



INTERIM REPORT

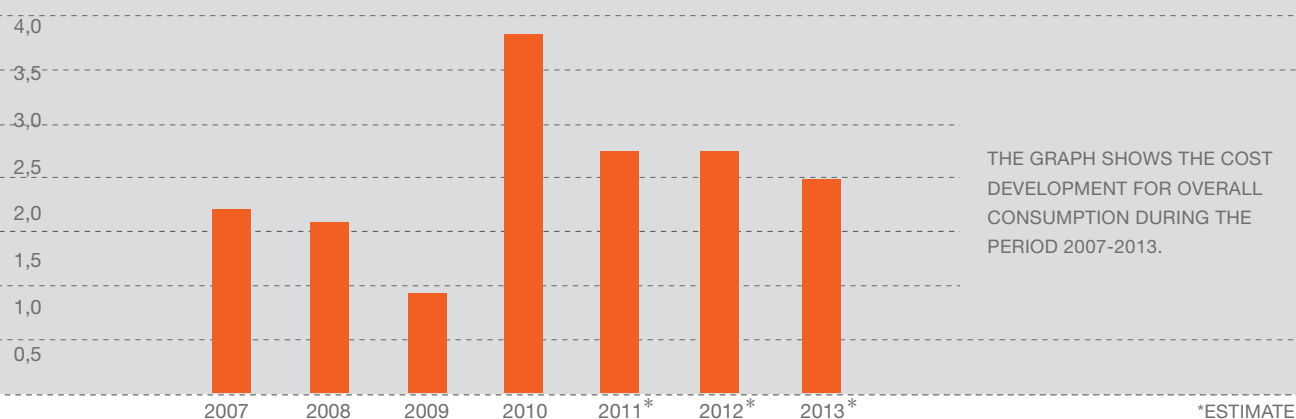
4:2010

**Statnett**

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TARIFF CONSUMPTION CENTRAL GRID (øre/kWh)



## HIGHLIGHTS

- Total operating revenues for the Group in the fourth quarter of 2010 amounted to NOK 2,012 million, compared to NOK 855 million in the fourth quarter of 2009. In 2010, the operating revenues totalled NOK 7,247 million, compared to NOK 2,862 million last year.
- The Group's profit after tax amounted to NOK 597 million in the fourth quarter 2010, compared to a loss of NOK 115 million in the same period in 2009. In 2010, the Group's profit after tax totalled NOK 2,228 million, compared to a loss of NOK 480 million last year. The increase is mainly due to increased congestion revenues in the Nordic region, which are reflected in a higher revenue of NOK 627 million in the fourth quarter and NOK 2,178 million for the year in total. The higher revenue will be returned to Statnett's customers over time through adjustment of tariffs.

## IMPORTANT EVENTS

- The power situation in Mid Norway and Southern Norway is strained. There has never been less water in the reservoirs than at the end of 2010. Combined with a cold winter that has resulted in record-high consumption, this has led to a higher price level in 2010 compared with 2009.
- Statnett has purchased main grid facilities with associated properties in Oslo from Hafslund. The transaction will put Statnett in a better position to carry out reinvestments and reinforcements in the Oslo area.
- Statnett's office in Brussels has been officially opened. The presence in Brussels will promote a better dialogue between Statnett and EU's interests as regards power grids and market developments.
- Statnett and Energinet.dk have signed contracts with cable suppliers for the new Skagerrak 4 interconnector between Norway and Denmark. The cable contracts have a total value of NOK 1 billion.
- On 12 January 2011, a new model was introduced for trading over the NorNed cable between Norway and the Netherlands. The new trading model will promote a more efficient utilisation of the cable by ensuring transmission of power from low-price to high-price areas.
- On 1 February 2011, four committees published reports relating to the choice between an overhead power line or sub-sea cable in Hardanger. Statnett is looking forward to the authorities' clarification.
- Statnett has decided to move into new head offices in Nydalen, Oslo. The relocation will take place at the end of 2012. Statnett has entered into a lease agreement for 15 years with a possibility for extension as well as an option for purchase of the building.

# DIRECTORS' REPORT



## DELIVERY QUALITY AND SECURITY OF SUPPLY

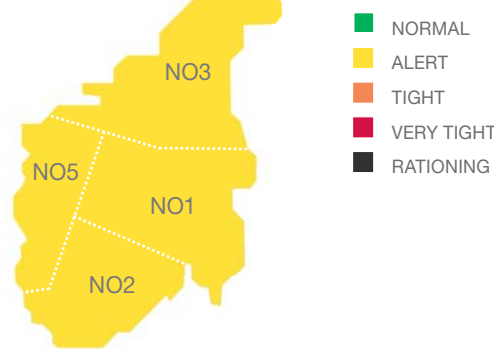
Reservoir levels in Norway reached an all-time low of 45.3 percent at the end of 2010. This is 22.3 percent lower than at the same time in 2009, and 23.8 percentage points below the median for the period 1993-2010.

November and December were very cold months. The consumption during this period was high and the inflow very low. The reservoir levels have thus fallen quickly in all parts of the country. In Central Norway (NO3), the energy situation was characterised as strained from 7 December and in Southern Norway (NO1, NO2 and NO5), from 22 December.

System operations in the fourth quarter were affected by the low reservoir water levels in Norway and the Nordic region in combination with high consumption in Eastern Norway. This has led to increased imports from Denmark and the Netherlands and, in the last part of the quarter, also from Sweden. In 2010, total net imports were 7.6 TWh.

The combination of high consumption and low reservoir water levels has led to some areas being operated with reduced operational reliability during the last part of the quarter. This primarily applies to the Stavanger area, the Bergen area and parts of Agder. There have been no interruptions in these areas as a result of the grid being operated with reduced operational reliability.

During the period December to January, there were three significant outages in Statnett's installations. On 16 December 2010, a transformer malfunction in Hasle led to a blackout of large areas in Sarpsborg and Fredrikstad. The blackout lasted just under an hour. On 26 January 2011, there were breakdowns in the 66-kV grid in Akershus, which led to an outage of 200 MW of consumption for about one hour. The day after, there were rolling blackouts of about 35 MW of consumption in Akershus for about six hours. On 28 January 2011, there was an outage in the power system north of Ofoten which caused a loss of 50 MW of consumption in Tromsø for a just over an hour. The consumption in Alta was also out for a short period of time.



## INVESTMENTS

Statnett is planning and implementing a number of important projects in order to safeguard security of supply, create value and facilitate lower greenhouse gas emissions.

The most important projects are listed in the table on the next page.

## OVERVIEW OF MAJOR INVESTMENT PROJECTS

PROJECT	LOCATION	COST	DEADLINE
COMPLETED MAJOR INVESTMENT PROJECTS		COST	COMPLETED
Oslofjord preparedness cable	The Oslofjord	NOK 77 million	2010
Major investment in transformer stations		NOK 525 million	2010
ONGOING MAJOR INVESTMENT PROJECTS		FUNDS GRANTED	ESTIMATED COMPLETION
Sauda - Liastølen	Rogaland	NOK 190 million	2011
Varangerbotn - Skogfoss	Finnmark	NOK 410 million	2013
Major investment in transformeraer station	Southern Norway	NOK 650 million	2011
Increased preparedness: New back-up transformers	Southern Norway	NOK 300 million	-
Sima - Samnanger	Hordaland	1 140 million	2012/13
Skagerrak 4	Norge/Danmark	NOK 1 500 million Statnett share	2014
Oslofjord (Teigen – Evje)	The Oslofjord	NOK 1 100 million	2012
LICENCES PENDING OR APPEALED		ESTIMATED COST	EARLIEST COMPLETION
Ørskog - Fardal	Sunnmøre/Sogn	NOK 3 600 million	2015
Namsos - Roan - Storheia	Trøndelag	NOK 850 millionr	2014
Balsfjord - Hammerfest	Troms/Finnmark	NOK 3 300 millionr	2016-2018
Voltage upgrade southern Norway. Subsection Kristiansand – Bamble (eastern corridor)	Agder – Telemark	NOK 430 million	2014
Voltage upgrade southern Norway. Subsection Feda – Tonstad (western corridor)	Agder	NOK 460 million	2016
Nord.link/Nor Ger	Norway/Germany		2016/18
Ofoten – Balsfjord	Northern Norway	NOK 1 400 million	2014
Storheia – Snillfjord – Trollheim/Orkdal	Sør-Trøndelag / Møre og Romsdal	NOK 1 900 million	2017/20
Voltage upgrade in Central Norway. Subsection Klæbu – Namsos	Sør-Trøndelag/ Nord-Trøndelag	NOK 430 million	2013
Hamang station	Asker/Bærum	NOK 350-500 million	2013
PLANNING PROPOSAL SUBMITTED		ESTIMATED COST	EARLIEST COMPLETION
Grid reinforcement Grenland region	Grenland	NOK 700 million	2014
«Arctic Circle» Skaidi – Varangerbotn	Northern Norway	NOK 2 300 million	2018-2020
ICT PROJECTS		FUNDS GRANTED	ESTIMATED COMPLETION
Modernisation of ICT infrastructure in Statnett stations		NOK 130 million	2011
Computer network for power system management		NOK 220 million	2014
Renewal of Statnett's central operations system		NOK 490 million	2014
New Regulation and Market System		NOK 240 million	2014

## IMPORTANT PROJECT EVENTS IN THE FOURTH QUARTER

### Completed investment projects

- Statnett completed several station investments in the fourth quarter. These included facilities at Dagali, Porsgrunn, Kvandal, Sima and Svartisen.

### Ongoing major investment projects

- In December 2010, Statnett was granted a licence from the Ministry of Petroleum and Energy (MPE) for new cables over the Oslofjord. Work has started on the land facilities at Evje and Teigen.
- The construction work on the Samnanger – Mødalen section started in October, and at year-end, 30 foundations had been cast.

### Projects for which licence applications are pending or appealed

- In connection with the licence application for Ørskog – Fardal, Statnett has been asked to apply for route alternatives via Naustdal, in Bremanger and cabling towards Ørskog.
- In December 2010 Statnett applied for a licence for the new Hamang transformer station.

## FINANCIAL RESULTS

The quarterly report has been submitted in accordance with International Standards for Financial Reporting (IFRS) and interpretations stipulated by the International Accounting Standards Board (IAS). The accounting standards for presentation of financial accounts (IAS) and interim reports (IAS34) have been adhered to. The accounting principles and calculation methods used in the interim financial statements are the same as in the most recent annual financial statement.

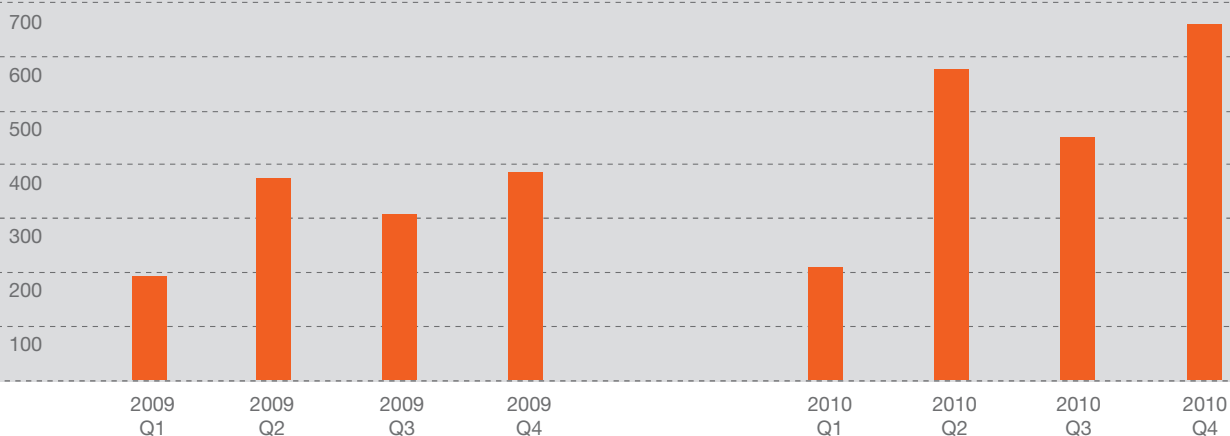
### Operating income

The Group's operating revenues in the fourth quarter of 2010 totalled NOK 2,012 million (NOK 855 million in the fourth quarter of 2009). Operating revenues from regulated operations totalled NOK 1,952 million (NOK 799 million), while other operating revenues amounted to NOK 60 million (NOK 56 million). For the year, the Group's operating revenues totalled NOK 7,247 million (NOK 2,862 million).

Statnett's operating revenues primarily derive from regulated grid operations. Operating revenues from regulated activities in Statnett's financial reporting consist mainly of fixed grid tariffs from the customers as well as congestion revenues (price differences between areas in the Nordic region and towards the Netherlands). The grid operations are regulated by the NVE (Norwegian Water Resources and Energy Directorate) which stipulates a cap for Statnett's revenues (permitted revenue). If the actual revenues from grid operations for one year diverge from the permitted revenue, a so-called higher or lower revenue will occur. Higher/lower revenue will level out over time through adjustment of future grid tariffs.

In 2009, there was a lower revenue of NOK 1,033 million. In other words, grid tariffs from the customers and revenues from price differences in the market were below the permitted income. To cover this, the grid tariff was increased in 2010 compared with 2009.

In 2010, the situation has been the opposite: high congestion revenues have led to substantial higher revenue. In the fourth quarter, the higher revenue was NOK 627 million (lower revenue of NOK 144 million). For the year 2010, the higher revenue was NOK 2,178 million (lower revenue of NOK 1,033 million). The accumulated higher revenue at the end of 2010 is NOK 1,545 million, and will, over time, be returned to the customers.



### Operating costs

The Group's operating costs totalled NOK 1,113 million (NOK 974 million) in the fourth quarter. The system services costs increased by NOK 14 million and transmission loss by NOK 149 million. Wage costs was NOK 21 million lower due to reversal of pension costs. Depreciation, amortisation and impairments and other operating costs are on level with the corresponding period in 2009.

For the year the overall operating costs totalled NOK 3,938 million (NOK 3,265 million).

Compared with 2009, system services costs increased by NOK 123 million in 2010. This was primarily due to the increased need for primary reserves to secure operation of the national grid. Transmission loss increased by NOK 350 million for the year compared with 2009. The increase is due to higher energy prices in 2010 than in 2009.

Wage costs were reduced compared with 2009 by NOK 26 million for the year in total due to reversal of pension costs in connection with changes to the regulations. Other operating costs were NOK 222 million higher for the year compared with 2009. The increase in operating costs in 2010 is mainly due to repair costs for the NorNed cable after a failure on the Dutch side in January 2010. Statnett carried out work on behalf of the owners. Statnett invoiced Tennet for their share.

### Operating profit

The Group's operating profit in the fourth quarter was NOK 4 million (loss of NOK 119 million). For the year the Group's operating profit totalled NOK 3,309 million (loss of NOK 403 million).

### Financial items

The Group's net financial costs were NOK 67 million (NOK 60 million) during the fourth quarter of 2010. For the year in total, net financial costs for the Group amounted to NOK 232 million (NOK 289 million). Sale of shares in Nord Pool ASA increased the financial income by NOK 28 million and lower interest rates on long-term loans have reduced the financial costs compared with 2009.

### Net profit/loss

The Group's profit after tax was NOK 597 million (loss off NOK 115 million) in the fourth quarter. For the year in total, the profit after tax totalled NOK 2,228 million (loss of NOK 480 million). High congestion revenues are the main reason for the profit increase.

### Investments

In total, Statnett SF has invested NOK 1,892 million (NOK 1,278 million) in 2010, which is the sum of commissioned and ongoing investment projects.

### Cash flow and balance sheet

The Group's operating activities generated an accumulated cash flow of NOK 3,804 million in 2010. The net cash flow from investment activities totalled a loss of NOK 1,740 million. In total, loans were paid down by NOK 2,364 million, and new loans of NOK 1,250 million were raised. At the end of 2010, the Group's liquid assets and market-based securities amounted to NOK 1,722 million (NOK 896 million).

At the end of 2010, the Group had total assets of NOK 22,070 million (NOK 19,342 million), and interest-bearing debt amounted to NOK 11,757 million. The market value of interest swap and currency swap agreements (fair value hedges) related to interest-bearing debt was NOK 1,128 million. Net interest-bearing debt, corrected for this, totalled NOK 10,629 million.

### Transport operations

Statnett SF wholly owns Statnett Transport AS. The operating revenues for the Statnett Transport Group were NOK 88 million (NOK 97 million) for 2010. The result in 2010 was a loss of NOK 1 million (profit of NOK 9 million).

### The Nord Pool power exchange

Statnett SF has sold its shares in Nord Pool ASA to Nasdaq OMX. The Group's gain from the sale of the shares was recorded in the second quarter as NOK 28 million under financial income. This profit comes in addition to the earlier dividend received from the sale of significant parts of the activities in Nord Pool ASA in 2008.

Statnett SF owns 30 per cent of Nord Pool Spot AS. Statnett's share of the result in Nord Pool ASA up to the sale of the shares and in the Nord Pool Spot Group was a Group profit contribution of NOK 11.4 million in total (NOK 24 million) in 2010.

### International cable projects

Statnett has a shareholding of 50 percent in the NorGer project, which entails planning and building a DC subsea interconnector between Norway and Germany. See the relevant note to the accounts for details.

Statnett has a shareholding of 100 percent in NordLink, which is planning a DC subsea interconnector between Norway and Germany.

Development and construction of international cables are extensive and time-consuming processes. Statnett therefore develops a few projects in parallel in order to choose the projects that best suits Statnetts strategy, and increases the security of supply and the value of Norwegian hydropower.

## RISKS

### Operational risks

Statnett continually evaluates risks and vulnerability relating to security of supply and grid operations. The quality of supply and system operations depends on stability and accessibility in the grid. The grid is also vulnerable to damage and breakdowns caused by external factors.

Due to the large power transmissions registered last winter, the power supply to several major load centres operated without satisfactory back-up capacity (N-0). In such a situation, Statnett must increasingly adapt and tailor its contingency system, including repair contingency, until the necessary grid reinforcements have been implemented. Any changes to the company's contingency system will be made in cooperation with local and regional companies responsible for retail supply and in consultation with the NVE.

Statnett's target is to ensure that no end-user is without electricity for more than two hours at a time owing to a fault in Statnett's transmission facilities. There were minor incidents during the fourth quarter of 2010 which impacted end-users. Total outage costs for connected end-users (under the KILE scheme) have been estimated at NOK 13.6 million (NOK 11.6 million) in the fourth quarter. For the year in total, corresponding costs have been estimated to NOK 28.2 million (NOK 19.3 million).

### Regulatory risk

Statnett's activities are subject to comprehensive regulatory requirements. Statnett must comply with the regulatory requirements for the sector and the various licence terms and conditions, both for its operations and its development projects. Changes in the regulatory framework will affect Statnett's results. Statnett is dependent on a stable regulatory framework.

### Project risk

Statnett has a substantial portfolio of investment projects which include planned and ongoing projects. Statnett carries out a comprehensive assessment of all risks

associated with the projects. The Board of Directors is presented with risk assessments relating to all major investments. Statnett has implemented a uniform project management model focussing on risk follow-up.

### Financial risk

Statnett has established a financial policy and framework for financial management, including limits for credit risk, settlement risk and counterparty risk. Control procedures have been established which are carried out independently.

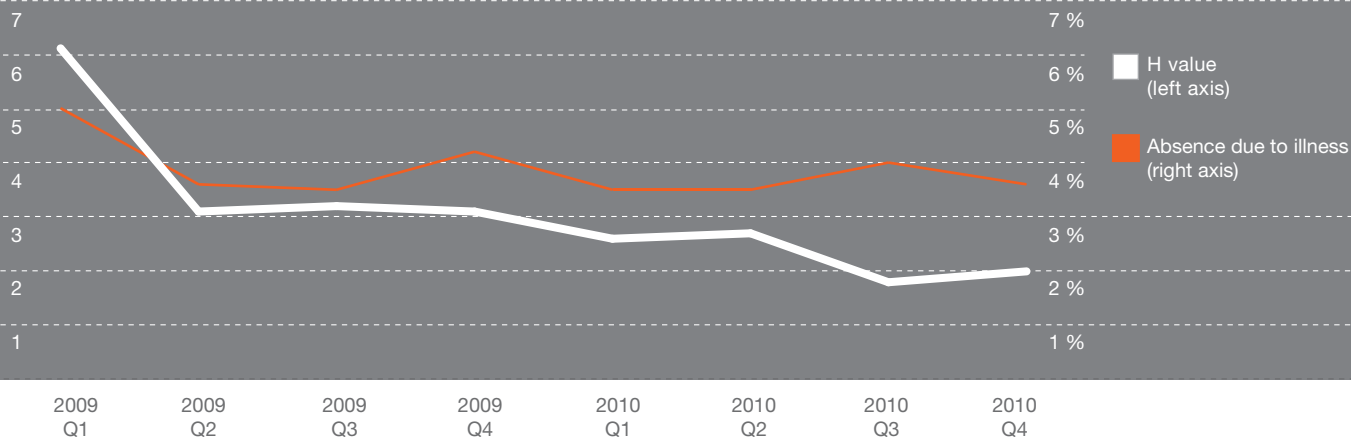
Statnett's financial policy is conservative. As an example, Statnett has a spread maturity structure on existing loan. The enterprise also has a policy in place which entails being able to fund 12 months of operation, investments and refinancing without incurring any new debt. At the end of the year, the enterprise had a credit facility of NOK 2 billion. In January 2011, an agreement was entered into regarding a new credit facility of NOK 3.5 billion with a five-year term, and with an option to extend by a maximum of two years.

The borrowing limit of the credit facility forms part of the policy to ensure sufficient financial flexibility to implement the enterprise's investment programme over the next few years. The credit facility was unused at the end of the fourth quarter.

Currency risk is minimised through several measures, including using currency swap agreements to hedge the risk in the currency obligations in investment projects. All Statnett's loans in foreign currency are converted into NOK through currency swap agreements.

Statnett is exposed to credit risk when investing surplus liquidity with issuers of securities. Statnett has set credit ratings that must be met by counterparties and sets maximum exposure for each individual investment.

A large proportion of the revenues from the grid activities is calculated as return on the enterprise's grid capital. The interest rate on five-year Norwegian government bonds and a risk supplement forms the basis for this calculation. Statnett's revenues are therefore affected by changes in the interest rates. To reduce the enterprise's total interest rate risk, Statnett therefore seeks to achieve as good a match as possible between movements in interest rates on loans and the interest rate used to calculate return on the enterprise's grid capital.



Statnett has long-term borrowing ratings of A+ and A2 from Standard & Poor's and Moody's Investor Service, respectively.

**HEALTH, SAFETY AND ENVIRONMENT (HSE)**

Statnett's activities are characterised by the goal of carrying out our activities without accidents, injuries, damage to property or other material assets and with respect for the external environment. The same HSE requirements also extend to our contractors.

Several of Statnett's activities are associated with considerable risk. We have therefore started comprehensive work to improve procedures and practices in connection with the use of helicopters. New guidelines have also been prepared for the use of protective equipment in Statnett.

In December, the head office in Oslo was recertified according to the Norwegian Eco-Lighthouse standard. The activities at the head office conform with defined requirements for environmental management and action.

**Incidents and absence due to illness**

Statnett had one internal lost-time injury in the fourth quarter of 2010. Statnett's contractors reported one losttime injury. During the fourth quarter, it was reported three internal incidents involving personal injury without absence. Furthermore, it was registered three undesirable incidents with a potential for personal injury as well as 15 nonconformities with a potential for personal injury in the Group. Statnett's contractors reported two

occupational injuries without absence, 25 incidents with a potential for personal injury and 27 nonconformities with a potential for personal injury during the same period.

The number of reports increased substantially from the third to the fourth quarter. Greater focus on HSE leads to a larger degree of reporting and thus improved transfer of experience and learning.

The absence due to illness in the Group was 3.6 percent in the fourth quarter of 2010.

**OUTLOOK**

Statnett's objective is to ensure secure delivery of electricity and facilitate a well-functioning power market. To secure a stable security of supply for the future, Statnett will make substantial grid investments in the years to come. Statnett's future activities will be dominated by an increase in project activities. The investment programme is contingent upon efficient licence processing. Statnett has taken the initiative to improve processes in the planning of new power lines to secure feedback from all stakeholders as early as possible.

The Board noted that the power system have scarce margins in periods which are documented with several outages lately. The Board follows the situation and the development in the energy situation carefully.

Oslo, 17 February 2011  
The Board of Directors of Statnett SF

*Bjarne Aamodt*  
Bjarne Aamodt  
Chair of the Board

*Thor Håkstad*  
Thor Håkstad  
Vice Chair of the Board

*Kirsten Indgjerd Værdal*  
Kirsten Indgjerd Værdal

*Grethe Høiland*  
Grethe Høiland

*Heidi Ekrem*  
Heidi Ekrem

*Per Hjorth*  
Per Hjorth

*Pål Erland Opgård*  
Pål Erland Opgård

*Kjerstin Bakke*  
Kjerstin Bakke

*Steinar Joråndstad*  
Steinar Joråndstad

*Auke Lont*  
Auke Lont  
President and CEO

# STATEMENT OF COMPREHENSIVE INCOME

<b>Statnett Group</b>	<b>Fourth quarter</b>		<b>1 January - 31 December</b>	
<i>(Amounts in NOK million)</i>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>OPERATING REVENUES</b>				
Operating revenues regulated operations	1 952	799	6 980	2 689
Other operating revenues	60	56	267	173
<b>Total operating revenues</b>	<b>2 012</b>	<b>855</b>	<b>7 247</b>	<b>2 862</b>
<b>OPERATING COSTS</b>				
System services	117	103	592	469
Transmission losses	354	205	1 058	708
Wage costs	144	165	550	576
Depreciation and write-downs of tangible fixed assets	174	177	666	662
Other operating costs	324	324	1 072	850
<b>Total operating costs</b>	<b>1 113</b>	<b>974</b>	<b>3 938</b>	<b>3 265</b>
<b>Operating profit/loss</b>	<b>899</b>	<b>-119</b>	<b>3 309</b>	<b>-403</b>
Revenues from joint ventures and associates	2	7	11	24
Financial income	13	23	105	118
Financial costs	80	83	337	407
<b>Profit/loss before tax</b>	<b>834</b>	<b>-172</b>	<b>3 088</b>	<b>-668</b>
Tax	237	-57	860	-188
<b>Profit/loss for the period</b>	<b>597</b>	<b>-115</b>	<b>2 228</b>	<b>-480</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Changes in fair value, held-for-sale investments	1	-	1	-
Translation differences currency	-	-	-	-
Changes in fair value for cash flow hedges	1	-	-10	8
Tax related to other comprehensive income	-	-	3	-2
<b>Other comprehensive income</b>	<b>2</b>	<b>-</b>	<b>-6</b>	<b>6</b>
<b>Total comprehensive income</b>	<b>599</b>	<b>-115</b>	<b>2 222</b>	<b>-474</b>

# BALANCE SHEET

<i>(Amounts in NOK million)</i>	<i>Note</i>	<b>31-12-10</b>	<b>31-12-09</b>	<b>31-09-10</b>
ASSETS				
INTANGIBLE ASSETS				
Goodwill	1	53	-	53
Other intangible assets	1	13	-	13
<b>Total intangible assets</b>		<b>66</b>	<b>-</b>	<b>66</b>
NON-CURRENT FIXED ASSETS				
Deferred tax asset		-	-	-
Tangible fixed assets		16 396	15 870	15 946
Plants under construction		1 848	1 159	1 820
Investments in other group companies		51	206	48
Long-term investments		1 118	623	1 151
<b>Total fixed assets</b>		<b>19 413</b>	<b>17 858</b>	<b>18 965</b>
CURRENT ASSETS				
Trade accounts receivable and other short-term receivables		869	588	250
Investments in commercial market-based securities		593	554	539
Liquid assets		1 129	342	484
<b>Total current assets</b>		<b>2 591</b>	<b>1 484</b>	<b>1 273</b>
<b>Total assets</b>		<b>22 070</b>	<b>19 342</b>	<b>20 304</b>

<i>(Amounts in NOK million)</i>	<i>Note</i>	<b>31-12-10</b>	<b>31-12-09</b>	<b>31-09-10</b>
EQUITY AND DEBT LIABILITIES				
EQUITY				
Contributed capital		2 700	2 700	2 700
Retained earnings		4 980	2 918	-
Non-controlling interest	1	-22	-	4 368
<b>Total equity</b>		<b>7 658</b>	<b>5 618</b>	<b>7 056</b>
PROVISIONS FOR LIABILITIES				
Deferred tax		334	31	315
Pension liabilities		345	369	325
Other liabilities	1	163	7	98
Long-term interest-bearing debt		10 456	10 644	10 872
<b>Total long-term liabilities and debt</b>		<b>11 298</b>	<b>11 051</b>	<b>11 610</b>
CURRENT LIABILITIES				
Short-term interest-bearing debt		1 301	1 696	388
Trade accounts payable and other short-term debt		1 247	977	905
Tax payable		566	-	345
<b>Total current liabilities</b>		<b>3 114</b>	<b>2 673</b>	<b>1 638</b>
<b>Total equity and debt liabilities</b>		<b>22 070</b>	<b>19 342</b>	<b>20 304</b>

## STATEMENT OF CHANGES IN EQUITY

### Statnett Group

<i>(Amounts in NOK million)</i>	Total equity	Non- controlling interest	Total equity allocated to the owner in Statnett SF	Retained earnings - other	Funds	Contri- buted capital
<b>Equity as at 1 January 2009</b>	<b>6 585</b>	-	<b>6 585</b>	<b>3 888</b>	<b>-3</b>	<b>2 700</b>
Profit/loss for the year	-480	-	-480	-480	-	-
Other comprehensive income	6	-	6	-	6	-
Changes from previous year *	6	-	6	6	-	-
Declared dividend	-499	-	-499	-499	-	-
<b>Equity as at 31 December 2009</b>	<b>5 618</b>	-	<b>5 618</b>	<b>2 915</b>	<b>3</b>	<b>2 700</b>
<b>Equity as at 1 January 2010</b>	<b>5 618</b>	-	<b>5 618</b>	<b>2 915</b>	<b>3</b>	<b>2 700</b>
Loss for the period	2 228	-25	2 253	2 253	-	-
Other comprehensive income	-6	-	-6	-	-6	-
Declared dividend	-132	-	-132	-132	-	-
Non-controlling interest	28	28	-	-	-	-
Non-controlling interests in the event of acquisition	-78	-25	-53	-53	-	-
<b>Equity as at 31 December 2010</b>	<b>7 658</b>	<b>-22</b>	<b>7 680</b>	<b>4 983</b>	<b>-3</b>	<b>2 700</b>

\* Change earlier years is related to deviation between reported figures and the final presented accounts for subsidiaries in 2008.

# CASH FLOW STATEMENT

## Statnett Group

(Amounts in NOK million)

31-12-10 31-12-09

### CASH FLOW FROM OPERATING ACTIVITIES

Profit/loss before tax	3 088	-668
Loss/ gain(-) on sale of fixed assets	-6	-3
Ordinary depreciation and write-downs	666	662
Loss/gain (-) on sales on investments on associates and joint ventures	-28	-
Interest recognised in income statement for the period	306	370
Interest received for the period	29	35
Interest paid for the period	-362	-470
Changes in trade accounts receivable/payable	-348	-525
Changes in other accruals	470	161
Profit/loss from companies using equity method	-11	-24
<b>Net cash flow from operating activities</b>	<b>3 804</b>	<b>-462</b>

### CASH FLOW FROM INVESTING ACTIVITIES

Proceeds from sale of tangible fixed assets	13	9
Purchase of tangible fixed assets and plants under construction	-1 892	-1 278
Merger NorGer Net for cash aquired	-32	-
Change in investments in associattion and joint ventures	93	-
Changes in long-term loan receivables	56	-
Changes in short-term loan receivables	-	-
Dividend received	22	1 129
<b>Net cash flow from investing activities</b>	<b>-1 740</b>	<b>-140</b>

### CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from new interest-bearing borrowings	1 250	2 202
Repayment of interest-bearing debt	-2 364	-1 251
Proceeds from sale of market-based securities	305	293
Purchase of market-based securities	-336	-357
Dividends paid	-132	-499
<b>Net cash flow from financing activities</b>	<b>-1 277</b>	<b>388</b>

<b>Net cash flow for the period</b>	<b>787</b>	<b>-214</b>
Cash and cash equivalents at the start of the period	342	556
Cash and cash equivalents at the close of the period	1 129	342

The report consist of unauidet figures.

Included under the item cash and cash equivalents as at 30 September 2010 are reserved tax withholdings to the amount of NOK 39 million in the Group.

Unused credit facilities of NOK 2000 million are not included in cash and cash equivalents above.

# NOTES

## Statnett Group

### NOTE 1 Accounting Principles

The interim accounts for the second half of 2010 are presented in accordance with IAS 34. The interim accounts do not contain all the additional information required in the annual accounts, and should therefore be read in the context of the consolidated accounts presented on 31 December 2009.

The accounting principles that have been applied for the interim accounts for the second half of 2010 are consistent with the accounting principles that were applied for the consolidated accounts presented on 31 December 2009.

In 2010, Statnett SF made an acquisition which has been included using the acquisition method in accordance with IFRS 3R. Statnett SF has chosen to include the majority's share of goodwill in the acquisition of the controlling interest of the NorGer project.

### NOTE 2 Mergers

On 28 June 2010, Statnett SF purchased shares in NorGer AS and shares in NorGer KS for approx. NOK 78 million cash. The NorGer project plans to build a subsea DC cable interconnector between Norway and Germany. NorGer AS is a general partner in NorGer KS, where the actual operation of the activities is allocated.

Statnett SF has acquired 50 per cent of the voting shares in NorGer AS and 45 per cent of the voting shares in NorGer KS. NorGer AS owns 10 per cent of the shares in NorGer KS, meaning that Statnett SF, when including indirect ownership, also owns 50 per cent of the voting shares in NorGer KS.

Following this acquisition, Statnett SF has achieved control of the NorGer project, and the companies have therefore been included using the acquisition method in accordance with IFRS 3R.

On the acquisition date, the following identifiable assets and liabilities were included in the consolidated accounts (the allocation is final):

Account items	Fair value on the acquisition date	Comments
<b>ASSETS</b>		
	<i>(Beløp i mill. kr)</i>	
Other intangible assets	14	
Other short-term receivables	1	
Liquid assets	46	
	<b>60</b>	
<b>LIABILITIES</b>		
Deferred tax	-4	
Other short-term debt	-6	
	<b>-10</b>	
Fair value of net identifiable assets	50	
Non-controlling interest	-25	The proportional share of the non-controlling ownership interest in the NorGer project's identifiable net assets amounts to NOK 25 million, and has been entered into the accounts as non-controlling interest on the acquisition date.
Goodwill	53	Goodwill has been included for majority interest only. The values that make up the included goodwill mainly relate to the licensing processes, including analyses, official studies and reports, and communication with the public authorities. The Company has submitted all necessary applications for owning and building a commercial DC interconnector between Norway and Germany. In Germany, the first part of the work on acquiring a licence to route the cable to the main grid connection point is well underway.
<b>Purchase price</b>	<b>78</b>	
Purchase obligation	-78	The non-controlling ownership interest in the NorGer project has a sales option on its assets that runs from the takeover date. This option has been included as an obligation measured at its present value of the estimated price on the remaining shares/interests.
Non-controlling interest in the event of acquisition	78	The counter item for the included purchase obligation has been distributed between non-controlling interest and other equity allocated to the owners of Statnett SF, cf. the equity statement.





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