revenues

(2) Operating profit / Operating revenues

(3) Proportion attributable to the majority of the result for the year / Average number of shares in the period

(4) (Proportion attributable to the majority of the result for the year + Ordinary depreciation) / Average number of shares in the period

(5) Book value of equity at the end of the period / Number of shares at the end of the period

Pro forma presentation of the operating activities

Operating activities (Figures in NOK mill.)	**1998**	**1999**
Operating revenues		
Hafslund Generation	1,000	1.049
Hafslund Distribution	292	323
Hafslund Markets	66	76
Hafslund Energy	81	140
Others/eliminations	1.045	480
Total operating revenues	**2.484**	**2.068**
Operating profit		
Hafslund Generation	495	520
Hafslund Distribution	45	80
Hafslund Markets	26	-40
Hafslund Energy	-18	-43
Others/eliminations	-6	-71
Total operating profit	**542**	**445**

General comments on the pro forma accounts for the merged group

The pro forma consolidated accounts include all the companies in the Hafslund group and the entire energy activity of Elkem, including Saudefaldene after the reconstruction/transfer from other Elkem units and power stations in the U.S..

Pro forma profit and loss account for 1998 and 1999 with the associated pro forma balance sheet for the merged group have been produced. The figures are based on the audited annual accounts of the Hafslund group prior to the merger, as presented in Chapter 8, and on the pro forma figures for Elkem Energi, as presented in Chapter 9.

The merger between Hafslund and Elkem Energi will be treated for the purposes of the accounts on the continuity method since the continuity exception of the combination of approximately equivalent interests will be applicable. This is justified in particular by the following reasons:

- The merged units are approximately of similar size, with the relationship between the actual value of the companies being 55/45
- The shareholders of each of the companies will receive approximately of an equal number of votes in the merged company (55/45)
- Each of the companies has existed as a legal unit and has had valid activity in its present area of business for more than two years
- Elkem will (as the sole owner of Saudefaldene) appoint the Chairman of the Board in addition to two ordinary members of the Board, whereas the shareholders of Hafslund are to appoint three ordinary Board Members. The Chairman of the Board will not have a casting vote

The pro forma figures therefore represent a continuation of the results and assets as recorded in the balance sheets of the two businesses.

The comment of the auditors on the pro forma accounts for the merged group are included as Annex VII to the prospectus.

Costs

The costs associated with the merger will be met by the merged group, and the total costs are expected to amount to NOK 57 mill. The break-down of costs will be as follows;

Costs items[1]	NOK 1,000
Hafslund and Hafslund Kraftproduksjon	
Sundal Collier & Co (Oslo), financial adviser	20.500
Advokatfirmaet Schjødt AS (Oslo), legal consultancy	500
Arthur Andersen & Co (Oslo), accountants	40
Revisjon firmaet Kjelstrup og Wiggen ANS (Oslo), expert opinion	125
Other costs	835
Saudefaldene	
Morgan Stanley Dean Witter (London), financial adviser	25.000
Advokatfirmaet Kvale & Co (Oslo), legal consultancy	1.400
Arthur Andersen & Co (Oslo), accountants	500
Grimsrud & Co (Oslo), expert opinion	200
Bryn, Bjerkenes Wahl-Larsen (Oslo), legal consultancy	300
Arthur Andersen Legal (Oslo/U.S.), legal consultancy	5.000
Cameron & McKenna (U.S.), legal consultancy	2.000
Other costs	600
Total costs	**57.000**

[1] *In addition to the costs specified above there will be documentation charges for the reorganisation of Saudefaldene, included for NOK 20 mill.. in the opening balance sheet of Saudefaldene (not treated as issue costs)*

Costs of financial advisers are calculated on the basis of a contract entered into in advance, whereas costs for legal and auditing advisers are based on assumed consumption of hours.

Other costs are in particular related to printing and distribution of the prospectus, approval of the prospectus, costs of VPS etc.

Accounting for the merger as a pooling of interest means that issue costs should be expensed. The continuity perspective reflects the fact that it is not a single activity which is being contributed to another, but rather that there is a re-organisation of the merged units into a new legal structure, i.e. that equivalent interests are being combined. Seen in this way, charges for carrying through the merger are expenses of the merged units. Under current law, however, the issue costs should be charged against equity in the company taking over. The Ministry of Justice has stated that there is no reason to deviate from the provisions of asal. § 2-8 and 10-2 that a share issue should be accounted for after deduction of charges. As a result of the statement from the Ministry of Justice, the charges in connection with the merger have been charged against the equity in Saudefaldene and Hafslund respectively.

Accounting principles for the merged group

The accounting principles for the new group are given in note 1 to the annual report for 1999 of Hafslund, see Annex IX to the prospectus.

Election of auditors

Arthur Andersen & Co will continue as auditors for all companies affected by the merger.

Share capital and shareholder structure

Share capital prior to the merger

Share capital of Hafslund prior to the merger

Hafslund has a registered share capital of NOK 115,463,420, split into 68,290,861 A shares and 47,172,559 B shares, each with a nominal value of NOK 1, fully paid-up.

Share capital of Saudefaldene prior to the merger

Saudefaldene has a registered share capital of NOK 70,000,000, split into 70,000 shares, each with a nominal value of NOK 1,000, fully paid-up.

Share capital of Hafslund after the merger

On the basis of the proposed consideration under the merger, the share capital of Hafslund will be increased by NOK 94,470,069 from NOK 115,463,420 to NOK 209,933,489 through the issue of 94,470,069 new shares with a nominal value of NOK 1, split into 55,874,340 A shares and 38,559,729 B shares. The total number of outstanding shares after the merger will be 209,933,489, split into 124,165,200 A shares and 85,768,289 B shares. The shares will be issued to Elkem, as the sole shareholder of Saudefaldene, as payment for the merger. The merger shares will confer a right to dividend as from the accounting year 2000.

The new shares of Hafslund will have the same rights as existing shares from the time for the entry into force of the merger for the purposes of company law, with a registration in the Register of Companies in compliance with asl. § 13-16, in such a way that for the merger shares Elkem has waived the right to an extraordinary dividend of NOK 3.2 per share which is to be paid if Hafslund does not take over Elkem Energi's activity in the U.S. in conjunction with the merger. The new shares will, after the merger has been registered as being carried out in the Register of Companies, be issued and registered in the VPS. The merger shares, however, cannot be sold and will be held on a blocked VPS account until the US activity has finally been transferred to the Hafslund group, or until the dividend mentioned above has been paid.

Pro forma shareholder structure

The table below shows the pro forma shareholder structure in Hafslund after the merger:

Shareholder	A-shares	B-shares	Total shares	Share of capital	Share of votes
Elkem ASA	55,874,340	40,192,429	96,066,769	45.8 %	45.0 %
Oslo Energi Holding AS	27,026,851	9,368,670	36,395,521	17.3 %	21.8 %
Vattenfall Norge AS	13,658,172	0	13,658,172	6.5 %	11.0 %
Folketrygdfondet	8,022,559	2,003,625	10,026,184	4.8 %	6.5 %
Orkla ASA	4,405,555	5,497,237	9,902,792	4.7 %	3.5 %
Østfold Energi AS	5,124,680	3,938	5,128,618	2.4 %	4.1 %
Storebrand Livsforsikring AS	1,486,652	749,300	2,235,952	1.1 %	1.2 %
Vital Forsikring ASA	50,000	2,130,411	2,180,411	1.0 %	0.0 %
State Street Bank & Trust	526,234	954,540	1,480,774	0.7 %	0.4 %
Verdipapirfondet Avanse	0	1,267,750	1,267,750	0.6 %	0.0 %
Nordstjernen Holding AS	0	1,200,000	1,200,000	0.6 %	0.0 %
Gjensidige Nor Spareforsikring	0	836,512	836,512	0.4 %	0.0 %
Norske Liv Aksjer Likvid	0	804,603	804,603	0.4 %	0.0 %
UBS AG	51,016	731,637	782,653	0.4 %	0.0 %
Tine Pensjonskasse	0	726,400	726,400	0.3 %	0.0 %
Norsk Hydros Pensjonskasse	0	721,325	721,325	0.3 %	0.0 %
DnB Real-Vekst	0	712,200	712,200	0.3 %	0.0 %
Herdebred A/S	339,057	372,394	711,451	0.3 %	0.3 %
Verdipapirfondet Avanse Spar	0	676,300	676,300	0.3 %	0.0 %
Den Danske Bank A/S	15,080	613,592	628,672	0.3 %	0.0 %
Total Top 20	116,580,196	69,562,863	186,143,059	88.7 %	93.9 %
Other shareholders	7,585,004	16,205,426	23,790,430	11.3 %	6.1 %
Total shares outstanding	124,165,200	85,768,289	209,933,489	100.0 %	100.0 %

After the merger, Elkem will own shares representing more than 40% of the votes of Hafslund. The acquisition of the shares in the merger will not, however, trigger a duty to bid for the rest. It also follows from Vphl. § 4-6 that Elkem will receive an obligation to bid (bid for the purchase of the other shares and the company) with "each following acquisition" of shares of Hafslund which do not fall under the exception mentioned in § 4.2.

Stock market listing, voting rights and registration in the VPS

The shares of Hafslund will continue to be listed on the main list of the Oslo Stock Exchange after the merger, as well as on the exchanges in London and Copenhagen. The shares will be registered in the VPS. The account manager is Christiania Bank og Kreditkasse. The securities number of the shares is ISIN NO 000430640 (A shares) and ISIN NO 0004306416 (B shares).

Hafslund has two classes of shares. A-shares confer one vote per share. B-shares do not have voting rights. The company does not have ownership restrictions going beyond those determined in Norwegian licensing law.

The Articles of Association of Hafslund stipulate that, with a proportional increase of capital in each share class, the shareholders may only have rights to the shares in the share class in which they previously held shares.

Information and dividend policy

The merged group wishes to provide shareholders and the financial market in general with rapid and relevant information. The intention is to be able to increase the level of knowledge about the group and its operations in such a way that the pricing of the share reflects in the best possible way the underlying values and earnings capacity of the group. Through the annual report and the interim reports, as well as announcements to the stock exchange and media, the shareholders and the financial market will in general be kept informed about the important course of developments. Hafslund will hold regular meetings with investors and analysts in Oslo and London.

Trustee registration

The Limited Company Act stipulates that shares must be registered by the person who is the owner of the shares. In principle, orders are not permitted with trustee registration.

For shares registered in the VPS, a trustee (bank or other unit) which is approved by the Ministry of Finance, may be entered in the share ownership register instead of a foreign owner. An approved and registered trustee is under an obligation in the event of disputes to provide information to the company and Norwegian authorities about the real owners of the shares registered under the trustee.

If an arrangement is established with trustee registration, the registration with the VPS must indicate that the registered owner is a trustee. The registration must comprise the name of the trustee, address and number of shares which are covered by the trustee order. A registered trustee is in particular authorised to receive dividends and other distributions on shares, but cannot in that capacity exercise voting rights at the general meetings. The real owner must be registered in the VPS or have announced and approved his share ownership in some other way to receive voting rights in the general meetings.

11. Risk factors

All financial investments are associated with risk. In connection with the proposal for the merger between Hafslund Kraftproduksjon and Saudefaldene, this risk will be associated with the implementation of the transaction as well as the business risk for the merged group. The sections below provide an overview of the risk factors which will be particularly relevant in connection with this transaction, but this section is not in any way a complete summary of the risk aspects.

Risk associated with the implementation of the transaction

Approval of the merger plan

The merger plan must be approved by the general meetings of Hafslund Kraftproduksjon and Saudefaldene with a minimum of two-thirds of the capital represented and votes cast. In addition, the general meetings of Hafslund, with the same majority as mentioned above, must approve the capital increase and the alteration to the Articles of Association necessitated by the merger. Without such approvals, the merger cannot be carried through.

Tax aspects

The merger is, according to the merger agreement, conditional on the possibility to carry the agreement through without major tax disadvantages for the Parties, Hafslund or Elkem (including the condition that the merger does not expose Hafslund substantially burdensome adjustment tax) and that tax exemption is granted according to Chapter 11 of the Assets and Revenue Tax Act of 26th March 1999 on conditions which the Parties, Hafslund and Elkem, find acceptable. Without such tax exemptions, the merger will not be carried through.

Licensing aspects

The merger is, according to the merger agreement, conditional upon all licences, alternatively exemptions from licences, being continued on conditions which are not substantially more onerous for Hafslund Kraftproduksjon than the current conditions for Elkem. Without continuation of all licences/exemption from licences being granted, the merger will not be carried through.

U.S.

The transfer of the energy businesses in the U.S. from Elkem to Hafslund is among other things conditional upon the conclusion of both a share purchase agreement which is in compliance with the merger plan and a lease agreement with Elkem with a term of 15 years, upon the necessary licenses being issued without new substantially more onerous conditions, and that the transaction shall not produce substantial negative regulatory consequences for the Hafslund group.

If the conditions for the transfer of the activities in the U.S. cannot be met through the lease agreement which is concluded, the parties, Hafslund and Elkem, are in agreement that they will do their utmost to try to produce and implement other solutions for the transfer.

No guarantee can be given that the conditions associated with the transfer of the US activities will be possible to meet, but if no subsequent solutions, as described above, have entered into force by 30th June 2001, then by 10th July 2001 at the latest Elkem will pay to the Hafslund group NOK 167.2 mill. net, plus interest. At the same time, Hafslund will be entitled to issue an extraordinary dividend of NOK 3.20 per share to Hafslund shareholders except for Elkem, which waives its right to such dividend for the merger shares.

Other aspects

According to the merger plan, the implementation of the merger is also conditional on other aspects. For a detailed description of these aspects, reference is made to Chapter 4 "Principal points of the merger proposal". If these conditions are not met or waived, the merger will not be carried through.

Business risk

The possibility of achieving synergy gains
The new group is established through the integration of two units which formerly operated separate activities. It cannot be guaranteed that the new group will not encounter difficulties when the different business sections of Hafslund and Elkem Energi are to be integrated. In addition, it cannot be guaranteed that the advantages which are expected to follow from such an integration will be achieved and eventually gained. Any reductions or unexpected costs which may occur in connection with such integration may possibly have a negative effect on the commercial results of the group and on its financial situation. No guarantee can be given that the new group will not suffer a loss of key personnel or that the new group will not lose individual clients.

Future power prices
Large parts of the revenues of the company come from the sale of internally produced hydroelectric power, in which generation costs are relatively stable and predictable. Fluctuations in the power prices will thus have a major effect on the results of the company.

There is a liquid market for trading in power derivatives, and there are implicit expectations in this market for increased real prices. However, there is no guarantee that this will materialise in actual price increases in the spot market in the future. Reduced future power prices will have a negative effect on the earnings of the company.

Conclusion of new lease agreements
The new lease agreement for Sauda (I-IV) and Svelgen (I-II) are being negotiated with Statkraft on the basis of the political signals from the parliament, St.prp. (Parliamentary Bill) No 52 (1998-99) and Recommendation No 233 (1998-99). There are aspects of the agreement which have not been settled through the recommendation of the parliament, and which must be further negotiated with Statkraft. It is not at present possible to say anything about the outcome of the negotiations on these aspects.

Own-account trading
Hafslund Markets operates trading of electrical power. Extreme weather conditions in the U.S. in July and August caused the U.S. power trading activity a major loss in 1999. Subsequently, control and management systems have been introduced for the whole business, which in the opinion of the company should ensure that such a loss will not arise again. However, trading is risky in its nature, and there is no guarantee that a substantial loss will not arise.

Revenues from investment activities
The evolution of Hafslund's investment portfolio, which at the end of 1999 had a net book value of about NOK 2 billion, may have a substantial effect on the commercial results of the group and on its financial situation. The return on the portfolio is in particular dependent on the general evolution of the Oslo stock market.

Acquisitions
Acquisition of activities is a part of the expansion strategy of the merged company. Every acquisition is associated with risk.

Other aspects

Dividend policy
The time and size of future disbursement of dividends will depend on the future earnings of the new group, its investment plans and its capital requirement. No guarantee can be given that a dividend will be paid in the future, or any assurance about the size of such a future dividend.

Framework conditions and decisions of the authorities

The business activity of Hafslund and Elkem Energi is to a large extent subject to public regulations. It cannot be guaranteed that the Norwegian authorities will not introduce regulatory changes or implement provisions or decisions in energy policy or in some other way take actions which could have a negative effect on the business activity of the merged group, its commercial circumstances, operating results or future prospects.

Two special aspects which could have a negative effect on earnings of the merged group are changes with regard to the level of and basis for calculation for the land tax (grunnrenteskatt) and the level of property tax.

Capital market Aspects

As a listed company, the pricing of Hafslund at any time will depend upon fluctuations in the equity markets. Despite an underlying positive trend in the business activities of the company, the price of the share could drop irrespective of that.

Disputes

As part of a perpetual agreement with Oslo Lysverker from 1914, the Hafslund Group has an annual power delivery requirement of 167 GWh. Oslo Lysverker has infringed the Agreement since 1991 and Hafslund has brought the case to the District Court of Oslo.

12. Legal and tax aspects

General legal consequences

Before the merger between Hafslund Kraftproduksjon and Saudefaldene, Elkem will organise its Norwegian energy activity in Saudefaldene. The reorganisation is organized by transferring all assets/shares associated with Elkem's Norwegian energy activity to Saudefaldene as a non-cash contribution. The non-cash contribution in Saudefaldene will be accounted according to a continuity method which implies that the groups original balance sheet values will be continued. At the time of the merger, Saudefaldene will become a wholly-owned subsidiary of Elkem. The Ministry of Finance has been requested to issue a tax exemption for the transfer according to provisions of a regulation relating to § 11-22 of the Tax Act. The merger is conditional upon approval, as indicated in Clause 6.2 of the merger plan.

The merger between Hafslund Kraftproduksjon and Saudefaldene is done according to asal. § 13-2 (2), which implies that the capital increase is implemented by using as a share contribution a claim which is issued by the transferee company and which is equivalent to the equity injected into the transferring company in connection with the merger Saudefaldene is merged with Hafslund's wholly-owned subsidiary Hafslund Kraftproduksjon the way that Elkem, as the sole shareholder of Saudefaldene, receives shares in Hafslund as contribution. The new shares will be issued through a capital increase in Hafslund performed by Hafslund Kraftproduksjon issuing a claim which will be used as a share contribution and which represents the net equity of Hafslund Kraftproduksjon contributed in the merger, according to asal. § 13-2 (2).

The merger requires the approval of at least two-thirds of both the votes cast and the share capital represented at the general meetings of Hafslund. The Board of Hafslund has approved the merger plan.

The merger presupposes that the creditors of the two companies do not object against the merger, ref. asal. § 13-16. Relevant objections must be assessed within two months after the creditor notification required by asal. § 13-15. This deadline is expected to expire in July 2000. The boards of Hafslund, Hafslund Kraftproduksjon and Saudefaldene are assuming that there is no reason to expect such objections.

The merger will have effect when registered in the Register of Companies as described in asal. § 13-16 after the expiration of the two month deadline described above.

The assets, obligations and entitlements of Saudefaldene will be kept separated until the merger is effective. After that time, Saudefaldene will be registered as dissolved.

Elkem will hold full shareholder rights in Hafslund from the time at which the capital increase presupposed by the merger is registered with the Register of Companies. The contribution shares will be entitled to dividend as from the accounting year 2000, but Elkem has for the contribution shares waived the right to an extraordinary dividend of NOK 3.20 per share which is to be paid out if Hafslund does not take over Elkem's energy activity in the U.S. in conjunction with the merger. According to the merger plan, Hafslund will be able to issue an ordinary dividend for 1999 to its existing shareholders of NOK 1.20 per share. As compensation to Elkem for the fact that the company will not receive payment of this dividend, a short-term debt to Elkem is included in the opening balance sheet of Saudefaldene representing Elkem's share of this dividend (about NOK 113 mill.).

The merger represents a unification of approximately equal interests, and the so-called pooling of equal interests method will therefore be used in the accounts. This means that the values of the balance sheet of the two merging companies continue in the accounts of the merged company.

Announcement to the Ministry of Industry

The companies involved in the merger have more than 50 employees and annual sales significantly in excess of NOK 50 mill. Consequently, the merger will release a duty of notification under the Norwegian Act Relating to the Acquisition of Business Undertakings, relating both to the transfer of the activity of Saudefaldene to Hafslund Kraftproduksjon and to Elkem's acquisition of shares of Hafslund after the capital increase. An exception for the duty of notification exists if the acquisition of a business is subject to a licence under the Energy Act, but if the activity falls partly inside and partly outside the scope of the Energy Act, the area of activity outside this scope if sales of more than NOK 50 mill. per year are involved or if the company has more than 50 employees. The acquisition by Hafslund Kraftproduksjon of Saudefaldene is considered to fall within the exception in its entirety, whereas Hafslund?s activity, which is not subject to licence under the Energy act, is so comprehensive that Elkem's acquisition of shares will release a duty of notification. The notification of Elkem's acquisition shares will be submitted within 30 days after the approval of the merger in the respective general meetings, and the approval may be submitted 30 days after the complete notification is issued.

Concession aspects

The acquisition of waterfalls, waterfall rights and water courses regulation rights which takes place through the merger is subject to a concession according to the Act relating to acquisition of waterfalls of 14th December 1917, No 16 and under the Act relating to regulations of water courses for industrial purposes of 14th December 1917, No 17. Also Elkem's acquisition of shares through the merger will be subject to a concession under § 36 of the Industrial Licence Act, which requires a licence for the acquisition of more than 20% of the shares of companies which own waterfalls or waterfall rights.

A joint application will be submitted on behalf of Hafslund Kraftproduksjon and Elkem to the Ministry of Petroleum and Energy applying for exemption from the preliminary purchase right and concession duty, or on a subsidiary basis, an application for a concession to acquire the shares will be issued. Application for the unaltered transferring of the watercourse regulation licences held by the Elkem group will also be issued.

In addition to the above-mentioned concessions, concessions are also required under the Energy Act of 29th June 1990, No 50 for the building and operation of the electricity installations. The application for a concession will be submitted to the Norwegian Water Resources and Energy Directorate.

For the transfer of Elkem's power stations in the U.S., an approval from the Federal Energy Regulatory Commission (FERC) is required in order to transfer Elkem's power stations. An application to the FERC will be submitted.

Significance of the merger for the employees

Entitlements and obligations of the employees of Hafslund and Saudefaldene will be continued after the merger, according to Chapter XII of the Act Relating to Worker Protection and Working Environment.

The future organisational structure will be determined by the Board of the merged company. Any organisational alterations must be approved by the employee representatives.

The employees of Hafslund, Hafslund Kraftproduksjon and Saudefaldene must also be informed of the merger plan in compliance with asal. § 13-11 and at information meetings required by the Norwegian Act Relating to the Acquisition of Business Undertakings.

Agreement aspects

To the extent that agreements call for renegotiation or consent from contractual counterparties as a result of the merger, the result of such renegotiation/consent must be final at the latest on the day before the respective general meetings of the companies, and - if this is found to have a significant impact on the merged company - submitted to the general assembly.

TAXATION AND FEES

General

This summary of Norwegian taxation and fee matters is based on rules and regulations applicable at the date of the Norwegian Prospectus. This summary is only intended to provide general guidelines, and does not discuss all aspects which may be relevant to shareholders or to the companies affected by the merger. The shareholders are urged to seek advice from their own tax consultant in order to determine whether particular circumstances call for other solutions than those described hereunder. Shareholders who are not Norwegian tax residents or who has doubt as to their tax position, should consequently contact a professional tax consultant.

The position of the company

The merger is performed by Saudefaldende transferring its assets, rights, commitments and obligations as a whole to Hafslund Kraftproduksjon, a wholly owned subsidiary of Hafslund. In consideration, Elkem, the owner of all shares in Saudefaldende, receives as a merger consideration shares in Hafslund. The merger is carried through in accordance with chapter 13 of the Norwegian Limited Company Act and relevant accounting rules. Immediately after the transfer of assets, rights, commitments and obligations, Saudefaldene will be dissolved and wound up. This procedure will, as a main rule, imply that the taxable values and the relevant acquisition time for assets, rights, commitments and obligations are transferred unaltered to Hafslund Kraftproduksjon. The same applies to other tax positions of Saudefaldene. Consequently, the merger is carried through according to a continuity method as described in chapter 11 of the Assets and Revenues Tax Act. For taxation purposes, the merger will take effect from final registration in the Companies Registry.

Shareholders who are Norwegian Tax Residents

The merger does not expose the shareholders to capital gains tax or tax deduction.

The merger is not expected to release capital gains tax or tax deduction for Elkem as the sole shareholder of Saudefaldene. The transfer in USA will, however, release a certain capital gains tax for Elkem. The acquisition date and the cost base, including an adjusted cost base (see below) for shares in Saudefaldene must be continued by Elkem on the merger consideration shares in Hafslund.

In the year of the merger, an annual RISK amount, i.e. the adjusted cost base which is the acquisition price adjusted up or down in accordance with changes in Hafslund's retained taxable capital/profit during the shareholders' holding period (so called RISK adjustment) will be calculated, and this amount will be divided between all shareholders of the company after the merger according to par value.

For shareholders who are not Norwegian tax residents, the rules described above apply as to taxation in Norway. It should, however, be noted that the tax rules of the country in which the shareholders are a tax resident may lead to another result.

The position of the shareholders after the merger

Taxation on sale of shares

Shareholders who are Norwegian tax residents

Shareholders who are Norwegian tax residents will be liable for capital gains tax or a corresponding tax deduction for any loss. Such obligation to pay capital gains tax and entitlement to tax deduction is irrespective of the ownership period and the number of shares sold.

Capital gains or loss is taken into consideration when calculating the basis for ordinary income tax. At the time being, such income tax amounts to a flat rate of 28 %.

Capital gains or loss is calculated for each share and equalizes the difference between the sales price and the adjusted cost base. (See above for an explanation of "adjusted cost base"). Costs, such as brokers fees, payable by the shareholder in connection with the acquisition or disposal of shares, are deductable when calculating capital gain or loss.

Shareholders who are not Norwegian tax residents

Shareholders who are not Norwegian tax residents will, as a main rule, not be liable for capital gains tax in Norway. Exemptions are relevant if (i) the shares are effectively associated to a business carried out in Norway by the shareholder or (ii) the shareholder has previously been resident in Norway for tax purposes and the shares are sold within five years of the expiry of the calendar year when residence in Norway for tax purposes ceased.

If shareholders who are not Norwegian tax residents are subject to capital gains tax /deduction in Norway, the rules described above regarding the calculation will apply. Tax obligations following from internal Norwegian law in such cases, may be limited through tax treaties.

Capital gain tax may arise according to the taxation rules of the country of residence.

Taxation on dividends

Dividends distributed by Hafslund to shareholders who are Norwegian tax residents are, in principle, regarded as taxable income. Through the imputation method, tax on dividends will usually be eliminated.

Shareholders who are not Norwegian tax residents will according to Norwegian internal law be obliged to withholding at a rate of 25 %. The withholding tax may be reduced through tax treaties. Norway has entered into tax treaties with a number of countries, and Norway will normally be entitled to claim withholding tax limited to 15 % only. Shareholders who are not Norwegian tax residents, may be subject to tax on dividends received according to rules in the country of residence.

Net wealth tax

Individual shareholders who are Norwegian tax residents may be obliged to pay net wealth tax. Limited liability companies and certain other companies and cooperations are exempted from net wealth tax. To the extent an obligation to pay net wealth tax exists, shares are included in the value of the wealth.

Shareholders who are not Norwegian tax residents, are not subject to net wealth tax in Norway, unless the shares are effectively associated to a business carried out in Norway by the shareholder. The shareholder may be subject to net wealth tax on the shares according to the rules of the country of residence.