



Statnett operates approx.
11 000 km of power lines
and cables and approx.
150 substations
throughout Norway

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The President and CEO comments on 2015

Our organisation was characterised by a high activity level and multitude of tasks in the past year, and this will continue in upcoming years. We have made good progress with developing and building a robust main grid to meet the requirements for security of supply for future generations. Construction activities are extensive and progressing well.

Our mission remains constant; we will maintain security of supply through safe and efficient operation of the power system, we will contribute to value creation and facilitate connection of renewable energy. The climate negotiations in Paris in December has strengthened the international collaboration with the aim to reduce the global CO₂ emissions. This will support the current technology development related to renewables, bringing the electric future closer.

Our strategy is robust. We will contribute to sustainable national and international development in the energy sector. The process we started around 2010, following multiple decades with little construction, requires a long-term perspective. Several power line projects all over the country have been completed in recent years, and many new ones are under construction. We are in the process of building two new interconnectors to Germany and the UK, which will be completed in 2019 and 2021. Becoming more closely connected to other power systems makes us less vulnerable to dry years, allows us to better exploit energy resources and facilitates Europe's development of more solar and wind energy.

A changing sector

The power industry is in a period of major change, where established structures and roles are under pressure. The implementation of the EU's third energy market package entails that Statnett will own the entire main grid in Norway, and that the number of grid levels will be reduced from three to two. The Government has also proposed introducing a company and functional divide for all grid companies in Norway. This has no direct consequences for Statnett, but will ensure neutrality and could over time facilitate larger entities at the distribution level.

A well-functioning power system is contingent upon good interaction between all players involved. Stronger regional entities and new technology enable us to further develop this interaction. As an example, grid companies at the distribution level will be better able to solve tasks relating to operation of their own distribution grid. Local challenges are often resolved best by those with the

best knowledge of local grid conditions. Statnett will still hold the national responsibility for security of supply in the power system.

The EU wants a Europe with strong power regions who cooperate on operating the power system and take advantage of shared resources across borders. For Statnett, the answer to this is a stronger Nordic region. A unique feature of the Nordic power system is how our production resources supplement each other. We also have a long tradition of cooperating on operation of the power system. We have intensified the strategic aspect of this cooperation through regular meetings between the CEOs of the Nordic main grid operators, among other measures. In these meetings, common challenges are discussed, such as increasingly volatile electricity generation, increased capacity exchange and potential phase-out of nuclear power plants. Our shared objective is to have an overall perspective for the entire Nordic power system and using this to act as one decision maker. This will make operation and development of the power system safer and more efficient.

Digitisation

Digitisation is an important trend that strongly affects Statnett and our industry. Our newly developed market system, LARM, connects our systems and operators with other players and stakeholders in the power market in a completely new way. The benefits from this include more optimised operation of the power system. The system has been under development for several years and was implemented in full-scale in Statnett during the autumn of 2015. We signed an agreement with Svenska Kraftnät late 2015 to collaborate on development of the system. We consider this a very positive and important step towards Nordic integration.

Another example is the establishment of Elhub AS, which was included as one of Statnett's subsidiaries from October 2015. Elhub will be the central data hub for measuring values and market processes in the Norwegian electricity market. The hub's primary functions are automated measuring value processing and measuring value distribution, as well as processing such as supplier changes, moves and reporting. Elhub will change and simplify work for all power suppliers and grid companies in Norway and will according to plan be operational from February 2017.

Digitisation and the development of new IT tools help us improve the safety and efficiency in operation of the power system. This means

that society's resources will be used more efficiently and that customers will receive higher quality services.

Our challenges

The more dependent society is on electricity, the more important it is to keep the electricity flowing. This takes us to the core of our mission – which is to supply electricity every minute, every hour and every day – year round. The "uptime" requirement is formidable, and society is becoming increasingly vulnerable to outages in the electrical supply.

Operating the main grid can be very challenging at times. This was particularly true during the first half of 2015, which was at times characterised by stormy weather with heavy precipitation and strong winds. The most severe consequences of this came at the end of January 2015, when a powerful storm raged on the coast in the north and strong winds led to power outages in large parts of Troms and Finnmark counties lasting several hours.

The summer months can also be demanding, with many outages in the grid as a result of maintenance and new grid development projects. Fortunately, both the summer and autumn of 2015 generally went by as planned and without major incidents.

Statnett's potentially greatest challenge in the short and long term involves delivering the development projects on time and within budget, with a satisfactory quality and safe execution. Many forces need to come together to make this happen. Fortunately, most projects delivered are of high-quality and according to plan. However, our HSE work did not yield the expected results in 2015.

Acceptance from society is an important prerequisite for succeeding with our plans. We have found that transparency is essential in all aspects of the process, from early planning until the installation is completed and can become operational. This was one of the reasons we changed the process related to our Grid Development Plan for 2015, to create openness and transparency and to involve relevant communities early on. We sent out invitations for dialogue meetings, requested input through hearings and met substantial interest in our plans.

Our most important objectives

Our goal leading up to 2018 is to develop an organisation that fulfils the social mission in an efficient, safe and innovative manner.



Efficient

Statnett is part of the value chain from producer to end-user. Our costs are carried by our customers and our cost level therefore affects the competitiveness of electricity supplied from the grid. In this perspective, it is important to think and act in line with the rest of the power industry. As a monopolist, we have a special responsibility to ensure cost-effectiveness in the operation of our enterprise. In 2013, I therefore initiated an efficiency improvement programme that included the entire organisation and all parts of the enterprise. The objective is to become 15 percent more efficient in 2018, while at the same time the organisation will reach a historically high investment level with associated capacity expansion. In the autumn 2015 we reported to the Board of Directors that we are making good progress and that we are seeing specific and measurable results both on the operations and investment side.

Safe

Statnett has a zero tolerance philosophy for accidents and environmental damage. HSE is high priority on our agenda and we are goal-oriented and working to reduce the number of incidents and lost-time injuries, both internally and with our suppliers. However, there was an increase in the LTIF (lost-time injury frequency) from 4.4 in 2014 to 6.4 in 2015. This is demanding. We will do everything to achieve our goal, which is to be the best at HSE among the European transmission systems operators by the end of 2017. We are therefore initiating a colleague programme in 2016, which will strengthen the safety culture and make our employees better able to work safely and have high awareness regarding work operations that can result in danger to life and health.

Innovative

Innovation is an important topic for Statnett. We have the goal of being a driving force in the industry; we will work safely and efficiently, and we will be an attractive employer and partner. We have a new strategy for our R&D operations and have allocated time and resources to be at the forefront and develop new solutions in numerous areas. In 2015, our innovation work has involved developing and testing systems to extend the construction season, using winter casting and prefabricated foundations.

2015 highlighted that Statnett and the industry are undergoing continuous change. Changing framework conditions, requirements and opportunities both shape and challenge us. We adapt and contribute to the power industry being able to deliver.



Statnett shall be the leading European TSO at HSE by the end of 2017

Safe and efficient operations now and in the future

Statnett is the Transmission System Operator in the Norwegian power system. Statnett is responsible for ensuring efficient operations and development of the power system in a socio-economic perspective. We fulfil this social mission by maintaining a reliable supply of electricity, contributing to value creation and paving the way for better environmental solutions. Statnett's most important task is to ensure safe and efficient operation of the power system at all times. Statnett shall also facilitate development of the next generation power system to meet developments in society and take advantage of the opportunities provided by technological development. Statnett must always be a safe, efficient and innovative enterprise in order to handle the tasks and challenges coming up in the years ahead.

The future is electric

Electricity is a component of the society's critical infrastructure. Digitisation, the need for climate-neutral energy carriers, establishment of new industry and population growth in the big cities are development trends that will make society increasingly dependent on a reliable supply of electricity in the years to come. Statnett's most important task is to contribute to a power system with a reliable supply of electricity – now and in the future. Through operation and development of the power system, Statnett will also contribute to Norwegian value creation and to the realisation of Norway's climate objectives.

In order to manage increased consumption, new electricity generation and additional interconnectors, Statnett has entered into a phase with a historically high investment level. Measures are also needed to safeguard security of supply. In a period with high activity level, it is essential that Statnett is looking for the most cost-effective solutions. Statnett must also ensure safe and efficient operations during the period of high development activity.

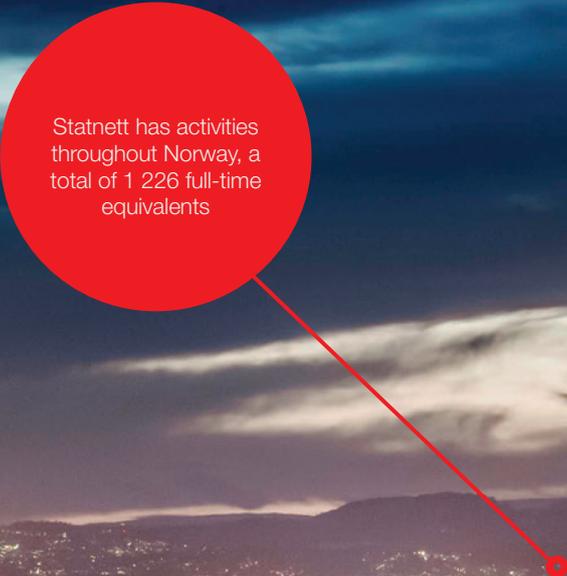
Continuous operations and development of the power system require collaboration

Statnett anticipates a need for more advanced interaction between consumption, production and power transfer, based on new technologies and market solutions in the next generation power system. Statnett aims to facilitate such a development. A constructive dialogue and coordinated efforts with power producers, grid companies, industry, the authorities and other relevant players, are vital.

Increased focus on Nordic collaboration on further development of common power systems will become even more important in the years ahead. The power systems in the Nordic countries have the same frequency, and entails that grid investments, choice of market solutions or operational reliability measures in one country affect the entire synchronised system. Extensive development of new inflexible production, shutdown of Swedish nuclear power, as well as a doubling of the transmission capacity between the Nordic region and the rest of Europe, means that a Nordic collaboration is essential for maintaining safe and efficient operations.

Statnett shall be a safe, efficient and innovative company and the owner and operator of the entire main grid

The extensive development and modification of existing grids require good operational planning and a focus on HSE. In addition, the asset base is expected to increase by 15 percent when Statnett will take over the remaining main grid as a result of the EU's third energy market packet. For Statnett's operations organisation, this means tasks in new geographical areas. The changes will take place concurrent with Statnett improving efficiency by 15 percent. Technology development and internationalisation also affect how Statnett fulfils its social mission. In summary, this means that "Statnett 2018" will be a different enterprise than the one we know today.



Statnett has activities throughout Norway, a total of 1 226 full-time equivalents

This is Statnett

Statnett is responsible for developing and operating the power grid and for ensuring that it meets society's requirements to the energy sector.

As the System Operator in the Norwegian energy system, Statnett has a clear role:

- Ensure a stable and secure electricity supply by coordinating generation and consumption
- Ensure quality in the long term by developing the Norwegian Main Grid
- Ensure accessible transmission routes by means of good maintenance practices.

Statnett is owned by the Norwegian State through the Ministry of Petroleum and Energy (MPE), which facilitates a co-ordinated and integrated energy policy.

Statnett's tasks

The main grid

Statnett is responsible for the main grid in the Norwegian power supply. The enterprise operates 11 000 kilometres of high-voltage lines and 150 substations throughout the country. Operations are monitored by one national control centre and three regional centres. Statnett is also responsible for the interconnectors to Sweden, Finland, Denmark and the Netherlands.

System Operator

Statnett is the System Operator in the Norwegian energy system. As System Operator, Statnett is responsible for safeguarding security of supply by ensuring that there is always an instantaneous balance between production and consumption, sufficient reserves, emergency preparedness in the event of various fault contingencies and correctly dimensioned and maintained facilities, etc. Statnett shall offer all players access to the main grid at equal terms. In addition, Statnett is responsible for coordinating power transmissions to our neighbouring countries.

Socio-economic operations

Statnett is responsible for ensuring efficient operations in a socio-economic perspective and for developing the main power grid. Statnett shall, alone or with others, plan and engineer, build, own and operate transmission facilities. This includes major develop-

ment projects in Norway and between Norway and Europe. The development must cover future needs for a reliable supply of electric power throughout the country.

Other social responsibilities

Acting on behalf of the Norwegian authorities, Statnett is responsible for Ediel, an international standard for electronic exchange of trading information in the power industry. Statnett is also responsible for issuing guarantees of origin to Norwegian electricity producers, and for keeping the certificate register in Norway. The Norwegian Water Resources and Energy Directorate (NVE) has granted Statnett the task of establishing Elhub, which is the Norwegian data hub for measuring values in the power market. Elhub is scheduled to start in 2017.

Organizational structure

Statnetts business is organised into four divisions, in addition to Corporate Strategy and Communications and Financial and Corporate Services. In addition, the head of the European Affairs unit reports directly to the CEO. Auke Lont is the President and CEO. See organizational structure page 12.

Technology and Development

Technology and Development plan the national grid and project development. The division is also responsible for portfolio management and for preparing analyses of the power system. R&D is a part of this division.

Constructions

The division's main responsibility is to implement Statnett's development projects, and hold the role of the builder. The division is also responsible for Statnett's emergency response unit in the event of grid faults.

System Operations, Asset Management and Markets

The division is responsible for security of supply in the enterprise. The responsibility lies in exercising the system operator responsibility in the Norwegian power system and manage ownership of Statnett's grid infrastructure and ensure efficient operations and preparedness response. The division will also ensure a well-functioning electricity market.

ICT

The ICT division operates, maintains and develops systems that monitor and control the power grid, system operation and settlement.

Corporate Strategy and Communications

The staff unit is responsible for the business strategy, communication and public affairs, as well as for follow-up of customer relations, the company's tariff strategy and international advisory services.

Corporate Staff

The corporate staff is to ensure consistent corporate governance and service delivery within the HSE, corporate management, legal advice, human resources and accounting and finance. In addition, the corporate staff is responsible for grid transactions.

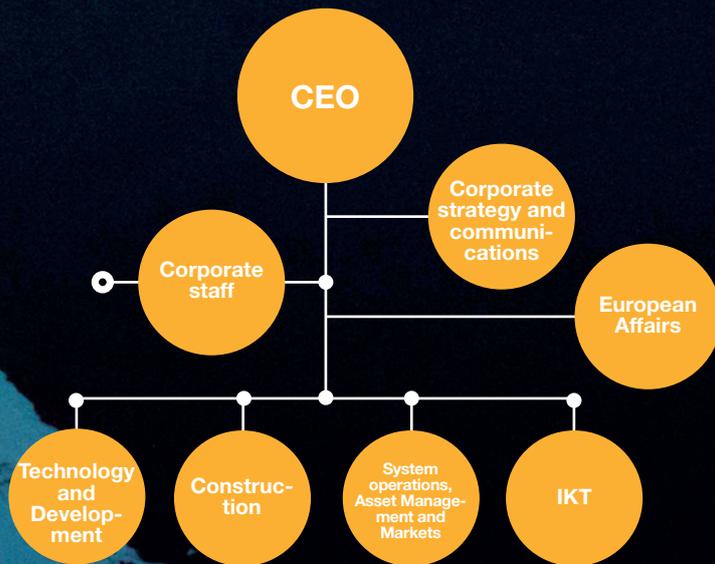
European Affairs

European Affairs is responsible for strengthening and coordinating Statnett's activities in EU and towards the European market. The head of the unit reports to the CEO.



Statnetts business is organised into four divisions, in addition to Corporate Strategy and Communications and Financial and Corporate Services.

Organizational structure



Presentation of the Group management

Auke Lont

President and CEO

Auke Lont holds a Master's degree in Econometrics from Vrije University in Amsterdam. He became President and CEO of Statnett in February 2009 after having held the position of CEO with the consulting company Econ in Norway and South Africa. Auke Lont has previously held top executive positions in Statoil and was the CEO of Naturkraft AS. He has more than 30 years' experience from the energy sector. Auke Lont is chairman of the Institute for Energy Technology, and was appointed as a board member in the recently established Railway Infrastructure Enterprise (Jernbaneinfrastrukturforetaket).

Bente Monica Haaland

Executive Vice President Strategy and Communications

Bente M. Haaland holds an MSc in engineering from the University of Aberdeen and Master in management from BI Norwegian Business School. She has 20 years' experience from the energy sector, thereof 15 with Statnett. Before, Bente M. Haaland was the director of power system analysis in Statnett's operations division. She has also worked for Statkraft and the Eclipse Energy Group. Bente M. Haaland was a member of Statnett's User Council on behalf of EBL from 2008 to 2010 and has been a board member in Statnett Insurance.

Håkon Borgen

Executive Vice President Technology and Development

Håkon Borgen is a chartered engineer within electrical power from the Norwegian University of Science and Technology (NTNU) and Technische Hochschule Darmstadt (THD) in Germany. He has 23 years of experience from the energy industry within engineering and management. Håkon Borgen has held numerous management positions in BKK and Statnett. In Statnett, he has spent the past ten years as executive vice president heading business areas within system operations and grid development. Håkon Borgen is currently heading the Technology and Development business area, which is responsible for power system development, project development and the cable projects to Germany and the UK.

Elisabeth Vike Vardheim

Executive Vice President Constructions

Elisabeth V Vardheim holds a Master of Science in petroleum geology/finance from the Norwegian University of Science and

Technology (NTNU) and a business degree from BI Norwegian Business School. She has also taken a Master module in board governance. Elisabeth V Vardheim has held several management positions in Statnett since she started in 2007, including director of project development and licensing, and director of the project owner area in the Projects Division. Elisabeth V Vardheim has many years of experience from management positions in public administration within different sectors and has been project manager for several development projects including for the builder's organisation for the Lillehammer Olympics in 1994.

Øivind Kristian Rue

Executive Vice President, System Operations, Asset Management and Markets

Øivind K. Rue holds a Master's degree in Political Science from the University of Oslo. He has worked for Statnett since 2007, and has held multiple management positions in the enterprise. Øivind K. Rue heads the Regional Group Nordic in ENTSO-E responsible for coordinating the operations in the Nordic synchronous area. He was formerly Director of Saga Petroleum AS and Deputy Assistant Director General at the Norwegian Ministry of Trade and Industry. Øivind K. Rue is a board member in Eksportkreditt and emergency team leader in Statnett.

Peer Olav Østli

Executive Vice President ICT

Per O. Østli holds a Master of Science in Informatics and also has post-graduate management training from Henley Management College. He has worked for Statnett since 2007. Per O. Østli has over 20 years' experience of technology management from the telecom, media and IT industries, including various positions with Telenor and Schibsted.

Knut Hundhammer

Executive Vice President, CFO and Chief of Staff

Knut Hundhammer was educated at the Norwegian Military Academy and has an MBA from Wharton School of Business in the US. He has worked for Statnett since 2011. Knut Hundhammer has previously held positions such as senior vice president/CFO in Finansbanken ASA, senior vice president/CFO in Høegh Autoliners, President and CEO for the commercial shipping division in the Klaveness group and consultant in McKinsey & Co.

Bente
Monica
Haaland

Håkon
Borgen

Elisabeth
Vike
Vardheim

Auke
Lont

Øivind
Kristian
Rue

Peer Olav
Østli

Knut
Hundhammer



Highlights 2015



Lofotringen sections now part of the main grid

As of 1 January 2015, some of the Lofotringen power supply lines became part of the main grid and Statnett assumed ownership for them. This includes the power line from Hinnøy to Sortland and Melbu in Vesterålen and onwards to Kvitfossen in Lofoten.

International interconnectors to Germany and the UK are in the execution phase

In 2015, Statnett's Board of Directors made investment decisions for interconnectors to Germany and the UK, and has initiated execution of the projects in cooperation with partners in the respective countries. The cable to Germany is scheduled to be completed in 2019, with commercial operation from 2020, and the cable to the UK is scheduled for commissioning in 2021. Both projects have high priority and are important for the development and integration of the Northern European power system. Power exchange capacity generates value in Norway. Moreover, the projects will support the ambitions to increase generation of renewable energy throughout the region and help meet the EU's climate and energy targets. Along with its partners, Statnett has entered into contracts that pledge considerable amounts over the next six years.

Investment decision made for the entire Western Corridor project package

Statnett's Board of Directors has made an investment decision for the Western Corridor project. The Western Corridor is the main grid connection between Kristiansand and Sauda, and is an important prerequisite for realising the international interconnectors. In addition the project will increase security of supply in southern Norway and facilitate investment in renewable energy in the area. The project comprises construction of eight substation facilities, about 250 kilometres of new power lines, removal of approximately 200 kilometres of existing power lines and insulation upgrades from 300 kV to 420 kV on about 270 kilometres of existing power lines.

Statnett's 2015 Grid Development Plan presented

Statnett's 2015 Grid Development Plan was submitted for consultation in April, and consultation responses were received in June. The plan comprises grid projects totalling NOK 40-55 billion over the next five years. This is the first time Statnett has involved external parties and implemented consultation in the work on its Grid Development Plan, which was positively received. The final version of the 2015 Grid Development Plan was presented on 1 October. The 2015 Power System Assessment, which is an extended version of the Grid Development Plan, was updated and submitted to the Norwegian Water Resources and Energy Directorate (NVE) at the same time.

Planned power is connected to the grid

Before the summer, Statnett introduced a scheme for assigning available capacity in the main grid for new electricity generation. Statnett has received applications and granted grid connection for 760 MW of new generation in Southern Rogaland, 64 MW in Indre Sogn, 216 MW connected to the new Ertsmyra-substation and 50 MW in Finnmark. The award scheme will contribute toward creating predictability for investors and prevent suspended projects from blocking new projects.

Wind power Central Norway

Statnett's Board of Directors has made an investment decision for the sub-sections Namsos – Åfjord and Snilldal – Surna, which are part of the licensed, continuous power line between Namsos and Surna. These projects facilitate the planned wind power development in Central Norway, and an investment decision was made in February 2016 triggering 1000 MW of wind power in the area. Given the Board of Directors' decision to start construction, Statnett will start the development in May/June 2016. Both sub-sections are scheduled for completion in 2019.

Ørskog-Sogndal nearing completion

More than 90 percent of the Ørskog – Sogndal project was completed at the end of 2015. The entire section from Ørskog to Ålfoten has been brought into operation at 420 kV. Statnett has been given the necessary access to complete the entire section in 2016. This project is important to ensure a more reliable power supply to Central Norway and facilitates the renewable energy projects that are on hold in Sogn og Fjordane and in Sunnmøre.

Elhub wholly-owned subsidiary of the Statnett Group

As of 1 October, the Elhub project become operative as a separate wholly-owned subsidiary of the Statnett Group. Elhub is a separate operations area assigned to Statnett by the NVE through the energy settlement licence, and will support future requirements for metering and distribution of metering values in the Norwegian electricity market. Commissioning of Elhub is scheduled for February 2017.

Better capacity calculations for NorNed

Implicit loss handling in capacity calculations was introduced on the NorNed cable in November. This means that power trading will not take place on the interconnector when congestion revenues are lower than loss costs.

Cooperation with Svenska kraftnät on LARM

Statnett has entered into an agreement with Svenska kraftnät (SvK) regarding collaboration on the new regulation and market system LARM, a joint IT system for balancing the Nordic power system. The cooperation enables potential savings for consumers as the two companies will split the costs of developing and managing the system.

Establishment of a Coordinated Balancing Area in the Nordic region

In December, the Nordic transmission system operators Statnett, Fingrid, Svenska kraftnät and Energinet.dk decided to establish a Coordinated Balancing Area (CoBA). The introduction of CoBA is part of ensuring compliance with the new European regulations on balancing of the electricity market.

Statnett takes over main grid sections from BKK

Statnett and BKK Nett have entered into an agreement concerning the sale of BKK Nett's existing main transmission grid to Statnett as of 2016, as well as future takeover of the new main transmission grid, including the new power line on the Kollsnes – Mongstad – Modalen section which is under construction. The background for the transaction is that the EU's third energy package, which is expected to be adopted into Norwegian law, requires that all facilities in the main transmission grid will have to be acquired by Statnett.



During 2011-2015, Statnett has constructed 700 km of new power lines and upgraded more than 340 km power lines

Financial framework conditions

Statnett's revenues

Statnett's reported revenues consist of grid tariffs from the main grid customers as well as congestion revenues. Congestion revenues arise as a result of transmission of power from low-price areas to high-price areas in the Nordic region and between Norway and the Netherlands. Grid tariffs are stipulated prior to each calendar month.

The revenues are adjusted and controlled by the authorities through the Norwegian Water Resources and Energy Directorate (NVE) and an annual permitted revenue (revenue cap) is stipulated. The intention is to set the cap at a level that allows Statnett to cover the costs of grid development and maintenance, and provides a fair return on grid investments, assuming that the transmission grid is operated, utilised and developed in an efficient manner.

If the actual revenues diverge from the permitted revenue, higher or lower revenue will occur. In accordance with regulations from the Norwegian Water Resources and Energy Directorate, higher/lower revenue should be evened out over time through adjustment of future grid tariffs. Consequently, the higher/lower revenue represents temporary amounts in Statnett's accounts.

To better understand Statnett's underlying profit, some key figures are presented corrected for higher/lower revenue.

Revenue and result development

Since 2009, Statnett has had significant higher/lower revenues. This has resulted in major fluctuations in Statnett's recognised operating revenues and operating profit. Revenues and profit or loss adjusted for higher/lower revenue show that underlying activities are much more stable than indicated by the accounting figures, including higher/lower revenue. The increase in underlying revenues and result from 2013 is mainly due to a change in the model for calculating the NVE interest rate, which yields an increased rate of return on grid capital. Revenues as well as profit or loss have increased in 2013-2015 on the basis of increased grid capital as a result of high investments and multiple commissioned facilities during this period.

Higher/lower revenue development

Statnett achieved a lower revenue in 2015. This was due to a planned reduction in accumulated higher revenue by keeping the tariffs lower than the permitted revenue would indicate. The reduction in higher revenue was somewhat lower than planned, as the congestion

revenues were higher than estimated. Accumulated higher revenue including interest was NOK 1 346 million at the end of 2015.

2011: Accumulated higher revenues amounted to NOK 1 554 million at the end of 2010. As a result, somewhat lower tariffs were stipulated for 2011. As the congestion revenues were higher than expected in 2011 the higher revenue nonetheless totalled NOK 1 064 million.

2012: On the basis of accumulated higher revenue, the tariffs were further reduced in 2012. The congestion revenues remained higher than anticipated, and Statnett's higher revenue amounted to NOK 838 million in 2012. Accumulated higher revenue including interest was NOK 3 455 million at the end of 2012.

2013: Significantly lower tariffs were set for 2013 in order to reduce accumulated higher revenue. This, in addition to lower congestion revenues than assumed and a change associated with the setting of actuarial gains/losses on pensions to zero as of 1 January 2013, contributed to a lower revenue of NOK 1 042 million in 2013. Accumulated higher revenue including interest was NOK 2 413 million at the end of 2013.

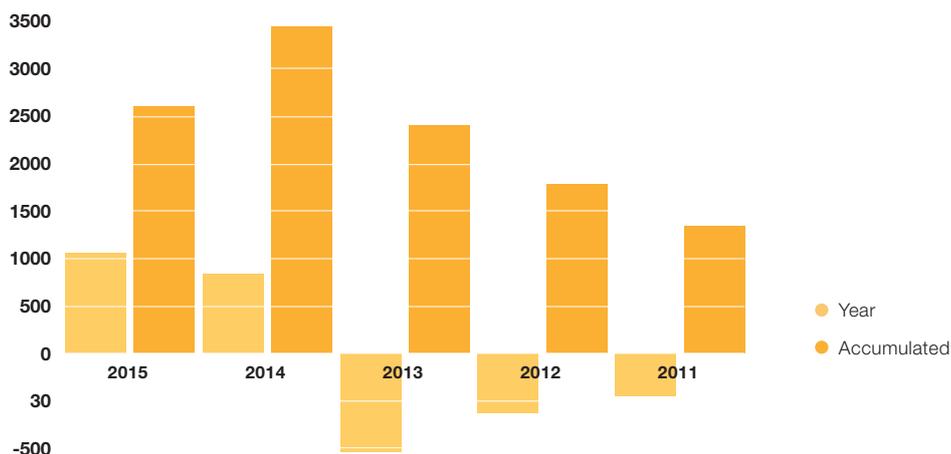
2014: In order to further reduce the accumulated higher revenue, the tariff for 2014 was also kept at a low level. Congestion revenues were somewhat lower than assumed and contributed to a reduction in the accumulated higher revenue. Statnett achieved a lower revenue of NOK 623 million in 2014. Accumulated higher revenue including interest was NOK 1 790 million at the end of 2014.

2015: The fixed tariff for consumption increased in 2015 based on an expected increase in permitted revenue for Statnett, which is mainly a result of increased investments. Congestion revenues were higher than assumed and contributed to a smaller reduction in the accumulated higher income than planned. Statnett achieved a lower revenue of NOK 444 million in 2015. At year-end 2015, accumulated higher revenue, including interest and changes for previous years, was NOK 1 346 million.

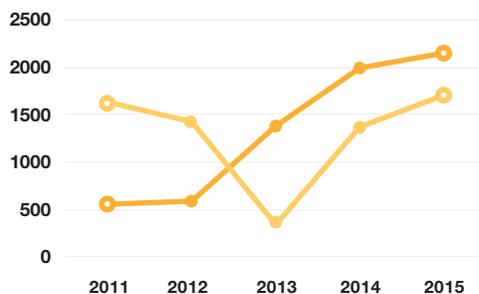
Repayment of higher revenue

Statnett has formulated a price strategy which sets guidelines for stipulation of the annual main grid tariff. In accordance with the guidelines from the Norwegian Water Resources and Energy Directorate (NVE) Statnett emphasises consideration for stable and

MNOK Statnett's higher/lower revenue over time

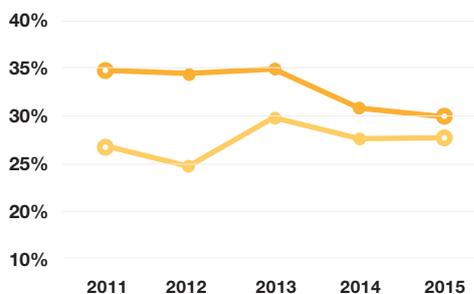


MNOK EBIT adjusted for higher/lower revenue



● EBIT (IFRS) ● EBIT adj. higher/lower revenue

Equity share



● Equity share ● Equity share, adj. higher/lower revenue

predictable grid tariffs over time. Consequently, repayment of higher revenue will take place over several years.

The investment level affects revenues and the balance sheet

There has been a steady increase in investments since 2009, and in 2013, investments doubled compared with the previous year. Investments have remained at the same level during the 2013-2015 period, approx. NOK 6 billion, and this confirms that Statnett has achieved an investment pace that is necessary in order to realise the Group's development plans. Parts of Statnett's investment are finished projects, that contribute to Statnetts allowed revenue

and part is projects under construction, which to not contribute. Net interest-bearing debt has grown in line with the investment level.

Statnett's equity reported in the financial accounts includes accumulated higher/lower revenue. To show Statnett's real equity, equity is adjusted for accumulated higher/lower revenue after tax. As investments have increased in recent years, the adjusted equity ratio has been reduced. In December 2013, it was decided to increase Statnett's equity by NOK 3 250 million, and in January 2014, Statnett received the new equity. The equity ratio adjusted for accumulated higher/lower revenue after tax is 28 percent at the end of 2015.

Key figures

Highlights profit & loss -Statnett group

(amounts in NOK million)

	2015	2014	2013	2012	2011
Reported figures					
Revenue	5 906	5 563	4 561	5 334	5 497
EBITDA	3 340	2 528	1 394	2 260	2 426
Operating profit / EBIT	1 714	1 378	346	1 433	1 628
Profit before tax	1 410	1 120	89	1 162	1 357
Profit after tax	1 103	829	82	837	1 000

Adjustments

Accumulated higher/lower (+/-) revenue	1 346	1 790	2 413	3 455	2 617
Changes in accumulated higher/lower (+/-) revenue	-444	-623	-1 042	838	1 064

Underlying figures

Revenue	6 350	6 186	5 603	4 496	4 433
EBITDA	3 784	3 151	2 436	1 422	1 362
Operating profit / EBIT	2 158	2 001	1 388	595	564
Profit before tax	1 854	1 743	1 131	324	293
Profit after tax	1 427	1 284	832	234	234

Highlights balance sheet

Investments	5820	6 037	6 375	3 152	2 384
Tangible fixed assets	30 215	27 515	21 472	17 805	17 396
Net interest-bearing debt, adjusted for fair value hedges	23 257	21 458	19 355	13 458	11 826
Equity	13 605	12 629	12 135	8 852	8 277
Equity adjusted for higher/lower revenue after tax	12 622	11 322	10 374	6 364	6 393
Total assets	45 547	41 107	34 897	25 794	23 881
Capital employed	35 859	31 271	27 017	21 807	19 739

Operational key figures

Employees, total	1 226	1 119	1 074	986	913
Km power lines in operation	10 295	10 149	10 100	9 839	9 839
Km land and subsea cables	808	794	703	703	703
Lost-time injuries, own employees	11	4	5	8	18
Lost-time injuries, including contractors	28	19	39	26	23
Greenhouse gas emissions (CO ₂ -equivalents) ¹	41 465	35 220	35 763	-	-
Hours with N-0 operations	1 335	1 482	1 221	1 586	2 820
Customer satisfaction (score)	71	66	70	69	71

¹ Improved reporting, comparable numbers are not available for 2011 and 2012.

Corporate Social Responsibility 2015

Statnett's social mission is to ensure a reliable supply of electricity, contribute to value creation in society through an efficient and well-functioning power system and pave the way for better environmental solutions. This social mission shall be resolved in a responsible and socio-economically efficient manner, which entails that social and environmental considerations are integrated in the Group's development and operations in a manner that goes beyond the requirements that follow from statutes and regulations.

Corporate social responsibility (CSR) in Statnett is about understanding the expectations of the community, and handling these expectations in a manner which generates mutual trust and respect. By doing so, CSR will deliver performance excellence and capacity which will ensure that Statnett meets its main objectives.

1. Managing corporate social responsibility

State-owned enterprises must work systematically and be at the forefront of corporate social responsibility, climate and the environment. Statnett must show that good results can be achieved without affecting the Group's ethical standard. All employees are responsible for familiarising themselves with Statnett's management system and ethical guidelines, as well as complying with current principles, guidelines and requirements in their daily work.

The Board of Directors has the overall responsibility for corporate social responsibility in Statnett. In addition to the ethical guidelines, the Board of Directors has established a management policy for corporate social responsibility. This policy specifies which principles Statnett shall use as a basis in order to safeguard its corporate social responsibility and covers areas such as climate and the environment, anti-corruption, safety and human and labour rights. The Board of Directors is also responsible for ensuring that corporate social responsibility is incorporated in Statnett's strategy and goals, as well as ensuring that this is followed up with results. The President and CEO regularly briefs the Board of Directors concerning matters that relate to financial, environmental and social topics. HSE performance is reported to the Board of Directors on a quarterly basis, whereas environmental performance and compliance are reported through the annual report.

The President and CEO is responsible for ensuring that Statnett's

framework for corporate social responsibility is updated and that it is integrated in corporate governance. The line management is responsible for ensuring that the organisation is familiar with the policy for corporate social responsibility and that it is implemented and complied with. Goals within corporate social responsibility are prepared in connection with the Group's annual scorecard process, which encompasses the entire organisation. Internal reporting and follow-up take place through quarterly performance follow-up in the line.

Both group management and the Statnett's Board of Directors approve Statnett's corporate social responsibility report and ensure that all important topics have been covered.

Priority areas

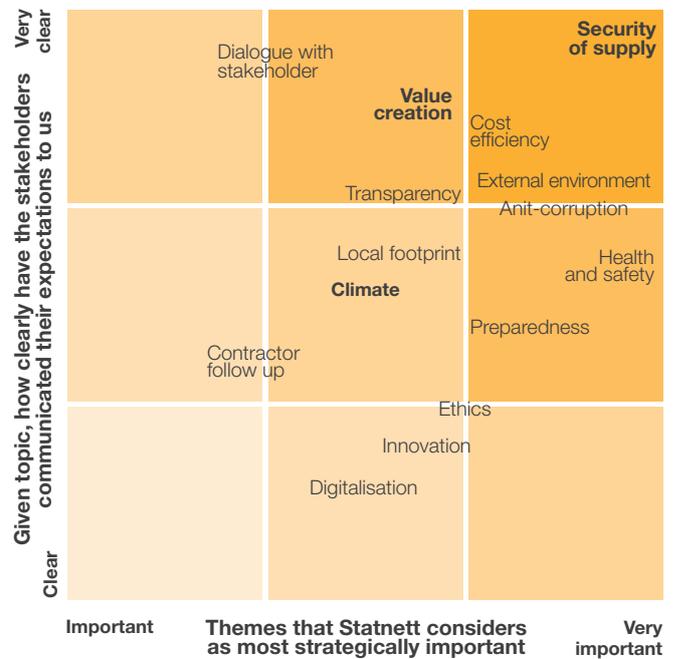
Statnett's activity affects users of the power grid and a variety of stakeholders in society at large. In 2015, Statnett completed an analysis mapping of which social, financial and environmental factors that are most important for Statnett to manage, monitor and report on. The analysis reflects what Statnett considers to be the most important factors that follow from its activities, while at the same time clarifying what the stakeholders are most concerned with in their dialogue with Statnett.

The identification of the stakeholders' views is based on a comprehensive assessment of the range of stakeholders based on results from Statnett's client survey and other dialogue with stakeholders. The topics included in the materiality matrix below have been selected based on their importance in relation to the manner in which Statnett operates. The topics security of supply, value creation and climate are Statnett's three strategic primary objectives, whereas the other topics are obtained from key policies that govern how Statnett solves its mission.

The matrix is firmly rooted in Statnett's Group management and the Board of Directors.

Dialogue with stakeholders – involvement and transparency

Good interaction with stakeholders is important in order to promote responsible operations, both over the short and long term. Statnett's most important stakeholders include customers, suppliers, the authorities, trade associations and unions, landowners, special interest groups, the general public and own employees.



Statnett engages in active dialogue with the stakeholders, as part of the company's daily activities and through other activities and projects. The dialogue is comprehensive and takes place at, for instance, regular meetings and during consultation processes relating to grid developments and specific development projects. For more information about stakeholder dialogue in connection with development and construction projects, see the "Local footprint" section.

Every other year, Statnett publishes its Grid Development Plan. The plan is one of Statnett's key planning documents. Open meetings were held in the spring of 2015 to pick up on needs and receive input to the plan's content. The meetings involved customers, authorities, environmental groups and special interest organisations as well as other stakeholders. The draft 2015 Grid Development Plan was submitted for consultation on 9 April. A consultation process was conducted with positive feedback and a final version of the Grid Development Plan was published on 1 October.

A Market and Operations Forum was established in 2013 in order to ensure sound communication with users of the main grid. The main purpose of the Market and Operations Forum is to give our customers an opportunity to provide input and advice to Statnett in connection with issues relating to planning, operation and market conditions. Emphasis will be placed on issues where Statnett will make fundamental and strategic decisions. The Forum has an advisory role for Statnett's administration and Board of Directors.

With approximately 1 200 employees and trade union membership of more than 70 percent, it is important to maintain a good dialogue between the parties to create a good cooperative environment. This applies to statutory discussions and negotiations, as well as to HR

issues and conflicts of interest. The mutual trust that has been established between the parties over several decades is one of the main reasons why Statnett and the employee organisations, in most instances, are able to find good solutions together and avoid unnecessary disputes. Dialogue with employee organisations and their central unions, as well as good contracts, are also essential for ensuring that foreign contractors comply with Norwegian wage and working conditions as well as Norwegian working hour provisions when performing work for Statnett.

See also section eight about "Local footprints".

Knowledge communication

Statnett's upcoming major main grid investments increase the need for broad knowledge and a good reputation. This is also essential for recruitment purposes.

Statnett conducts regular reputation surveys. Statnett's reputation is mainly affected by how the outside world perceives the Group's products and services, management, environmental concerns and working conditions. Confidence in Statnett has remained stable in spite of Statnett's responsibility for projects that have sparked significant public debate in recent years. In 2015, 65 percent of the population was confident that Statnett will provide a secure supply of electricity, which is on a par with 2014. Customer satisfaction among customers directly linked to the main grid has remained relatively stable, with a score of about 70 of a total of 100 points in recent years. Customer satisfaction was 71 in 2015.

Over the course of 2015, Statnett has entered into agreements with science centres in all regions. The objective of these agreements is

Table 1 Security of supply	Unit	2015	2014	2013
Frequency deviations	Minutes	10 616	10 232	11 410
Periods with N-0	Hours	1 335	1 482	1 221

Table 2 Creation of value	Unit	2015	2014	2013
Employees - wages and social benefits ¹	NOK million	1 011	1 141	1 039
National and municipal taxes and fees ²	NOK million	707	613	288
Lenders - interests	NOK million	514	527	479
Owner - dividend ³	NOK million	357	321	0
Company - Retained equity	NOK million	940	98	150

Table text¹ Wage costs excluding employer's contribution.² Tax charge, property tax and employer's contribution.³ Proposed dividend 2015

to ensure knowledge dissemination, as well as to stimulate interest in science subjects and knowledge about topics linked to the power system. Statnett also wishes to make a positive contribution to local communities and supports local activities.

2. Security of supply and preparedness

Statnett SF is the transmission system operator in Norway and owns most of the main grid. Statnett's social mission is to contribute to a power system that is operated efficiently and to safeguard a secure supply of electricity – now and in the future.

In 2015, Statnett invested a total of NOK 4 992 million in grid facilities. Statnett's largest grid and substation investments are described in more detail in the Board of Directors' report and on Statnett's website.

Statnett operates on the main principle that there should be two alternatives for power supply into an area. This is referred to as N-1. This implies that the power supply must remain intact even when parts of the grid suffer outages. Statnett measures security of supply by e.g. registering periods with only one barrier against power outages in the main grid, N-0. The measurements show which areas are vulnerable and therefore which areas should be prioritised in future grid developments. N-0 in 2015 somewhat exceeded the target level as a result of periods with extreme weather in the first quarter. Frequency deviations are another indicator of risk in the power system, and have been in line with goals in recent years. Projects that are scheduled to be completed in the coming years will further strengthen security of supply, including in Northern and Eastern Norway.

3. Value creation and cost effectiveness

Statnett's operations generate value both directly and indirectly. The direct value creation is presented in the Group's accounts and is allocated to the owner, authorities, employees and lenders. Indirectly, value creation is ensured through, for instance, export of power surplus, increased activities in other companies as a result of Statnett's investments in infrastructure and purchase of goods and services.

The Group aims to increase cost efficiency by 15 percent by the end of 2018, based on the 2013 cost level. The results so far show

that Statnett expects to reach the objective in 2018. An important objective is to realise the potential for economies of scale inherent in the combination of existing facilities, new commissioned facilities and acquisition of the remaining part of the main grid as a consequence of the EU's third energy market package.

Statnett received an equity injection totalling NOK 3.25 billion in 2014. In connection with this decision, no dividend was disbursed for 2013. The dividend for the 2014–2016 period has been stipulated at 25 percent of the fixed basis in accordance with Statnett's application related to the capital increase. Proposed dividend for 2015 is NOK 357 million.

4. Ethics and anti-corruption

Statnett's role in the Norwegian power system requires high credibility and integrity, and the work on ethics is one of the cornerstones that must be in place in order to secure this role. The Board of Directors has adopted ethical guidelines. The basic ethical principle is that Statnett has absolute requirements related to integrity and must not deviate from its ethical guidelines. Statnett's ethical guidelines require its employees to:

- Comply with statutes, regulations and human rights
- Act with honesty and integrity
- Aim for openness, compliance and transparency in the organisation
- Act in a manner which secures Statnett's neutrality, integrity and credibility
- Not receive or give gifts or services that may affect business conduct or independence

Managers are responsible for making the ethical guidelines known, and ensure that they are being complied. Statnett has also appointed an Ethics Ombudsman whose duty is to strengthen the legal protection of employees and to help uncover censurable conditions within the company.

The Ethics Ombudsman shall be a function where Statnett employees anonymously or in confidence can raise an issue which the employee would like highlighted. Furthermore, the Ethics Ombudsman is responsible for receiving and considering censurable conditions notified by people other than Statnett employees.

The Ethics Ombudsman scheme has helped put ethics higher on Statnett's agenda and make staff far more aware of ethical issues. The Ethics Ombudsman is a fixed item on the programme in all introduction courses for new employees, and the Ombudsman scheme is also communicated via the Intranet and Statnett's website. The Ethics Ombudsman reports annually to the President and CEO and to the Board of Directors concerning the number of notifications and the number of cases dealt with.

Statnett has zero tolerance for corruption, and no cases were recorded in 2015. Statnett's legal department is in the process of preparing an anti-corruption programme that will be introduced in the organisation in 2016. There were no accusations of corruption or discrimination in 2015.

5. Climate and the environment

The climate represents one of Statnett's three strategic focus areas. Statnett's development of the main grid is important in order for Norway to reach its climate goals. At the same time, it is important to respect the natural environment during development and operation of our grid facilities. Statnett emphasizes therefore always better utilization of existing grid corridors, including through voltage upgrades and potential restructuring and redevelopment of older power lines during planning of the development of the power system. This strategy provides significant increase in grid capacity with only limited use of new natural areas. At the same time, the transmission losses are being reduced and greenhouse gas emissions as a consequence of this, so that more of the power produced reaches the consumer and does not disappear as heat loss along the way.

Climate and energy

Power can be produced from a number of sources. Power from renewable energy sources is the backbone of the future climate-friendly energy system. Statnett's most important contribution to reduced greenhouse gas emissions is the development of the next generation power system, which facilitates the connection of new renewable energy from both hydropower and wind power locally

in Norway and from solar and wind power in Europe. Construction of interconnectors to Germany and the UK will help ensure security of supply and balance variations in German and British renewable power production throughout the day. Development needs due to new renewable energy amount to 14 percent (NOK six-eight billion) of the planned grid investments over the next five years totalling NOK 40-55 billion. One of the largest projects related to renewable energy is power line construction in Central Norway for connection of wind power. There are also a number of projects where facilitation for new renewable energy is part of the reason for development; an estimated additional NOK 26 billion.

Climate adaptation

Climate change affects Statnett's operations. A hotter and wetter climate may improve the energy and power balance, whereas more extreme weather may increase the strain on parts of the Norwegian power system. Wind is the most frequent reason for power outages, accounting for nearly 30 percent of outages. Climate models do not indicate more or stronger wind in general over the next years, but stronger storms may affect the power grid and cause power outages. Statnett has therefore commissioned several reports in recent years in order to map how this affects the activities, for example physical stress on the facilities and the impact on the energy and effect balance. In 2015, Statnett commissioned a new report based on the national climate report "Climate in Norway 2100". This report indicates an amplification of the current picture where the most strained areas will suffer a higher climate impact, whereas the impact in lower-lying areas will be reduced. The scope of the changes is to a large extent dependent on future emissions and the subsequent temperature changes.

Environmental impact of Statnett's operations

Environmental management is incorporated into Statnett's quality assurance system. Internal decisions emphasise the natural environment and the environment on a par with technical and financial considerations. Statnett has established an HSE policy which comprises the external environment. The policy describes principles and

Table 3 Environmental topics	Main goals
Climate	<ul style="list-style-type: none"> Facilitate realisation of Norway's climate goals. Minimise the environmental footprint from own operations.
Landscape and area of land without major infrastructure development	<ul style="list-style-type: none"> Seek out solutions that provide a good esthetic adaptation to the surroundings and avoid area of land without major infrastructure development.
Biodiversity	<ul style="list-style-type: none"> Seek out solutions that avoid interventions in protected areas and take into consideration important function areas for animal life, with special emphasis on threatened animal species.
Cultural heritage sites	<ul style="list-style-type: none"> Seek out solutions that safeguard cultural heritage sites and cultural landscape.
Housing, exposure and electromagnetic fields	<ul style="list-style-type: none"> Follow up the authorities' precautionary principle in relation to electromagnetic fields and health. Examine solutions where average magnetic field over the year from new facilities is being kept under 0.4 µT (microteslas) near permanent settlements.
Outdoor recreation	<ul style="list-style-type: none"> Seek out solutions that safeguard outdoor recreation.
Pollution, noise and waste	<ul style="list-style-type: none"> Transmission facilities shall be designed and built such that they cause minimal emissions to the surroundings during production, installation, operations, maintenance/repair, fault situations and disposal. Contribute to ensure that new power lines and substations are designed such that they take into consideration the effect of noise on the surroundings. Reduce the volume of waste, e.g. by selecting the right materials, optimal maintenance that extends the lifetime and considering upgrades instead of disposal and new construction.

procedures to protect the environment that is affected by Statnett's activities.

The overall responsibility for the environment is safeguarded by the Group management. The director of HSE and HR has, along with the director of quality and risk, responsibility for shared HSE and quality systems for the Group, whereas the professional responsibility for the natural environment is assigned to the head of section for area and the environment. Managers at all levels are responsible for safeguarding the environment in their own units, both as regards their own environmental impact and reporting of results. Each division has its own HSE resources that assist with this. In the larger projects, the project manager receives assistance from an environmental advisor.

Statnett has set a number of environmental goals and related performance indicators within the topics presented in table 3, where the impact on climate, landscape and biodiversity is the most important.

Statnett has an environmental management system certified according to ISO 14001:2004 and all Statnett's office buildings have been certified as Eco-Lighthouses. Both the environmental targets and indicators for fulfillment of these will be revised over the course of 2016. Statnett works systematically on preventive environmental initiatives

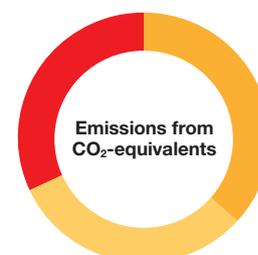
to reduce the risk of serious incidents, from the early planning phase, through the construction phase and in the operational phase.

Environmental incidents are reported both in project reporting to the project owner and in HSE reporting to the Group management. In 2015, 403 incidents occurred, compared with 316 incidents the year before. The increase was due to the combination of a higher activity level and increased focus on incident reporting. There were no incidents with serious spills or environmental damage (red category), but there have been two incidents involving major environmental damage (yellow category). Both were linked to terrain damage in connection with construction activity. Several incidents involving spills of oils and fuel occurred, but none of these were serious. All incidents with spills have been cleaned up.

Emission of greenhouse gases from own operations

In 2015, Statnett transported a total of approximately 127 TWh, with greenhouse gas emissions totalling 41 465 tonnes CO₂. This corresponds to emissions of 0.33 grammes CO₂ per kilowatt hour transported in the main grid. Transmission loss in the grid totalled 24 940 tonnes CO₂, close to 60 percent of the operations' overall emission. Grid loss is unavoidable in the transmission of power, but is generally reduced when the voltage level increases. Voltage upgrades of existing power lines and substations, which is important for implementing Statnett's

Table 4 Emissions in tonnes of -equivalents	2015	2014	2013
Direct emissions (scope 1)			
From fuel consumption	1 907	1 442	1 406
From company car travel	190	201	253
From fugitive emissions (SF6)	6 210	5 497	7 385
From back-up power plants (natural gas)	2 369	1 728	2 190
Total scope 1	10 677	8 868	11 234
Indirect emissions (scope 2)			
Use of electricity	135	160	178
Grid loss	24 940	24 550	22 870
Total scope 2¹	25 075	24 710	23 048
Other indirect emissions (scope 3)			
From company air travel	1 875	1 642	1 481
From helicopter use	3 839	N/A	N/A
Total scope 3	5 714	1 642	1 481
Total emissions²	41 465	35 220	35 763



- 2015: 41 465 tonnes CO₂
- 2014: 35 220 tonnes CO₂
- 2013: 35 763 tonnes CO₂

Table text

¹ Figures in the table show emissions according to the location-based method of calculation. Total emissions for scope 2 according to the market-based method in 2015 is 1 236 182 tonnes of CO₂. Market- and location-based according to the GHG Protocol, scope 2 Guidelines, the emission factor is 493 tonnes CO₂/GWh from NVE.

² Figures in the table show emissions according to the location-based method of calculation. Total emissions in 2015 according to the market-based method are 1 253 060 tonnes CO₂. Market- and location-based according to the GHG Protocol, scope 2 Guidelines, the emission factor is 493 tonnes CO₂/GWh from NVE.

Table 5 Statistics SF6	Unit	2015	2014	2013
Levels as of 31 Dec.	kg	119 559	121 603	117 532
SF6 emissions	kg	260	230	309
Number of substations		23	24	24

Table 6 Forms of protection	Number of protected areas	Kilometers power line	Area (km ²)
Biotope protection pursuant to the Wildlife Act	4	87	3.5
Animal protection area	10	44	1.8
Landscape protection area	15	138	5.5
National park	1	4	0.2
Nature reserve	65	109	4.4
Protected plant area	1	1.3	0.1
Total	96	383.3	15.3

strategy, will contribute toward reducing grid loss, in addition to increasing capacity in the grid without utilising new area for new construction. Transmission loss vary from power line to power line and amounts to approximately two percent of the total transported power. All emissions are calculated according to the GHG Protocol based on the location method. According to the market-based method of calculation, which excludes sales of guarantees of origin, emissions from transmission loss are 1 229 543 tonnes CO₂.

Of the other sources of greenhouse gas emissions, SF6 emissions are the second largest source. SF6 gas has very good insulating properties and is therefore used in substations, for example where there is a need to build compact, indoors substations either due to lack of space or to avoid operational interruptions and corrosion due to salt contamination in coastal areas. SF6 is the greenhouse gas with the highest GWP (global warming potential). There is currently no alternative for facilities with very high voltages, but the authorities set strict requirements for handling of the gas. Statnett is continuously working on switching to facilities and components with lower emissions. At the same time, plans are in place for an increase in the number of substations insulated with SF6, as new construction is planned in both dense metropolitan areas and in topographically challenging areas.

For 2015, Statnett has included figures for greenhouse gas emissions from helicopters. Helicopters are used both for construction and operation of power lines, as in many areas they are inaccessible for ground transportation. Due to significant development activity in combination with acquisition of grid sections from regional grid companies, the contribution from helicopter use will most likely increase in the years to come. The figures in the table apply only to Statnett's helicopter use, and do not include contractors' use in

connection with the construction of Statnett's grid facilities.

Statnett's back-up power plants are a source of greenhouse gas emissions. These gas-fired power plants are subject to the EU quota trading system, and Statnett reports annual emissions to the Norwegian Environment Agency³. The facilities are licensed for use in highly strained power situations (SAKS), and have so far only been used for licensed test runs. Preliminary figures show that emissions from the back-up power plants totalled 2 369 tonnes of CO₂ equivalents in 2015.

Material consumption

Statnett faces significant development activity in order to facilitate both more renewable energy and increased consumption. As a result of this development, large amounts of construction materials will be consumed for substations, cables and power lines. There will be high consumption of material groups such as concrete and steel. In 2016, Statnett will develop a system for more strategic material procurement. This will result in better quality and prices, in addition to a better overview of material use and thus an opportunity to set clearer environmental requirements in procurement.

Biodiversity

Statnett aims to be an environmentally responsible grid developer. This entails incorporating environmental concerns in the company's planning process, choice of solutions, and during construction and operation. At the same time, Statnett is experiencing substantial involvement from stakeholders concerning the location of new grid facilities. The result is that facilities are often built in areas with difficult access by road, which leads to disruptions to the landscape with consequences for e.g. nature and biodiversity.

³ The final figures for 2015 will be available after 1 April 2016, when the reported data have been approved by the Norwegian Environment Agency.

Table 7 Power lines and cables	Unit	2015	2014	2013
Power lines in operation	km	10 295	10 149	10 100
Underground cable and subsea cable	km	808	794	703
New-built facilities	km	162	49	261
Modified/demolished power lines	km	80	47	115

Table 8 Waste type ⁴	Unit	2015	2014
Wood	Tonnes	596	853.4
Metals	Tonnes	2 835	763
EE waste	Tonnes	14	84.2
Other fractions 1	Tonnes	1 266	119.8
Cardboard and paper	Tonnes	8	53.7
Plastic	Tonnes	4	2.9
Hazardous waste	Tonnes	251	581.4
Total sorted waste	Tonnes	4 974	2 458.4
Residual waste	Tonnes	1 365	321.5
Source separation rate	Percentage	72.6	86.9
Estimated reported	Percentage	70-80	60-70

Table text
⁴ Statnett reports by waste type, not waste method

When choosing power line routes, various considerations are weighed against each other to arrive at the best alternative. The licensing process requires detailed studies of the scope and impact on the landscape and biodiversity during the construction phase and operational phase. The studies comprise habitats and species, focusing on endangered and vulnerable species in particular.

There are 2 823 protected areas in Norway totalling 55 000 km². Statnett's power lines cross or are located in 3.4 percent of these areas and cover 15.3 km². Most areas have become protected areas after the power lines were constructed. The greatest impact on the protected areas is during the construction phase, when vulnerable animal life may be disturbed by human activity and noise from construction. In order to safeguard biodiversity and especially red-listed species, restrictions have been placed on construction activity in particularly vulnerable periods, such as e.g. nesting periods for birds and calving areas for reindeer. The same restrictions also apply to the operations phase, with the exception of emergency situations where there is a need to quickly re-establish the infrastructure.

Landscape

Statnett is eager to limit any interventions in the landscape as a result of construction, and to ensure that the orders from the authorities are being complied. In connection with all planning, solutions are sought that provide good esthetic adaptation to the surroundings, and laser scanning and three-dimensional modelling of terrain are

used in the planning of new power line routes. This makes it possible to envision what the power lines will look like in the landscape. Furthermore, it makes it possible to adapt construction plans and choose alternatives that take into account the shape and character of the landscape.

The simplest and most efficient measure to ensure that power lines are less visible in the landscape is the choice of route. Some sections may require additional measures to minimise visibility. This can for example be:

- Camouflage of power lines, towers and insulators
- Development of new types of towers
- Removal of old facilities

Removal of old grid sections is an important part of Statnett's environmental work, both in order to reduce grid loss and to restrict area occupation. In connection with removal, the power lines are taken down and the pylons are removed, and after a few years the forest grows back. Statnett has removed approximately 600 kilometers since it was established a strategy for this about 15 years ago. 1 100 km of new transmission grid has been built during the same period.

Most power lines are built using a helicopter, mainly to avoid a high degree of road construction as well as environmental impact, but also because it is cheaper and more efficient. There is nevertheless

a need to build certain permanent or provisional roads in order to transport heavy equipment and materials to the facility. Statnett has prepared a handbook in terrain management that provides principles for terrain adaptation and preparation of e.g. roads. During operation of the facility, there is generally only a need for transport of personnel and light equipment. This transport either takes place using a helicopter, or with ATVs and/or snow scooters.

Pollution and waste

Statnett's facilities will be designed and built in such a way that they do not contribute to polluting the surroundings.

Statnett has activities in large parts of the country. An average 420 kV power line occupies an area of 40 metres in width and extends over long distances. This sets special requirements for waste handling and other pollution to avoid the spread of hazardous substances and to preserve the landscape. For the substation areas, handling of the large amounts of transformer oil is in central. After a few large spills in the early 1990s, oil pits are now installed at all substations in order to prevent the discharge of transformer oil in the event of any accidents. There was also previously a replacement programme for all facility components and light fixtures containing PCBs.

The risk of pollution is highest during the construction phase. Statnett sets requirements for contractors to ensure that the work is performed in a manner that minimises the risk of leaks and spills. Preparedness procedures have been established to reduce environmental impact in the event of an accident resulting in spills.

In 2015, 114 incidents were reported involving spills of oils or fuel. Most of these incidents were minor spills. In all instances, the spill was recovered. In 2014, 29 incidents were reported. The increase is due to both increased reporting of incidents and a higher activity level. None of the spills resulted in serious pollution of water or soil.

Statnett aims to reduce the amount of waste the activities generate, as well as ensuring recycling and energy recovery. All waste must be sorted, handled securely and delivered to an approved receiving station. In 2015, the sorting rate from plant operations and development projects was 72.6 percent. The increase in certain types of waste is partly due to increased activity in the Group in addition to an increase in reported waste.

Environmental R&D focus

Several of Statnett's R&D projects focus on challenges relating to climate and the environment. Statnett has for several years helped fund research on power lines' impact on biodiversity. Statnett's own R&D programme "Environmental impact" focuses on increasing knowledge about how power lines affect flora and fauna, especially reindeer and biodiversity in power line routes (see description under Innovation and R&D). Statnett also contributes toward financing research under the auspices of the Centre for Environmental Design of Renewable Energy (CEDREN) and Centre for Sustainable Energy Studies (CenSES).

6. Employees

Statnett is an attractive employer offering its employees challenging tasks. To achieve Statnett's objectives, right expertise is essential.

Statnett is committed to promoting a good and close community across the organisation and ensuring a safe and secure working environment.

Health, safety and the working environment (HSE)

Statnett has a zero tolerance philosophy for accidents. Statnett seeks to prevent all accidents, personnel injuries, damage to property and other material assets.

The Group has an ambitious goal of becoming the leading transmission system operator within HSE in Europe over the course of 2017. The objective has been specified to a lost time injury frequency (LTIF) of 2.0 and a total recordable injury frequency (TRIF) of 3.9. The same HSE requirements are set for suppliers as for Statnett's own employees. Statnett has a good HSE management system comprising an HSE policy, procedures, reporting and measures.

HSE is the first item on the agenda in all management and board meetings. The status of the HSE work and any incidents are reported to the management and the Board of Directors on a regular basis. Statnett's dialogue on HSE issues and risk-reducing measures is comprehensive, both internally and with our suppliers. HSE assessments are well integrated into project development and procurement processes.

Every year, Statnett organises safety courses for all employees who will carry out work on electrical installations. In addition, Statnett conducts HSE training in accordance with regulations. All Statnett's employees must complete basic HSE training, practical first aid training and electrical safety training. Regular emergency situations and preparedness drills are held at various levels of the organisation. Each project has its own HSE-advisors. A HSE forum is held annually for safety delegates, HSE personnel and the management. Statnett contributes to external HSE work and heads the HSE Trade Forum in Energy Norway.

At year-end 2015, Statnett's LTIF was 6.4 and the TRIF was 12.9 (including contractors/suppliers), which is an increase following several years of decline. This is an unfortunate development that does not reflect all the good HSE work and measures Statnett has implemented. The HSE statistics show that when employees perform the truly risky operations – such as using a helicopter – they are at peak concentration. The accidents occur during the every-day, seemingly safe situations. 80 percent of the injuries are cuts, fractures, sprains, blows and crushing impact damage. The development shows that the accidents and lost time length on average are of a less serious nature. To succeed in reducing also this type of accidents, it's a great emphasis on strengthening the enterprise's safety culture. One of the most important measures is the SAFE programme, which is being introduced in 2016. The purpose of this programme is to achieve a common culture and understanding of objectives, responsibility and consequences with a focus on people's

Table 9 HSE statistics		2015		2014		2013	
Absence due to illness							
Total	3.3		3.1		3.1		
Short term, 1-16 days	1.6		1.3		1.4		
Long term (>16 days)	1.7		1.8		1.7		
Women	5.1		4.6		4.6		
Men	2.7		2.7		2.7		
Lost-time injuries¹	Number of injuries	LTIF	Number of injuries	LTIF	Number of injuries	LTIF	
Own employees	11	4.9	4	1.9	5	2.6	
Contractors	17	7.9	15	6.8	34	15.6	
Total	28	6.4	19	4.4	39	9.5	
Injuries	Number of injuries	TRIF	Number of injuries	TRIF	Number of injuries	TRIF	
Own employees	15	6.7	6	2.9	8	4.2	
Contractors	42	19.4	26	11.8	45	20.7	
Total	57	12.9	32	7.5	53	13	
Fatalities total	0		0		1		

Table text

The table does not distinguish between genders or regions. There were no lost time injuries involving women in 2015. The LTIF shows the frequency of work-related lost-time injuries per million hours worked. The TRIF shows the frequency of the total number of work-related injuries per million hours worked.

own behaviour, awareness and clear leadership that will yield an injury-free workday. In 2015, there is introduced investigation in order to find causes of accidents. Causal understanding provides valuable insight for preventive work for the future.

Statnett reports undesirable HSE incidents and deviations occurring in its own organisation, as well as in contractor/supplier organisations. In 2015, eleven internal lost-time injuries were reported, whereas our contractors/suppliers reported 17 lost-time injuries. This is an increase compared with 2014. Reporting of undesirable HSE incidents increased in 2015, which is a continuation of the trends from previous years. The reporting is an important source of improvement and reducing the risk of incidents and accidents.

Absence due to illness in 2015 was at 3.3 percent, which is a minor increase from 2014. Statnett is making focused efforts to reduce absence due to illness. Various measures have been implemented, such as adaptation of individual workplaces and health-promoting measures including safety inspections and physical therapy. Statnett has entered into agreements with various approved occupational health service providers who together cover the Group's total need for such services. All employees are entitled to make active use of the services offered by the health scheme. Statnett conducts annual organisation surveys and has received a high score from its employees regarding safety at work, job satisfaction and motivation.

Recruitment and employee development

Statnett is planning major development projects in the years ahead.

In order to realise Statnett's social mission, including the many development projects, Statnett will need to have sufficient necessary expertise. To cover the needs, Statnett is focusing on development, training and recruitment of employees in accordance with Statnett's strategy and values. Two key areas of focus are implementation of

Statnett's career model and an extensive management development program.

Statnett recruited 166 new employees in 2015, compared with 109 in 2014. This yields the highest annual staffing growth in Statnett's history, and reflects the high activity level to be expected in the years to come. In 2015, Statnett had an overall staff turnover, excluding retirement, of 2.4 percent, compared with 3.3 percent in 2014.

Statnett emphasises a good working environment with motivated and committed employees. The strategic expertise development process (SKUP) is well established in the enterprise. The process contributes to a systematic and uniform follow-up of objectives, performance and behavior, strengthened development opportunities, as well as ensuring that Statnett retains and develops strategically important expertise.

For the fourth year running, an organisation survey has been conducted organised by Ennova. The survey provides information about employee satisfaction, job satisfaction, motivation and commitment. Statnett follows up the organisation survey by implementing improvement measures based on results for the individual manager and unit as well as measures that will help improve cooperation across the organisation.

The results from the 2015 survey show that Statnett generally exceeds the benchmark for the industry and Norwegian enterprises in general.

Internal mobility and recruitment

Statnett invests broadly in the development and dissemination of expertise across the Group. In 2015, 67 employees changed jobs internally in Statnett, compared with 71 in 2014. Statnett's strategic expertise development process (SKUP) helps to maintain the internal mobility at a stable high level.

There is competition as regards attracting talents from universities and university colleges, and the permanent trainee programme is one of Statnett's most important tools. In 2015, there were eleven trainees. Statnett consciously focuses on collaboration with universities and university colleges in order to increase its attractiveness in relevant student communities, and facilitates summer internships, as well as collaboration on project papers and master thesis.

In 2015, Statnett has continued a strong focus on apprentices, preferably within electrical power engineering and more recently within ICT. This may be extended to include other disciplines, in line with the intentions of political authorities and employee and employer organisations. In Universum's annual ranking of attractive technology enterprises, Statnett was ranked number 17 in 2015, and was also the enterprise with the greatest improvement from 2014.

Gender equality and diversity

Statnett wants a diverse and varied organisation. All our job advertisements encourage people to apply for a position in Statnett, regardless of ethnicity, gender or age. In 2015, eight percent of new recruits were from foreign backgrounds. At the end of 2015, Statnett had approximately 75 employees from foreign backgrounds.

Statnett has for many years focused on providing women and men with equal opportunities in management and technical positions. During the period 2005-2014, the percentage of women in management positions increased from approximately 20 to 28 percent. At the end of 2015, this share had increased to 29.1 percent. The total percentage of women has also increased from 25.4 percent in 2014, to 25.9 percent in 2015. Efforts to achieve an improved gender balance will continue. In 2015, the percentage of women in Group management constituted 29 percent. The percentage of women among representatives elected by the owners of the Board of Directors was 50 percent in 2015.

In Statnett, women and men in comparable positions are equal in terms of pay. Staff surveys show that both genders believe that women and men have equal opportunities in Statnett.

7. Procurement

Statnett purchases goods and services for construction, operation and maintenance of power lines, substation facilities and ICT. Statnett expects the Group's suppliers to produce goods and deliver services under conditions that are ethically, environmentally and socially acceptable. Statnett's ethical guidelines for suppliers include climate and the environment, human rights, work standards, illegal business practices and use of sub-contractors. Requirements for suppliers are stipulated in the procurement policy, process descriptions and in contracts.

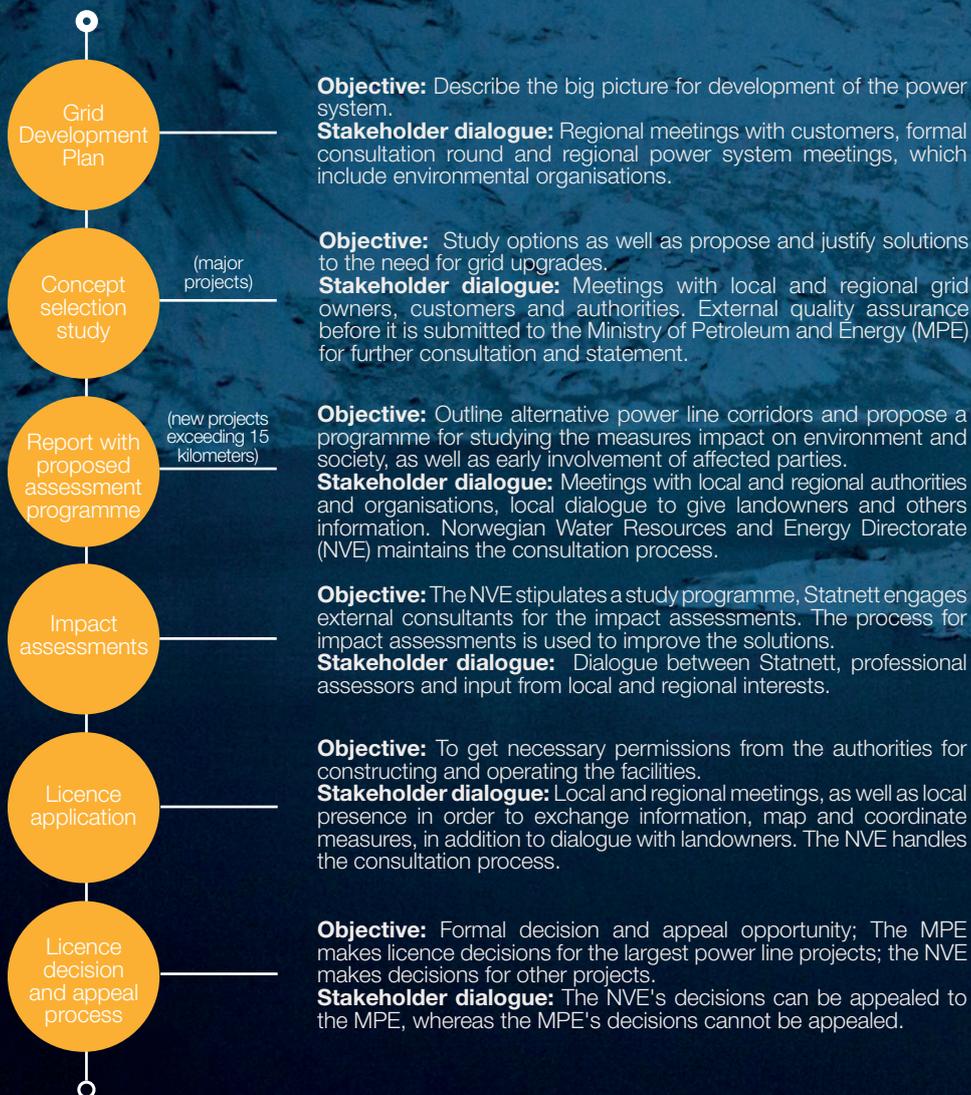
Statnett purchased goods and services for almost NOK six billion in 2015. Building and construction activities, construction of transformers and power line facilities, ICT and administrative procurement are the largest procurement categories. Statnett has many suppliers that vary over time, but there is a core of larger, dedicated technical suppliers. Statnett also has contracts with international power line contractors linked to assignments of a more long-term nature. Statnett has identified building and construction work with the use of international contractors or Norwegian contractors who use foreign labor, as well as the production of electromechanical materials abroad as contracts for which special follow-up is required in line with corporate social responsibility.

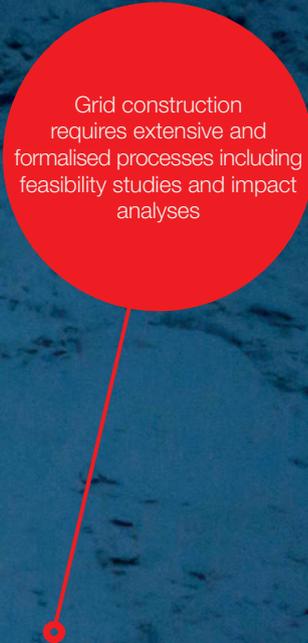
The central procurement unit is responsible for handling all procurements with an estimate value of more than NOK 500 000. The unit is also responsible for call-offs under strategic framework agreements. The unit works in an inter-disciplinary manner in close collaboration with Statnett's line and project communities, and is in particularly close collaboration with the legal department and cost estimation unit. The procurement unit is responsible for training in and compliance with Statnett's procurement regulations and for implementing HSE and environmental requirements in all procurement processes.

As part of Statnett's cost efficiency programme, unit prices shall be reduced by 15 percent compared to the 2011-2013 period. Cost control is therefore the procurement unit's primary objective, while at the same time ensuring compliance with relevant regulations and helping Statnett attract the best contractors. These objectives are operationalised through the implementation of category management. Statnett has defined this to be organisation of procurement based on the supplier market, in interdisciplinary teams and across projects, operation and line responsibility, to ensure optimisation of Statnett's needs, develop suppliers and identify and achieve technical and commercial opportunities. Category management is the industry standard for organising strategic purchasing activities in larger organisations.

Tabell 10 Statnett SF employees	Female	Male	Total
Permanent employees	315	899	1 214
Temporary employees	30	83	113
Apprentices	2	26	28

Licensing process and stakeholder dialogue





Grid construction requires extensive and formalised processes including feasibility studies and impact analyses

Statnett uses Utilities – Nordics & Central Europe (UNC, formerly Sellihca) as its qualification system to ensure an efficient procurement practice, ready access to suppliers and as a first step in safeguarding the company's corporate social responsibility. Supplier audits are also conducted through this qualification system. The audits help increase transparency and reduce risk. Audits are available to all employers in the qualification system and are important for Statnett's follow-up of suppliers and sub-contractors.

The procurement unit has an audit programme that is coordinated against Statnett's other audits, and the unit aims to audit critical suppliers regularly. This takes place through the above-mentioned audits carried out by UNC and internal audits. The audits contribute to better deliveries and improve Statnett's ability to establish requirements.

Statnett has implemented a technical system for the procurement unit. This will be used for tenders and contract follow-up. This makes Statnett better equipped to follow up the suppliers' obligations regarding HSE, the environment and corporate social responsibility in general. A separate initiative has also been implemented to strengthen Statnett's control of contractors and their sub-contractors, which will ensure that Statnett's wage and working conditions are complied with. For consulting engineer services and construction and building contracts, a system involving supplier "score-cards" is in the pipeline. Here the suppliers are followed up as regards parameters such as finances, progress, OHS and the environment. The data are collected in the technical system and over time the results can be used as a basis for setting qualification requirements in new projects. This will enable Statnett to have a continuous improvement process with contractors.

To promote healthy competition with regard to acquisitions, Statnett works actively to ensure that international, national and local suppliers gain a competitive position. To promote exchange of information with local businesses and industry, Statnett has organised HSE seminars for suppliers and held project presentations for local suppliers.

Statnett has a dedicated appendix in all relevant contracts that safeguards the regulations associated with wages and working conditions, especially the Regulations relating to wages and working conditions in public contracts. Professional responsibility for following up these regulations is assigned to the employer policy department, which works closely with the projects and their coordinators in the execution phase, and OHS consultants in order to secure compliance and regular controls. Statnett has uncovered deviations through this work in recent years that have been actively followed up and corrected by the suppliers.

8. Local footprints

Statnett's facilities affect the environment and communities to a greater or lesser extent, both locally, regionally and nationally. Statnett aims to promote exchange of ideas, constructive discussions and forward-looking solutions. This is done at an early stage by involving local customers, local authorities and businesses, landowners, non-governmental organisations (NGOs) and other special interest organisations.

Statnett requires licences pursuant to the Energy Act in order to build and operate all its facilities. An extensive planning and stakeholder process is implemented before a licence can be awarded. This process is defined by statute and regulations and is executed in cooperation between Statnett as developer and the licensing authorities (the Ministry of Petroleum and Energy and NVE). However, the scope of the process varies depending on the project's size and how it affects the environment and other interests.

Extensive and formalised processes are conducted prior to new projects, including feasibility studies and impact analyses both at the overall level and down to specific details in each individual project. Figure 2 provides an overview of the different steps of a licensing process, and how stakeholders and affected parties are involved in the various steps.

For larger development projects, Statnett prepares a Construction and Environmental Management Plan (CEMP plan) that must be approved by the NVE before construction starts. Here Statnett describes how it will execute the construction work so that local and regional considerations and environmental assets are safeguarded in the best possible manner. The plan forms a basis for contracts with contractors. Statnett has local employees that follow up developments and ensure that licence conditions and the CEMP plan's requirements are complied with. The enterprise has locally posted environmental inspectors and landowner contacts who follow this up in cooperation with the construction management. The NVE conducts environmental audits.

Conflicts and the right to appeal

Statnett has a broad contact surface and operates throughout the country. This means that stakeholder differences and conflicts will arise from time to time, either as regarding Statnett's execution of its system responsibility, the design of tariffs for the main grid, or the manner in which Statnett implements development projects.

Statnett always endeavours to achieve amicable agreements with affected landowners and licensees, and reaches voluntary agreements in most instances. In instances where voluntary agreements are not reached, there are conducted land- and rights acquisitions in pursuance of expropriation permission given by the licensing body.

Appeals of decisions pursuant to the Regulations relating to the system responsibility in the power system follow the rules of the Energy Act and Public Administration Act. Appeals of tariff decisions must be submitted to the NVE and the MPE is the appeal body. Appeals of licence decisions must be submitted to the NVE and the MPE is the appeal body, whereas the NVE is the licensing body. The MPE is the licensing body for the largest projects. Its decisions are final and cannot be appealed.

Other appeals in connection with projects in which Statnett is the grid owner and developer are handled continuously by the projects. There is no central log of this type of inquiry; the project in question responds to them. Work is in progress to develop a methodology for reporting on this type of inquiry in the future.

Electromagnetic fields

All electrical facilities are surrounded by electrical and electromagnetic fields. The Norwegian Radiation Protection Authority is the government's specialist authority for fields from electrical installations. The legislative basis is the Law of Radiation Protection and the Regulation of Radiation Protection.

Electrical fields The limit value for electrical fields is 5 kV/metre and may be exceeded under Statnett's lowest-hanging 420 kV power lines. The electrical fields may be experienced as uncomfortable, but are not considered hazardous to human health. Electric fields are normally effectively shielded by vegetation and buildings. Statnett designs new power lines so that the limit value for electrical fields and public exposure is not exceeded in areas with general traffic. Electrical fields may cause charging of conductive objects and discharging if touched. Diverters and shielding may be necessary where this creates discomfort.

Magnetic fields The World Health Organization (WHO) has classified magnetic fields from high voltage lines as possibly carcinogenic. It is uncertain whether there is a connection between proximity to high voltage installations and the risk of cancer, but the authorities have chosen to follow a precautionary principle and have established a level that requires assessments (0.4 microtesla).

Statnett follows the authorities' principle that exposure to magnetic fields should be kept as low as practically feasible. When planning new power lines, Statnett aims to keep them at a sufficient distance from existing residential housing to ensure that the magnetic fields from the lines do not exceed 0.4 microtesla. This may entail that routes have an impact on valuable natural areas and recreational areas. Consequently, alternative solutions are often prepared and the final choice of route is often made by the licence authorities.

Statnett keeps continuously updated on research into any adverse health effects caused by electromagnetic fields from high-voltage power lines. Statnett has contributed to increased knowledge dissemination in this area itself, both through commissioned research and financial contributions to various studies.

9. Innovation and R&D

Statnett is in a period with record-high investment levels and plays an important role in the design of the next generation power system. This involves development of new technology, new methods and new solutions through active R&D efforts. This requires Statnett to investigate opportunities and build expertise within the next generation power system. Statnett's R&D efforts have resulted in savings for Statnett and the Norwegian society. R&D thus actively contributes to Statnett's cost efficiency programme. R&D has also, among other things, contributed innovative technologies and solutions that improve safety, reduce costs and lead to faster and more efficient execution of Statnett's work.

Research and development is a strategic tool for achieving Statnett's overall Group strategy. From 2015 to 2019, R&D efforts are split into three main programmes:

- **Sustainable system development:** Development of tools, methods and new technology that ensure sustainable development of the future power system. The programme contains the following sub-programmes: Environment and society, New technology and solutions, as well as Analysis tools.
- **Innovative technology:** Development of methods for building both power lines, cables and substations safer, faster and cheaper. The programme contains the following sub-programmes: Lean line, Lean cable, Lean substation and Strategic expertise within innovative technology.
- **Smart grids:** Development of new solutions that can contribute to better utilisation of the grid, safer operations and lower operating costs. The programme contains the sub-programmes Smart grid, Strategic R&D initiative and Strategic expertise within operation of electricity grids.

Statnett's R&D budget totals approximately NOK 70 million. In 2015, R&D has optimised its portfolio and maintained focus on communication. R&D has, for example, been more visible in trade journals, and organised the Statnett R&D conference with participation from the supplier industry, journalists and internal stakeholders in the power industry. The agenda for the conference was results from the 2012 – 2014 programme period. More information about the R&D projects can be found at <http://www.statnett.no/en/Sustainability/Forskning-og-Utvikling/>

10. About the report

Statnett reports on corporate social responsibility in accordance with the Global Reporting Initiative's (GRI's) guidelines for the electric utility sector (GRI Sustainability Reporting Guidelines & Electric Utility Sector Disclosures). Statnett believes its reporting is principally in compliance with GRI's reporting principles and that the reporting satisfies the "Core" level in the Global Reporting Initiative, version G4. The table below lists references to where information about the various GRI indicators is provided in the annual report. These references provide either full or partial responses.

Statnett believes that the reporting covers the requirements stipulated in the new Section 3-3c of the Accounting Act, adopted in 2013. If not otherwise specified, the corporate social responsibility reporting covers all Statnett activities, including wholly-owned subsidiaries and partly owned enterprises in which Statnett has a controlling interest, unless otherwise specified. Data is generally collected and collated with the aim of making the presentation as relevant and uniform as possible. Although great emphasis has been placed on ensuring completeness and correctness, there may be uncertainties in relation to some of the data.

An aerial photograph of a snowy village. A red circle is drawn around a house with a balcony and a utility pole. A red line connects the circle to the text below.

Statnett's social mission:
Security of supply, and
contribute to value creation
and better climate
solutions

GRI

General standard disclosures

GRI - indicator	Description	Reporting	Omissions
Strategy and Analysis			
G4-1	CEO statement	p. 4	
Organisational Profile			
G4-3	Name of the organisation	Statnett SF	
G4-4	Primary brands and services	p. 9	
G4-5	HQ locations	Oslo, Nydalen	
G4-6	Countries of operations	p. 9, Note 16 p. 116	
G4-7	Ownership and legal form	p. 9, Note 16 p. 116	
G4-8	Markets served	p. 9, Note 16 p. 116	
G4-9	Scale of organisation	p. 20	
G4-10	Employee and workforce information	p. 30 Of the permanent employees, 22 work part time, of which 17 are women. Statnett operates in Norway and reports on that as a region. Significant proportion of hired workers is through sub-contractors. No particular seasonal variations in the workforce.	Equivalent statistics for subcontractors is not available.
G4-11	Collective bargaining agreements	p. 22	Figures of trade unionisation for sub-contractors are not available.
G4-12	Supply chain description	p. 30	
G4-13	Significant changes to organisation	None	
G4-14	Precautionary approach	p. 27	
G4-15	External charters and principles	None	
G4-16	Memberships of associations	p. 54	
Identified Material Aspects and Boundaries			
G4-17	Entities included in financial statements	p. 9, 10 and 12, Note 16 p. 116	

GRI - indicator	Description	Reporting	Omissions
G4-18	Process for defining content and aspect boundaries	p. 21-22	
G4-19	List of material aspects	p. 22	
G4-20	Aspect Boundaries within organisation	No particular boundaries	
G4-21	Aspect Boundaries outside organisation	Main focus on subcontractor issues and procurements above NOK 500,000	
G4-22	Effect of any restatements	None	
G4-23	Significant changes to scope and aspect boundaries	Transition to GRI G4 reporting	
Stakeholder Engagement			
G4-24	List stakeholder groups	p. 21-22, 31	
G4-25	Identification of stakeholders	p. 21-22, 31	
G4-26	Approach to stakeholder engagement	p. 21-22, 31	Not reported per stakeholder group
G4-27	Issues raised by stakeholders	p. 21-22, 31	Not reported per stakeholder group
Report Profile			
G4-28	Reporting period	2015	
G4-29	Date of previous report	March 2015	
G4-30	Reporting cycle	Annual	
G4-31	Contact point	Knut Hundhammer	
G4-32	Level of reporting, GRI content index and external assurance report preference	GRI G4 Core	
G4-33	External assurance policy and relationship	The GRI report is not externally verified.	
Governance			
G4-34	Governance structure	p. 21, 41-45	
Ethics and Integrity			
G4-56	Values, standards, principles and norms	p. 23, 42	
Sector specific general standard disclosures			
G4-EU3	Number of customer accounts	Statnett's customers are exclusively professional. The customers are divided into three categories; grid companies (46), energy producers (14) and industrial companies (7) (single withdrawals over 15 MW). There are a total of 67 customers in the main grid.	
G4-EU4	Length of transmission and distribution lines	p.27. Distribution grid and cables vary from 22 kilovolt to 420 kilovolt.	
G4-EU5	Allocation of CO ₂ emissions allowances or equivalent	p. 25	

Specific standard disclosures

GRI - indicator	Description	Page	Omissions
ECONOMIC			
Economic Performance			
G4-EC1	Direct economic value generated and distributed	p. 23	
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	p. 24	Financial implications not reported.
Research and Development			
DMA	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	p. 34	
System Efficiency			
G4-EU12	Transmission and distribution losses as a percentage of total energy	p. 25 Only technical loss is relevant. Transmission loss as a percentage of total energy is calculated as transmission loss divided by total power transmission in the main grid. Total power transmission is estimated as total power imports + total national power generation (corrected for power production used locally outside of the main grid).	
ENVIRONMENTAL			
Materials			
G4-EN1	Materials used by weight or volume.	p. 26	Materials consumption not reported by weight or volume due to missing data. Improvements will be implemented in 2016.
Biodiversity			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	p. 27	
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	p. 26-27	
Emissions			
G4-EN15	Direct Greenhouse Gas (GHG) emissions (Scope 1)	p. 25 Emission factors from DEFRA and UNFCCC	
G4-EN16	Indirect Greenhouse Gas (GHG) emissions (scope 2)	p. 25 Emission factors from NVE	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	p. 25 Emission factors calculated from DEFRA, SAS, OFVAS and SSB	
G4-18	Greenhouse gas (GHG) emissions intensity	p. 25	

GRI - indicator	Description	Page	Omissions
Effluents and Waste			
G4-EN23	Total weight of waste by type and disposal method	p. 27	Reported by waste fractions
Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	p. 28	
Supplier Environmental Assessment			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	p. 30 Reported for all procurements above NOK 500,000	
SOCIAL			
Occupational Health and Safety			
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	p. 29 Norway is reported as one region.	Injury and sickness absence not reported by gender for reasons for privacy reasons. HSE statistics for subcontracts includes work performed directly on projects.
Supplier Assessment for Labour Practices			
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	p. 30 Reported for all procurements above NOK 500,000	
HUMAN RIGHTS			
Non discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken	p. 23	
SOCIETY			
Local Communities			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	p. 31-33	
Anti-corruption			
G4-SO5	Confirmed incidents of corruption and actions taken	p. 23	
Supplier Assessment for Impacts on Society			
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	p. 30 Reported for all procurements above NOK 500,000	
Customer Health and Safety			
G4-PR1	Report the percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	p. 34	
G4-EU25	Number of injuries and fatalities to the public involving company assets including legal judgements, settlements, and pending legal cases of diseases	0 accidents or injuries in 2015	
Access			
G4-EU28	Power outage frequency	p. 23	Reported as periods of N-0 and frequency deviations.

Statnett's investments
totalled NOK 5.8 billion
in 2015



Corporate governance

Statnett's principles of corporate governance is to ensure that the Statnett Group fulfils its social mission by clearly defining the distribution of roles between the owner, Board of Directors and the administration, and set the framework for how the Group is managed and controlled. Statnett adheres to the Norwegian State's principles for sound corporate governance, and has also decided to report compliance with the Norwegian Code of Practice for Corporate Governance (www.nues.no). Deviations from the Code of Practice are explained.

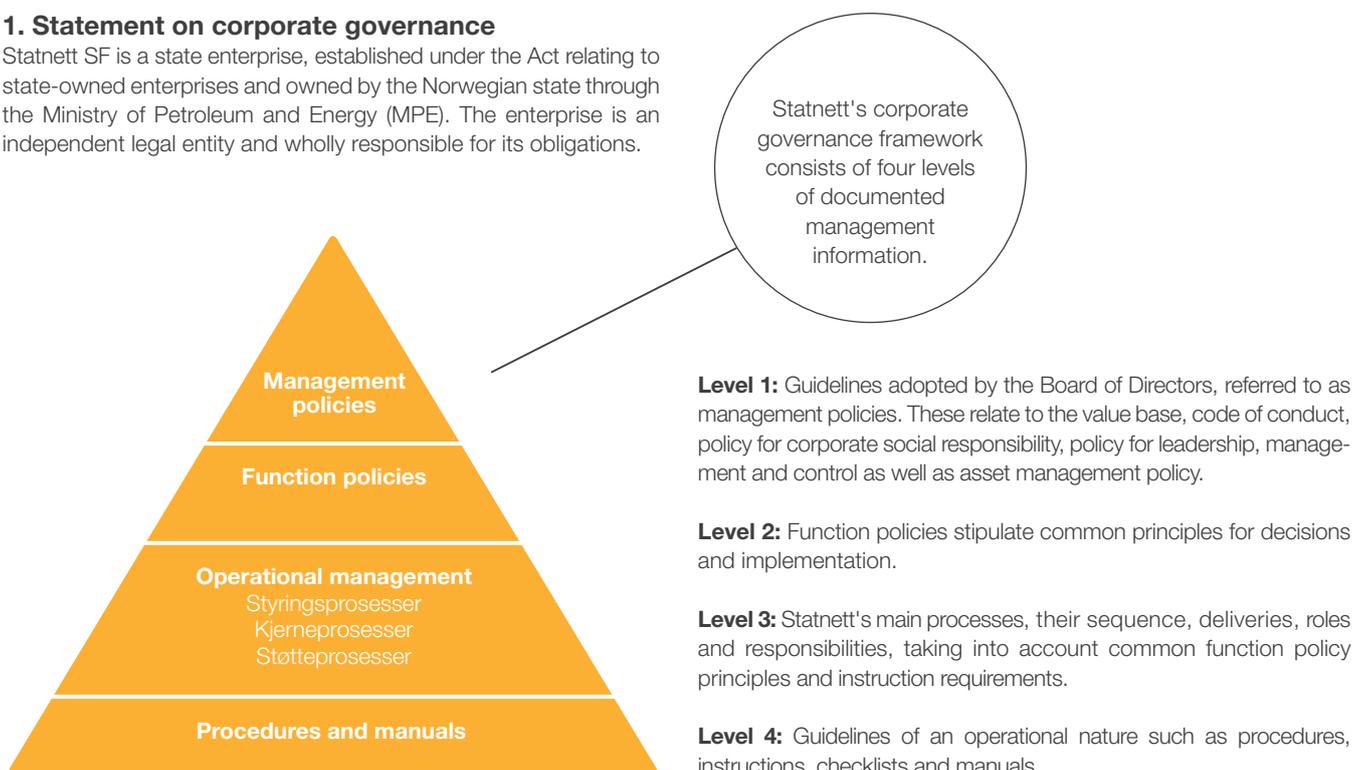
The Accounting Act's guidelines for corporate governance reporting are complied with by the reporting in relation to requirements in Section 3-3b, Items 4, 7 and 8 below.

1. Statement on corporate governance

Statnett SF is a state enterprise, established under the Act relating to state-owned enterprises and owned by the Norwegian state through the Ministry of Petroleum and Energy (MPE). The enterprise is an independent legal entity and wholly responsible for its obligations.

Good corporate governance is a precondition for stable value creation over time and helps ensure that Statnett provides products and services according to the requirements and expectations laid down by the owner, employees, customers, suppliers, lenders and others stakeholders.

The framework for Statnett's activities is situated in the State Enterprise Law, the statutes and the statutes at the enterprise general meeting. The enterprise also complies with the Norwegian State's corporate governance principles. The energy legislation and licenses granted Statnett are also significant constraints for the enterprise.



Statnett focusses on quality management and continuous improvement, and is certified according to PAS 55 (quality standard for asset management) and ISO 14001 (environmental management).

The Board of Directors ensures that Statnett's has a sound corporate governance by for example clarifying the Group's value base, code of conduct and principles for corporate social responsibility and framework for leadership, management and control. Along with the instructions to the Board of Directors and instructions to the President and CEO, this framework constitutes the key governing documentation in Statnett.

Statnett focuses on quality management and continuous improvement, and is certified according to PAS 55 (quality standard for asset management) and ISO 14001 (environmental management).

2. Business

Statnett has a purpose in the government's sector policy and the enterprise's activities are clearly described in the articles of association.

Paragraph two of Statnett's articles of association stipulates that "Statnett SF is the Transmission System Operator in the Norwegian power system." As System Operator, Statnett is responsible for ensuring that there is an instantaneous balance at all times between production and consumption of electric power in Norway. Our System Operator role is described in more detail in the Regulations relating to system operation.

Furthermore, Statnett's objects clause stipulates that "the enterprise is responsible for ensuring efficient operations in a social economy perspective and for developing the main power grid. Statnett SF shall, alone or with others, plan and engineer, build, own and operate transmission facilities. Statnett SF will execute the tasks assigned to the company pursuant to applicable laws, regulations and licences. In other respects, Statnett SF will adhere to commercial principles." Statnett's articles of association are available on the Group's web site.

Statnett has defined its mission, values and primary objectives:

Statnett's mission

Statnett will facilitate the development of the next generation power system by 2030.

Statnett's values

Statnett's values are a long-term perspective, respect and community.

Statnett's main objectives

- **Security of supply** Statnett shall maintain security of supply through a grid with satisfactory quality and capacity.
- **Value creation** Statnett's services shall create value for customers and for Norwegian society in general.
- **Climate** Statnett shall facilitate better climate solutions.

The following priority areas are important for realising Statnett's objectives during the period leading up to 2018:

- Ensure safe and efficient operations.
- Facilitate development of the next generation power system in a socio-economically prudent manner.
- Statnett shall be a safe, efficient and innovative company and the owner and operator of the entire main grid

Within each priority area, special focus areas have been established as well as measures that are followed up through the Group's objective-oriented management process. To realise the objective of developing the next generation power system, Statnett has a significant investment portfolio. Effect goals are established for each project which tie in with the enterprise's objectives. Performance goals are also established which will ensure that the projects are managed according to appropriate objectives for completion date, costs, quality and HSE.

3. Equity and dividends

A decision was made in 2013 to provide Statnett with NOK 3.25 billion in equity with the objective of ensuring an equity-to-assets ratio of at least 25 percent by the end of 2017. This has given the enterprise an equity that is adapted to the group's operations and risk profile during the period.

The owner's dividend policy is stipulated in the government budget. In Proposition to the parliament of Norway No. 1 (2011-2012), the Norwegian government has established a long-term dividend policy of 50 percent of the defined dividend basis. In connection with the addition of new equity, dividends were not disbursed for the 2013 accounting year in accordance with Statnett's application, and the dividend share for the 2014 and 2015 accounting years was 25 percent. An application has also been submitted for a 25 percent dividend share for the 2016 accounting year. The basis for the dividend is defined as the Group's net annual profit after tax, adjusted for changes in the balance for higher/lower revenue for the year after tax.

The decision to increase capital can only be made by the Enterprise General Meeting.

4. Equal treatment of owners and transactions with closely related parties

Statnett SF is wholly-owned by the Norwegian State through the Ministry of Petroleum and Energy (MPE). Consequently, the enterprise has no own guidelines for equal treatment of various owners.

For major transactions between the enterprise and related parties, Statnett performs value assessments prepared by independent third parties in accordance with national legislation.

Statnett's code of conduct stipulates that employees should report any doubt regarding competence or qualifications.

5. Freely negotiability

Statnett is a state enterprise without transferable ownership interests.

6. The Enterprise General Meeting

The Ministry of Petroleum and Energy is the enterprise's supreme decision-making body through the Enterprise General Meeting.

The following issues are discussed and settled at the Enterprise General Meeting:

Adoption of the Statnett SF's profit and loss account and balance sheet, including distribution of profit or coverage of loss for the year, adoption of the Group's consolidated profit and loss account and balance sheet. In addition, any other matters are discussed pertaining to the General Meeting according to Norwegian laws and regulations, including election of the Statnett Board of Directors and stipulation of remuneration for board members and the board committee. The Board of Directors and the company's auditor attend the Enterprise General Meeting.

The Ministry of Petroleum and Energy's authority in the enterprise may not be exercised outside the Enterprise General Meeting. The General Meeting adopts Statnett's articles of association, including Statnett's objects clause which provides the framework for the operations that Statnett may undertake. An ordinary general meeting is held every year by the end of June.

7. Election committee

Statnett has no election committee. The MPE designates the enterprise's board members at the Enterprise General Meeting.

8. Corporate Assembly and Board of Directors: composition and independence

Statnett has no corporate assembly. The enterprise's Board of Directors shall consist of seven to nine members, in addition to any deputy members. Two, or possibly three members, and their deputy members are appointed by and among the enterprise's employees according to the relevant rules laid down in Section 20 of the Act relating to state-owned enterprises and associated regulations. Pursuant to Section 21 of the Act relating to state-owned enterprises, board members are elected for a period of maximum two years, but will remain in office until a new member has been elected even though his/her term of office has expired.

See the annual report for more information about each board member.

Pursuant to the Act relating to state-owned enterprises, the President and CEO cannot be a member of the board. With the exception of employee representatives, members of the Board of Directors are independent of the enterprise and the owner.

The Board of Directors had an attendance record of 98.6 percent in 2015. The table below shows the attendance of each board member at board meetings and subcommittees.

9. The work of the Board of Directors

The Board of Directors is responsible for prudent leadership, management and control of Statnett. The work in the Board of Directors follows an annual plan and is governed in accordance with adopted

rules of procedure for the Board. The rules of procedure for the Board stipulate roles and distribution of responsibility between the Board of Directors, President and CEO and internal auditor and help the Board's maintain independence in their activities. The Board of Directors adopts the instructions to the President and CEO and Statnett's strategy and ensures that Statnett is organised in a satisfactory manner. The Board of Directors adopts budgets, ensures Statnett's compliance with regulatory requirements, laws and regulations, and that Statnett has satisfactory asset management and a good working environment. In addition to enterprise meetings, the MPE holds owner's meetings with the Board of Directors, where the purpose is to create an informal forum where the Board of Directors and owner can exchange opinions and discuss cases of material financial or strategic significance for Statnett. The views expressed by the owner at the owner's meetings provide input for Statnett's Board of Directors and administration. Issues requiring owner approval must be discussed at the Enterprise's General Meeting.

The Board of Directors' work is aimed at further developing the Statnett group, including achieving long-term value creation, credibility and predictability, as well as exercising corporate social responsibility and contributing to the development of the next generation power system. Much of the Board's work in 2015 was related to grid development and investment projects, daily operations, cost effectiveness, HSE, as well as Nordic and European collaboration. The Board of Directors carried out extensive work this year in connection with the new interconnectors to Germany and the UK.

The Board of Directors shall help ensure its appropriate composition, that its work is based on transparency, trust, competence and impartiality, and that the board members' overall expertise effectively contributes to long-term sound value creation in Statnett. The Board of Directors conducts an evaluation of its work, competence and cooperation with top management every year, with the objective of ensuring high-quality work in the board. Statnett's code of conduct stipulates that board members should report any issues that may affect their competence on their own initiative. Statnett meets the statutory requirements concerning representation of both genders on the board.

The Audit Committee

The Board of Directors has established an Audit Committee which will function as a preparatory body to the Board of Directors. The Board has approved the instructions for the Audit Committee. The responsibilities of the Audit Committee include making preparations for the Board of Director's follow-up of the financial reporting process, monitoring the systems for internal control and risk management and the enterprise's internal audit process. Furthermore, the Audit Committee shall maintain continuous communication with the enterprise's appointed auditor with regard to the audit of the enterprise, and assess and monitor the auditor's independence according to the Audit and Auditors Act.

Governance structure



Figure: Overview of Statnett's management structure at the end of 2015. The formal reporting lines are shown as solid lines.

Remuneration Committee

The Board of Directors has appointed a Remuneration Committee to assist the Board of Directors with stipulating the President and CEO's terms and conditions of employment and help establish the main principles and framework for remuneration of the Statnett Group management. The Board has approved instructions for the Remuneration Committee.

Project Committee

The Board of Directors has appointed a Project Committee which will function as a preparatory body for the Board of Directors relating to follow-up of Statnett's development projects. In particular, the Project Committee shall ensure sound corporate governance of the development projects approved by the Board of Directors and follow up projects from when an investment decision has been made in Statnett's project model. The Project Committee will present its considerations to the Board of Directors, but will not make decisions on behalf of the Board.

10. Risk management and internal control

Statnett works systematically to review any risks associated with its activities and the Board of Directors receives a risk report every quarter. See the separate section on risk management in the annual report for a more detailed description of Statnett's risk management framework and implementation of risk management.

Combined with the enterprise's organisation, enterprise management and reporting lines, Statnett's code of conduct and value base make up the foundation for a good internal control environment. Internal control is an integral part of corporate governance and is based on the principle of three lines of defence (manager, policies manager/staff and internal auditor). Monthly reporting of HSE results and quarterly management reporting, including Statnett's financial development and position are carried out as part of the follow-up. Extensive work is ongoing to map the Group's most important work processes in order to strengthen internal control and increase cost effectiveness in the group. Document control, especially governing documentation, is also under improvement, and it is now easier

to process nonconformities and undesirable incidents. Along with clearer guidelines for internal control and a strengthened internal auditing programme, this will establish an improved internal control framework in Statnett. The Board of Directors assesses the enterprise's internal control procedures on an annual basis.

Up to 2015, Statnett published financial reports quarterly. Starting in 2016, publication of financial reports will take place semi-annually. The decision was made based on an assessment of the nature of the enterprise, which changes very little from one quarter to the next, and that the need for financial information will be satisfactorily maintained. The external and internal reporting is reviewed by the Group management, the Audit Committee and the Board of Directors.

Internal control and financial reporting

A separate policy has been developed for accounting and financial reporting. An overview has been established of control activities conducted to ensure correct financial reporting, and risk assessments are performed of the most important processes when necessary. The Audit Committee, internal auditor and the Board monitor the enterprise's internal control systems.

Internal control and NUES statement

Statnett adheres to the Norwegian State's own principles for corporate governance and the recommendations from the Norwegian Corporate Governance Board (NUES) insofar as this is appropriate. The principles and recommendations are aimed at public administration of the State's interests in all state-owned companies, whether they are wholly owned or partially owned and relate to significant elements such as equal treatment, freedom of information, independence, board composition and the Board of Directors' role. The NUES statement is submitted to the Board of Directors as part of the enterprise's annual internal control report.

Code of conduct

Statnett's code of conducts covers areas that are important to ensure good business ethics in all aspects of the group's activities. The guidelines lay down specific and practical rules, and set

	Board Meeting (9 meetings)	The Audit Committee (8 meetings)	Project Committee (8 meetings)	Remuneration Committee (6 meetings)
Kolbjørn Almlid (Chairman of the Board to and including June)	5			
Per Hjorth (Chairman of the Board from and including June and leader of the audit committee to and including August)	9	5		
Maria Sandsmark	9	8		
Egil Gjesteland	9		8	
Kirsten Indgjerd Værdal	7			6
Synne Larsen Homble	9			6
Trine Pande-Rølfesen	9		1	
Steinar Joråndstad	9	8		
Pål Erland Opgård	9		8	6
Einar Anders Strømsvåg (Appointed the Board in June and leader of the audit committee from and including September)	4	3		

standards for the conduct of all employees. Statnett has appointed an Ethics Ombudsman who is responsible for ensuring compliance with the Norwegian Working Environment Act with respect to facilitating reporting of censurable conditions. Failure to comply with the ethical guidelines may result in sanctions, depending on the nature and scope of the breach. The code of conduct applies to board members, managers, employees, contractor personnel and any other party acting on behalf of Statnett.

Code of conduct for contractors

Statnett puts particular emphasis on ensuring that our suppliers and partners comply with the Group's code of conduct for suppliers. The suppliers' obligation to comply with the ethical requirements is stipulated in the contracts Statnett enters into with suppliers. Inspections and audits are conducted in order to make sure that the requirements are complied with during execution of the contracts. The code of conduct for employees and contractors is available in its entirety on Statnett's web site.

11. Remuneration of the Board of Directors

See Note 19 in the annual accounts for a detailed overview of Board remunerations.

Board member remunerations are not associated with profit or loss, option programmes or similar.

12. Remuneration of executive employees

Statnett follows the guidelines that apply for executive pay in state enterprises. In accordance with Section eight of the articles of association, the Board of Directors prepares a statement concerning remuneration to the President and CEO and the Group management in accordance with the provisions in the Public Limited Liability Companies Act, the Norwegian Accounting Act, and the Guidelines relating to state-owned companies.

See Note 19 in the annual accounts for a detailed overview of remuneration of executive employees.

13. PR and communications

Transparency

Statnett is governed by the Freedom of Information Act (with a few exemptions), regulations relating to dissemination of information to the power market and safety and preparedness legislation. Statnett distributes financial and operational information in accordance with the regulatory requirements and practises transparency and openness. Financial and operational information as well as the enterprise's financial calendar are available on Statnett's website.

Owner's Meeting

In addition to the dialogue with the owners which takes place at the Enterprise General Meeting, the owner also promotes communication between the Board of Directors and the owner outside the General Meeting. The purpose of the Owner's Meeting is to provide an informal forum where the Board of Directors and the owner can exchange opinions and discuss issues of great financial or strategic importance to Statnett. The views expressed by the owner at the Owner's Meeting provide input for Statnett's administration and Board of Directors. Issues requiring owner approval must be

discussed at the Enterprise's General Meeting.

14. Company takeover

Statnett SF is a state enterprise. The sale of assets would entail a restructuring of the business organisation and a legal amendment which requires the consent of the Norwegian Parliament.

15. Auditor

External auditors are appointed by the General Meeting and are independent of Statnett. The group's external auditor for 2015 was Ernst & Young AS. The external auditor presents an annual work schedule to the Audit Committee. The external auditor attends meetings in the Audit Committee to discuss relevant issues. The auditor participates in the Board's consideration of the annual accounts. The external auditor attends one annual Board meeting where the management is not present. The Audit Committee evaluates and proposes an external auditor and is responsible for monitoring the auditor's independence. As an important part of the process of ensuring the auditor's independence, the Board of Directors has established guidelines relating to the enterprise's access to use the external auditor for assignments other than audits. Each year, the external auditor reviews the company's internal control together with the Audit Committee. See Note 23 of the financial statement for information about the auditor's fees, divided between auditing and other consulting services.



Population growth in the big cities affects the needs for development in the main grid

Risk management

Risk management framework

Statnett practises unified risk management in a manner that reflects that the enterprise is responsible for critical infrastructure in the society, and that Statnett is in a phase with a significant construction program as well as increase in facilities. The risk management framework is based on the globally recognised ISO 31000 standard with relevant adaptations in order to safeguard Statnett's internal needs and external requirements. Statnett's risk management covers the enterprise's entire perspective, including strategic, commercial, operational and financial aspects. Risks with a potential impact on HSE, supply of electric power, finances, reputation and compliance are identified, and consequences at the enterprise level have priority.

Statnett works systematically to improve its risk management and has over the course of 2015 implemented a number of measures in order to strengthen processes, systems and competence linked to risk management. This has e.g. included:

- Updating the method and criteria for assessing risk to facilitate consistent assessment and reporting of risk across the organisation. This includes more specific policies for handling and follow-up of risk that exceeds the enterprise's risk tolerance.
- Procurement and configuration of an IT tool in order to improve the quality and accessibility of risk information, and facilitate efficient analysis and reporting of risk. The tool has been implemented as a pilot within selected risk areas and will be implemented within additional areas over the course of 2016.
- Employment of a number of dedicated specialists to increase the divisions' competence and capacity linked to risk management. There has also been focus on increased collaboration and coordination across divisions and functions.

Statnett is certified annually in accordance with the international PAS 55 standard for asset management. Risk management constitutes an important part of this standard and Statnett has operated with a deviation within this area in recent years. This deviation was closed in connection with the audit in 2015 as a result of systematic improvement work. Based on a philosophy of continuous improvement, Statnett has also planned improvement measures in 2016, both at the group and division level. Progress according to the improvement plan is reported regularly to the Audit Committee and the Board of Directors.

In addition to the improvement work, Statnett also conducts systematic reviews of risk in the enterprise. The Board of Directors receives a risk report for the group twice a year. All construction projects approved by the Board of Directors are reported to the Board and include an updated risk profile for the individual project. Statnett's activities are subject to comprehensive regulation from several regulatory bodies. Statnett's compliance with these regulations helps ensure low risk in connection with supply of electric power.

Below follows a description of selected risks within Statnett's prioritised risk areas.

HSE

Statnett's work relating to construction, operations and maintenance, involves work where there is a risk of serious personal injury. Examples include helicopter accidents, falling from heights, injury in connection with heavy machinery, electrocution, traffic accidents, blasting accidents, diving accidents and shipwrecks.

Following several years of positive development, the number of lost-time injuries in 2015 increased compared with 2014 (28 compared with 19) in spite of the activity level remaining fairly similar. At the same time, there is a clear trend in the direction of personal injuries becoming less serious and the duration of lost time has been reduced.

The HSE risk is reduced by focusing on sound, documented work processes, use of risk analyses during planning and implementation, close collaboration with suppliers, reporting of incidents and near misses in a learning perspective, considerable management follow-up, in addition to an inclusive safety culture. Statnett has a wide range of procedures which cover how risky operations should be performed and these are revised regularly. Statnett emphasises the ability to establish clear requirements in collaboration with contractors. Better compliance will reduce the risk level. Work is under way to reinforce the safety culture through the introduction of the colleague programme "SIKKER", awarding the SIKKER award (HSE award) as well as increased use of investigations.

Efforts are also actively under way on preventive work in order to reduce the likelihood for incidents with a consequence for the natural environment. As a result, there are generally few incidents with a high risk potential.

Risk of power supply interruptions

Interruptions in the electricity supply may occur as a result of a fault in a single component during N-0 operation or as a result of concurrent faults in situations with normal operational reliability. The number of hours with N-0 operation depends on the grid structure, level of consumption, as well as the extent of any grid outages due to faults, maintenance and modifications.

An increase in N-0 operation hours increases the risk of supply interruptions. Some of the consumption is constantly supplied in N-0, such as the process facility for Ormen Lange at Nyhamna. Statnett's licence to start the back-up power plant at Nyhamna has reduced the impact of an outage on the 420 kV Viklandet-Fræna power line in the event of long-term interruptions. However, the back-up power plant does not help during more brief outages.

For areas supplied in N-1 operation, at least two faults must occur before supply is interrupted. The main reasons for concurrent faults are extreme weather, operational incidents during grid work as well as other external incidents. Concurrent faults are less likely to occur than single faults. However, these may last longer and be more extensive.

It is made continuous improvement efforts to avoid disruption and reduce consequences. The most important risk reducing measures are Statnett's investment projects. In ordinary operation there are carried out preventive maintenance, inspections and ensured that there are available spare materials. Components are replaced if necessary. Furthermore, there are developed preparedness plans and regular exercises are held.

Risks relating to system operation

The frequency quality in the Nordic region, measured as the number of minutes outside the 49.9 - 50.1 Hz frequency range, is not as good as Statnett would like. Frequency deviations are indicators of the risk in the system. If an incident should occur in the Nordic power system during a situation which cannot be covered by available reserves, the frequency may fall to a level where consumption is disconnected. Together with the other Nordic TSOs, Statnett has introduced automatic reserves, automatic Frequency Restoration Reserves (aFRR, known as secondary reserves), which will help reduce frequency deviations. The aFRR market is in the introduction phase with limited volumes, and the effect has been limited on the frequency quality so far. Experience shows that aFRR contributes toward increased frequency quality when it is available.

Energy access

Risk relating to energy access for the system as a whole is currently considered to be normal. Measures that will be implemented to reduce the risk include purchase of energy options from large consumers.

ICT security

The threat against critical ICT infrastructure in society is increasing. Statnett has several critical IT services. Loss of such services would

make it challenging to handle system operations, for instance in the event of faults in grid facilities or major changes in production and consumption. Statnett has increased its focus on and efforts to improve information security, and cooperates closely with other stakeholders in the power industry to strengthen protection against cyber-attacks.

Reputational risk

It is important to have sound processes for assessing the organisation's reputational risk and this requires efficient internal cooperation throughout the organisation. The energy sector is strongly regulated and the development trend points towards even more regulation to achieve political objectives. Furthermore, power lines historically represent controversial disruptions to the landscape and Statnett's facility upgrades will affect many of the country's municipalities in the coming decades. Statnett is dependent on society's acceptance of any disruptions to the landscape as a consequence of its activities. A majority of the parliament of Norway supports the main aspects of the Grid Report, which to a large extent embraces Statnett's activities.

Risk of misconduct

Misconduct exists when employees, employee representatives or business connections violate the trust that has been placed in them to achieve an unjustified advantage. Key measures to reduce the risk are Statnett's value base and code of conduct, structured processes including in connection with acquisitions and continuous management follow-up and internal control.

Market risk

Market risks are managed centrally in Statnett, and checks are conducted to ensure that exposure does not exceed assigned mandates. Assets, liability and personnel are insured at Group level. A coordinated mapping of exposure is conducted and an insurance portfolio is established through Statnett Forsikring AS and the open insurance market.

Financial risk

The Board of Directors has established principles for financial risk management for Statnett through the adopted financial policy. Based on this financial policy, Statnett has established a framework for financial management, including limits in connection with credit risk, settlement risk and counterparty risk, as well as instructions for executing financial transactions. Internal control procedures have been established which are carried out independently.

Financial risk

Statnett has access to several credit markets and has a diversified maturity structure for its borrowings. This reduces the risk of Statnett not being able to refinance the company's loans during periods with little available capital. To be able to fund at least 12 months' revolving operation and investments without incurring any new debt, the enterprise has a credit facility totalling NOK 6.5 billion, valid until January 2018. Statnett has long-term credit ratings of A+ and A2 from Standard & Poor's and Moody's Investor Service, respectively.

Foreign exchange risk

Statnett's revenues are mainly in Norwegian Kroner (NOK), whereas some of the Group's expenses are in foreign currencies. Currency risk is minimised through several measures, including hedging foreign exchange exposure linked to major purchases in investment projects using currency futures contracts, as well as through the enterprise's revenue cap. All Statnett loans in foreign currency are converted to NOK through currency swap agreements.

Interest rate risk

The Group is exposed to interest rate risk through its loan portfolio, liquidity portfolio and financial hedges. Statnett SF is also exposed to interest rate levels on which the revenue cap for the grid operations are based (the NVE interest rate). Statnett reduces the interest risk rate and fluctuations in the result by adapting the interest rate on Statnett's debt so that it correlates to the extent possible with the NVE interest rate. To achieve the desired fixed-interest on the enterprise's debt, interest rate swap agreements linked to the underlying debt are used.

Credit risk

Statnett assumes credit risk by placing surplus liquidity in the bank and in securities. Statnett has limits which set credit rating requirements for credit counterparties and maximum exposure limits for each individual investment of surplus liquidity. Statnett also faces credit risk through its role of Imbalance Settlement Responsible in the regulating power market, a risk that is handled through established routines for provision of security for the stakeholders that participate in this market.

Counterparty Risk

Statnett has counterparty risk vis-à-vis the company's derivative counterparties. In order to reduce the counterparty risk, Statnett has entered into credit support annex (CSA) agreements with major derivative counterparties.



Statnett emphasises preventive maintenance and ongoing inspections

Board of Directors' report

Statnett is the transmission system operator in the Norwegian power system, and is responsible for socio-economically efficient operations and development of the central transmission grid for power. Statnett's social mission is to ensure a reliable supply of electricity, contribute to value creation in society and pave the way for better environmental solutions. Statnett conducts operations throughout the country, with headquarters in Oslo and administration offices in Alta, Trondheim, Sandnes and in Sundalsøra.

The Statnett Group's underlying profit after tax amounted to NOK 1 427 million in 2015 (NOK 1 284 million in 2014). The underlying profit or loss is based on the regulated permitted revenue, whereas the recorded profit or loss will depend on stipulated tariffs and congestion revenues. The difference, referred to as higher or lower revenue, will level out over time through adjustment of tariffs, ensuring that Statnett's recorded revenue over time corresponds with the regulated permitted revenue. Recorded profit after tax for the Group amounted to NOK 1 103 million in 2015 (NOK 829 million).

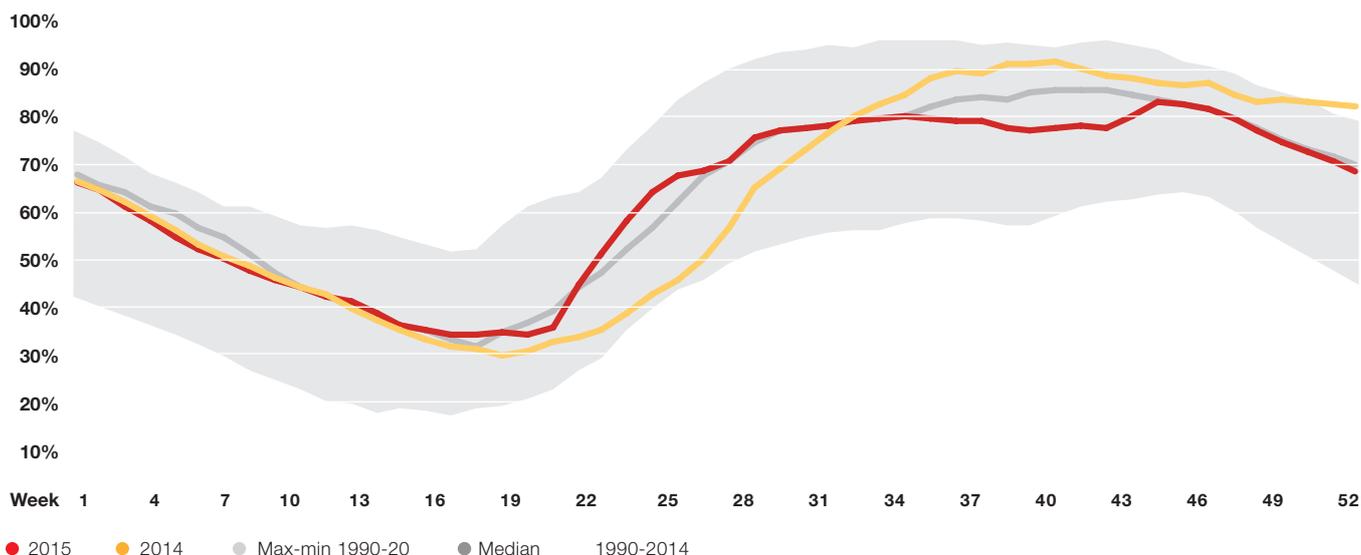
The improvement is mainly due to higher permitted revenue as a result of an increased asset base, and due to the results from the Group's efficiency improvement programme. Increased fixed tariffs follow from this, which along with higher congestion revenues affects the accounting result. There are also lower wage costs as the result of a one-time effect from transition from a defined benefit to a defined contribution pension scheme.

Highlights 2015

- The power situation in Norway has been good throughout the year. Reservoir water levels were above the median and the hydrological balance was above normal at the end of 2015. The net export of power from Norway was on a par with 2014.
- System and facility operations have mostly been stable throughout the year. A high level of project activity has necessitated outages in an already highly utilised and ageing grid. A few extreme weather situations caused breakdowns, which were repaired quickly in most cases. The frequency quality has been in line with the goal for 2015.

- To maintain and improve security of supply, contribute to value creation and facilitate reduced emissions of greenhouse gases, Statnett is well under way with further development of the power system. Statnett prepared a National Power System Study and submitted the 2015 Grid Development Plan in October, after the plan had undergone consultation. The plan comprises grid projects totalling NOK 40-55 billion over the next five years.
- Health, Safety and the Environment (HSE) is a high priority in Statnett, and is aimed at both regular operations and development activity. The Group's reported results showed a leveling off in 2015, after several years with positive development. Statnett is still working systematically towards the goal of becoming the HSE leader among transmission system operators in Europe by the end of 2017, specified to a lost time injury frequency (LTIF) of two or lower. In 2015, Statnett's LTIF value was 6.4 (including contractors/suppliers), compared with 4.4 in 2014 and 9.8 in 2013.
- Statnett made investment decisions for interconnectors to Germany and the UK in 2015, and entered into contracts in cooperation with the partners in the respective countries which pledge considerable amounts in the upcoming six years. Statnett has also made an investment decision for the Western Corridor, an upgrade which is necessary in order to fully utilise the new international interconnectors, in addition to increasing security of supply in Southern Norway and facilitating new renewable power generation in the area. Other major projects in the execution phase include Ofoten-Balsfjord, new cables in Inner Oslofjord, voltage upgrade in Central Norway, as well as Ørskog-Sogndal, where a power line between Ålfoten and Ørsta was commissioned at the end of 2015. More than 90 percent of the Ørskog – Sogndal project has now been completed.
- An efficient power market needs good and efficient solutions for system operations. An agreement to establish a shared balancing area was entered into for Norway, Sweden, Finland and Denmark in 2015. The introduction of this is part of ensuring compliance with the new European regulations. Statnett has also entered into an agreement with Svenska Kraftnät regarding collaboration on the new Regulation and Market System LARM, a joint IT system for balancing the Nordic power system. The cooperation enables savings for consumers as the two companies will split the costs of developing and managing the system.

Reservoir levels Norway



- Statnett's investments in 2015 totalled NOK 5.8 billion, which is on a par with 2014. The investment level reflects a high level of activity which is expected to continue in the years to come, and will result in substantial growth for Statnett over the next few years. Statnett's financial position was strengthened through the addition of new equity in 2013, in addition to an improved underlying profit over the past three years. Statnett prioritises maintaining a robust A rating, in order to ensure access to adequate loan capital on good terms. The increased activity affects the risk situation for Statnett. Statnett practises unified risk management, and extensive improvements have been implemented to meet this challenge.
- Statnett is focusing on maintaining its position as one of the most cost-efficient main grid enterprises in Europe. This is supported by a broad efficiency improvement programme established in 2013 with the aim of increasing efficiency by 15 percent by the end of 2018. A status report to the Board of Directors in the autumn of 2015 showed a positive development.

Safe and efficient operations

The energy situation has been good throughout 2015. At the beginning of the year, there was a shortfall in the hydrological balance of approximately three TWh. The average temperature for Norway as a whole was 1.8°C above normal, and the year was the third hottest in a series dating back to the year 1900. 2015 was also the third wettest year, with 125 percent of the norm. At the end of 2015, there was a surplus in the hydrological balance of approximately twelve TWh.

Reservoir water levels in Norway were 68.8 percent at the beginning of 2015, 2.4 percentage points below the median for the measuring period 1990-2014. Temperatures in May and June were lower than normal, which caused snow to melt and higher than normal water

inflow in the third quarter. At the end of the year, reservoir water levels were 82.5 percent, 12.9 percentage points above the median. All elspot areas had reservoir water levels above the median at year-end.

Overall power generation was 143 TWh in 2015, and the overall power consumption 128 TWh. The corresponding figures for 2014 were 141 TWh and 126 TWh respectively. Net export in 2015 was 15 TWh, corresponding to 2014.

Operations were characterised by outages in connection with maintenance and development, and the need for special adjustments increased. The most extensive outages were related to construction of the Ørskog-Sogndal and Ofoten-Balsfjord power lines, voltage upgrade in Central Norway, upgrades to the Western Corridor, as well as annual modification on the Skagerrak interconnector.

On 9 January, a sum limitation was introduced on the capacity between certain elspot areas and the capacity is now distributed at the power exchange as part of the market clearing. This provides a better socio-economic utilisation of available capacity. Statnett has previously distributed capacity based on forecasts for where flow will be largest.

In connection with the solar eclipse on 20 March, capacity in and out of the Nordic synchronous system was reduced to limit the impact of any serious incidents on the Continent, which has a large share of solar power. The solar eclipse did not cause any operational disruptions on the Continent.

From 18 November, implicit loss handling was introduced for the NorNed cable. This means that power trading will not take place on the interconnector when congestion revenues are lower than loss costs.

There were several operational interruptions in 2015 that affected operations for shorter or longer periods:

- On 29 January, stormy weather caused a fault in Statnett's facility and power outages in the area north of Ofoten to Finnmark. Power returned for most consumers after about one hour. The main grid was back to normal after about four hours.
- The extreme weather system Ole hit Central and Northern Norway on 7 February and caused several outages in the 420 kV and 132 kV grids. Lofoten was affected by a power outage, primarily as a result of faults in the subsidiary grid. The power was not restored to some customers until 9 February.
- It occurred a fault in Smestad substation on 18 November in connection with maintenance work. The fault resulted in outages of all 300 kV outlets and supply interruptions for consumers in Bærum and Oslo West, a total outage of about 485 MW consumption. Most of the consumption could quickly be restored by changing to the subsidiary grid.
- Parts of the Stavanger area were briefly without power supply on 1 December due to a breakdown in a transformer for the 132 kV grid in Lyse. The area had only one source of power supply due to modification work on the Feda-Åna-Sira power line. Supply was quickly restored after reconnections in the grid.

Development of the next generation power system

Further development of the power system entails development of and reinvestments in the main grid, as well as development of system operation solutions on a national scale. The development will also facilitate the handling of increasingly integrated markets in the Nordic region and Europe.

Power system development

Statnett is responsible for studies on the main grid, including the parts of the main grid the Group does not own.

Every two years, Statnett conducts a National Power System Study for the main grid that must be submitted to the Norwegian Water Resources and Energy Directorate (NVE). This assessment is confidential and exempt from public disclosure. The Grid Development Plan is a public summary of the National Power System Study with information of public interest concerning Statnett's plans for the main grid in particular and the power system in general. Statnett also conducts more specific analyses for individual areas as needed. The most recent National Power System Study and Grid Development Plan were prepared in 2015.

Through its ongoing work on the National Power System Studies, Statnett maintains dialogue and exchanges information with other grid owners, especially those responsible for regional power system studies. Information from the regional studies is used actively in Statnett's work on grid planning. Statnett is also in close dialogue with the power companies. Statnett furthermore receives information about grid development in the other Nordic countries through its international work, both bilaterally and in the European system operator cooperative ENTSO-E.

Statnett introduced concept selection studies in its internal planning routines as of 2010, with the objective of providing a sound basis for deciding which of the alternative system solutions should be chosen. A concept selection study is initiated when a need for strengthened transmission capacity is identified. A concept selection study follows a process with an analysis of needs, an account of the purpose of the measure and which terms or requirements must be fulfilled, as well as a socio-economic analysis of the various alternative concepts.

Statnett submitted two concept selection studies to the Ministry of Petroleum and Energy (MPE) in 2015:

- Supply due to increased power consumption in Haugalandet
- More reliable power supply to Nyhamna

Two currently ongoing concept selection studies were also initiated:

- Concept and feasibility study for further development of the power system in Finnmark
- Concept and feasibility study for further development of the power system in Southern Rogaland

Investments

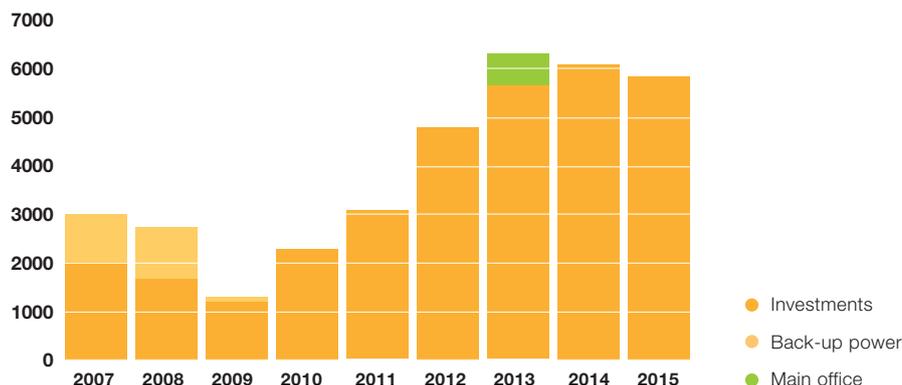
During the 2011–2015 period, Statnett has invested about NOK 20 billion in grid projects, which include approximately 700 kilometres of new power lines in addition to upgrades of more than 340 kilometres of existing power lines. The largest projects that have been completed during this period are the Eastern Corridor, Skagerrak 4, Sima-Samnanger, Varangerbotn-Skogfoss and the new cable facility in the Outer Oslofjord. This shows that Statnett is well under way with developing the next generation power system.

The 2015 Grid Development Plan was presented on 1 October 2015. The plan describes development features and anticipated investments in the main grid, under which multiple development projects are in the planning and execution phases.

Statnett's overall investments in 2015 totalled NOK 5 820 million, which is on a par with 2014 (NOK 6 037 million) and reflects steady activity in developments. Investments include commissioned projects, projects under construction and ICT projects as well as other investments. Investments in grid projects totalled NOK 4 992 million in 2015.

Commissioned projects totalled NOK 4 152 million in 2015 compared with NOK 6 954 million in 2014. The largest commissioned facilities were the power line between Ålfoten and Ørsta, which is part of the Ørskog-Sogndal project, as well as parts of Ofoten-Balsfjord and increased transformer capacity in Eastern Norway. The extent of commissioning of facilities will vary from year to year, and was according to plan in 2015.

At year-end 2015, the value of plants under construction was NOK 6 553 million, compared with NOK 5 047 in 2014.

MNOK Development investments

The most important projects are listed in the following table.

Important project events**Commissioned major investment projects**

- *Substation investments:* The Feda phase advancer was commissioned in 2015. In addition, the work on reactive power compensation in Lofoten and Vesterålen and a reinvestment project in the Lakselv substation were completed.
- *Kvandal-Kvernmo (part of Ofoten-Balsfjord):* The first 11.5 kilometres of a new 420 kV power line between Ofoten and Balsfjord came online in September.
- *New cables across Tjeldsundet:* The new cable facility across Tjeldsundet in Ofoten was commissioned in October. The cable facility is 2.4 kilometres long and is the first in Statnett's history where the cables terminate in terminal towers and not cable terminals.
- *Ålfoten-Ørsta (part of Ørskog-Sogndal):* The section was energised in December.

Ongoing major investment projects

- *Voltage upgrade Western Corridor:* The upgrade has been divided into three contract packages for power lines and substations, as well as one contract for insulation upgrade. A contract has been awarded for 14 transformers in the substation and power line package number one, and the first new tower was raised on 27 October. The investment decisions for substation and power line packages two and three were made by Statnett's Board of Directors in September. More than 70 percent of the insulation upgrade has been completed.
- *Ørskog - Sogndal:* More than 90 percent of the project has now been completed. The entire section from Ørskog to Ålfoten has now been energised at 420 kV. In December, the District Court gave Statnett permission to start constructing the remaining 2.5 kilometre power line section and mobilisation started in

January 2016. Consequently, the project is likely to be completed by the end of 2016 as scheduled.

- *Ofoten-Balsfjord:* The project is more than 50 percent complete. The section between Kvandal and Kvernmo has been energised. The section spanning the Rombaksfjord was completed in October. The discretionary judgement case concerning reindeer herding has been concluded.
- *Balsfjord-Skaidi:* The Ministry of Petroleum and Energy (MPE) granted a final licence for construction of a 420 kV power line from Balsfjord to Skaidi in April, and preparation for the decision on start-up has started.
- *Increased transformer capacity Eastern Norway:* More than 90 percent of the project has now been completed. Six out of seven substations are in operation.
- *Reinvestment cables Inner Oslofjord:* Construction started at the end of September/early October. The cables will contribute to a stable power supply in central Eastern Norway in the future and strengthen the possibility for power trading with Sweden.
- *Voltage upgrade Central Norway:* The upgrades of the power lines between Klæbu-Namsos and Namsos-Nedre Røssåga are now 50 percent and 30 percent complete respectively.
- *Wind power Central Norway (Namsos-Åfjord-Snilldal-Surna):* In November, the Statnett Board of Directors made an investment decision for the Snilldal-Surna section. Inquiries for the power line contractors for Namsos-Åfjord and Snilldal-Surna were sent out in the same month. A new continuous main grid power line from Namsos to Surna will strengthen power flow from north to south and will facilitate wind power development on Fosen and in the Snillfjord region.
- *International Interconnectors:* In 2015, Statnett looked into the possibility of installing fibre optic cables in conjunction with installation of the power cables to Germany and the UK. The assessments were completed in December, and showed that this would not be possible without a significant risk of delays. In consultation with their partners, Statnett therefore decided not

Overview of major investment projects

See www.statnett.no for more information about the projects.

Project	Location	Expected investments
Completed projects		
Station investments (Phase advances Fedra, Sogndal station, Lakselv, reactive compensation in Lofoten and Vesterålen and other)		
Kvandal-Kvernmo (part of Ofoten-Balsfjord)	Nordland/Troms	
Tjeldsundet reinvestment cable connection	Nordland	
Ålfoten - Ørsta (part of Ørskog - Sogndal)	Møre og Romsdal	
Under implementation		
Western Corridor, voltage upgrade ¹⁾	Vest-Agder/Rogaland	MNOK 7 500 - 8 500
Ørskog - Sogndal, new 420 kV power line	Møre og Romsdal/ Sogn og Fjordane	MNOK 4 600 - 5 600
Ofoten - Balsfjord, new 420 kV power line	Nordland/Troms	MNOK 3 200 - 3 700
Station investments (transformer capacity Eastern Norway, reactors for power reduction and other)		MNOK 1 400 - 1 600
Inner Oslofjord, reinvestment interconnectors	Akershus/Buskerud	MNOK 1 050 - 1 200
Nedre Røssåga - Namsos, voltage upgrade stations and power lines	Nordland/Trøndelag	MNOK 800 - 1 000
Klæbu - Namsos, voltage upgrade stations and power lines	Trøndelag	MNOK 700 - 800
Interconnectors, under implementation		
Cable to England (NSL)		MEUR 750 - 1 000 ²⁾
Cable to Germany (NordLink)		MEUR 750 - 1 000 ²⁾
Final licence granted		
Balsfjord-Skaidi (-Hammerfest), new 420 kV power line	Troms/Finmark	MNOK 4 000 - 6 000
Station investments (Vemorktoppen, Mauranger, Kobbelv and other)		MNOK 1 850 - 2 600
Namsos - Åfjord, new 420 kV power line	Trøndelag	MNOK 1 800 - 2 400
Snilldal - Surna, new 420 kV power line	Trøndelag/Møre og Romsdal	MNOK 1 600 - 2 300
Planned investments, licences pending or appealed		
Nettplan Stor-Oslo, phase 1		MNOK 4 000 - 6 000
Lyse - Stølaheia, new power line, cable and upgrading stations		MNOK 2 500 - 3 500
Station investments (Renewal control systems and switchgear)		MNOK 1 300 - 2 000
Aurland - Sogndal, voltage upgrading		MNOK 500 - 900
ICT projects		
Renewal of Statnett's central operations system		MNOK 500 - 600
Elhub		MNOK 400 - 600

¹⁾ Parts of the project are under planning and going through licensing procedure

²⁾ Statnett share. Exposure mainly in Euro which corresponds to a span of 7-9 billion NOK per project. Agreements with partners in Germany and England will be in Euro.

The amounts in the table show the anticipated range including all project costs.

Projects under implementation are shown in current rates, other projects in 2015 rates.

to go ahead with the plans for an integrated fibre solution. At the same time, Statnett invited interested parties to collaborate on the realisation of a stand-alone fibre project, initially to the UK.

- *Substation investment Vemorktoppen*: Statnett's Board of Directors made an investment decision in March.
- *Reinvestment Sildvik*: Statnett's Board of Directors made an investment decision in December.

Other projects under development

- *Bjerkreim substation*: the NVE has granted Statnett a licence to construct the Bjerkreim substation. The Bjerkreim substation is necessary to connect planned wind power plants in the area to the transmission grid, and the decision to construct depends on development of about half of the planned wind power. Assuming that wind power will be developed, the substation will be completed in 2019, at the earliest. An agreement has been signed under which Lyse Produksjon will implement the project following a start-up decision from Statnett.

Health, safety and the working environment

Statnett's objective is to prevent accidents and injuries as well as environmental impact. The Group has improved its safety results and works systematically with its objective to become the HSE leader among main grid enterprises in Europe by the end of 2017. The objective has been specified to a LTIF¹ of 2.0. To achieve this objective, initiatives have been implemented relating to safety culture, risk assessments, expertise and supplier requirements. Statnett reports incidents and deviations occurring in its own organisation, as well as in contractor/supplier organisations. The same HSE requirements are set for suppliers as for Statnett's own employees.

Eleven internal lost-time injuries were reported in 2015, whereas our suppliers/contractors reported 17 lost-time injuries. The LTIF value including suppliers/contractors was 6.4 in 2015, up from 4.4 at the end of 2014. The development in HSE incidents shows that the number of incidents has increased, but that the severity has decreased. The HSE statistics reveal that the accidents occur during normal and seemingly non-hazardous situations. 80 percent of the injuries are cuts, fractures, sprains, striking and crushing impact damage. Statnett has good and stable results within electrical safety, partially as a result of clear and effective guidelines that have been incorporated over time. Statnett is focused on reinforcing the enterprise's safety culture. One of the most important measures is the SAFE programme, which is being introduced in 2016. The purpose of this programme is to achieve a common culture and understanding of objectives, responsibility and consequences with a focus on people's own behaviour, awareness and clear leadership that will yield an injury-free workday.

The lost workday rate (LWR)² for Statnett's own employees was 63 in 2015, compared with 155 in 2014. Including suppliers/contractors, the LWR was 85 in 2015 compared with 126 in 2014. This shows that the severity of the injuries has generally been reduced.

Absence due to illness in 2015 was at 3.3 percent, which is a minor increase from 2014. Even though absence due to illness is lower than in the energy industry in general, Statnett is focusing on analysing the reasons for the absence due to illness and on identifying measures that can reduce absence due to illness further. This involves adaptation of individual workplaces and various health-promoting and illness-reducing measures, including use of safety inspections and physical therapy treatment.

Employees

Statnett has a comprehensive social mission and must ensure that the right expertise is in place for the right jobs. At year-end 2015, Statnett SF had 1 226 full-time equivalents, compared with 1 119 the year before.

Statnett has low turnover, but many employees will reach retirement age in the next few years. Consequently, Statnett makes a targeted effort to be an attractive employer in order to attract new employees, as well as to retain and develop the expertise of current employees. This includes both a trainee programme and an apprentice programme in electrical power engineering and ICT. Statnett has a career development model under implementation and a manager development programme to further develop management at all levels. Furthermore, Statnett has a senior policy to retain valuable employees and their expertise until retirement age. Statnett's average retirement age in 2015 was 67.

Statnett conducts annual organisation surveys. The results from the 2015 survey show that Statnett generally exceeds comparable enterprises in the industry and Norwegian enterprises in general.

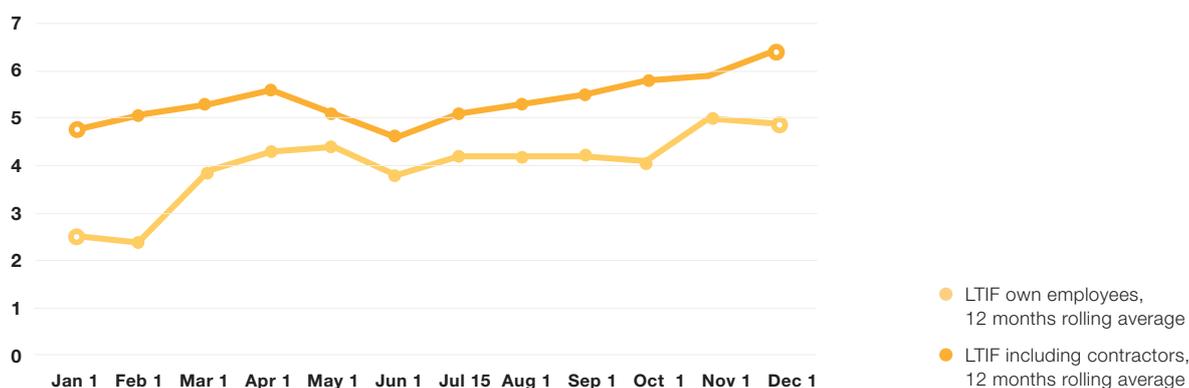
Statnett has a zero tolerance policy regarding discrimination and harassment. This is stipulated in the Code of Conduct, and is followed up by Statnett's Ethics Ombudsman, local safety delegates as well as through, appraisal interviews and opinion polls. It is important to Statnett to ensure a diverse organisation in terms of gender, ethnicity and age. Eight percent of employees recruited in 2015 came from foreign backgrounds, compared with 8.3 percent in 2014.

Statnett will continue its efforts to increase the number of women in technical and managerial positions. The total percentage of women has increased from 25.4 percent in 2014, to 25.9 percent in 2015. The percentage of female employees in the energy sector in general is approximately 20 percent. At the end of 2015, four of the nine members of Statnett's Board of Directors and two of the seven members of the Group management were women. Female managers constituted 29.1 percent of all managers in the Group. Employment conditions for women and men are monitored using a variety of methods, including wage reviews and staff surveys. Women and men with approximately the same educational background and experience, and employed in comparable positions receive equal pay. See also Notes six and 19 for more information about wage costs and remuneration to the Group management.

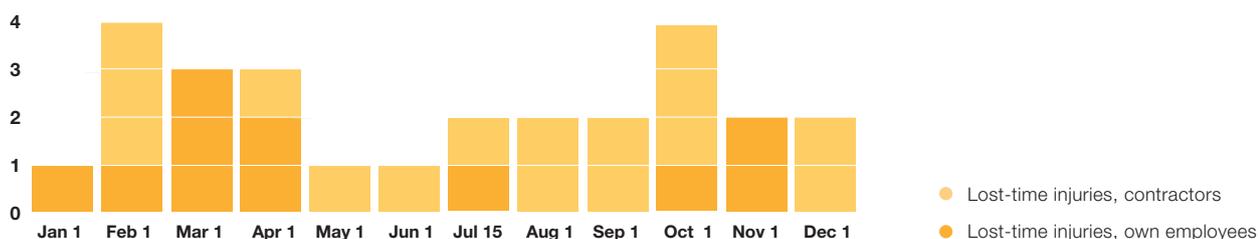
¹ Lost-time injury rate, number of days away from work per million hours worked.

² Lost-time injuries, number of days absent due to injuries per million hours worked.

Lost time injury frequency (LTIF)



Lost-time injuries



Research & development

Research and development is a strategic tool for achieving Statnett's overall Group strategy. Among other things, R&D has contributed innovative technologies and solutions that improve safety, reduce costs and lead to faster and more efficient execution of Statnett's work. From 2015 to 2019, R&D efforts are split into three main programmes:

- Sustainable system development: Development of tools, methods and new technology that ensure sustainable development of the future power system.
- Innovative technology: Development of methods for building power lines, cables and substations safer, faster and cheaper.
- Smart grids: Development of new solutions that can contribute to better utilisation of the grid, safer operations and lower operating costs.

Statnett's R&D budget totals approximately NOK 70 million. In addition, there is extensive development of solutions through large ICT-projects, such as control centre, regulation and market system and datahub. See Corporate Social Responsibility for more detailed information about Statnett's R&D work.

Financial performance

The annual financial statements for Statnett SF and the Statnett Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) and interpretations established

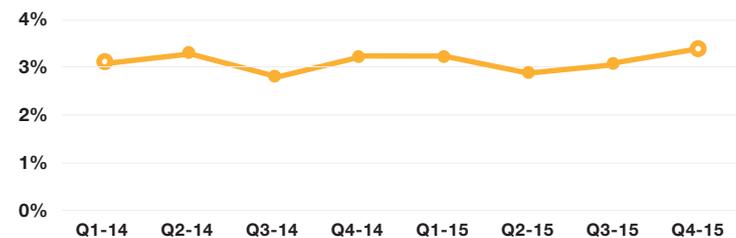
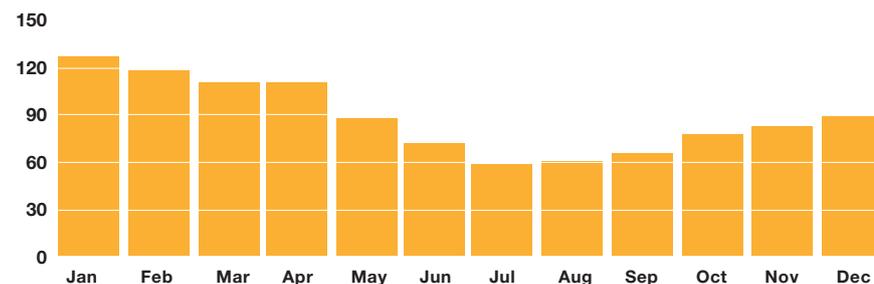
by the International Accounting Standards Board (IASB) which have been approved by the EU. Comments to the accounting items are in relation to the Group's financial statement. Developments described for the Group also apply to the parent company.

Operating revenues

The Group's total accounting operating revenues were NOK 5 906 million in 2015 (NOK 5 563 million). The increase in operating revenues is mainly due to higher tariff revenues and congestion revenues. Tariff revenues from fixed tariff components have increased as a consequence of a change in tariff rates for consumers based on an increase in Statnett's permitted revenue, whereas tariff revenues from energy components were somewhat reduced due to lower energy prices. Congestion revenues from the Netherlands increased considerably as a result of low prices in Southern Norway.

Statnett's operating revenues mainly derive from grid operations regulated by the NVE, which stipulates a cap (permitted revenue) for Statnett's revenues. Permitted revenue was NOK 6 236 million in 2015 (NOK 6 054 million). The increase was mainly due to an increase in the company's asset base, somewhat offset by lower interest rates as a basis for return on invested grid capital.

If the accounting revenues from grid operations for one year diverge from the permitted revenue, so-called higher or lower revenue will occur. Higher/lower revenue will even out over time through

Absence due to illness**Lost workday rate (LWR)**

adjustment of future tariffs. In 2015, Statnett had a lower revenue of NOK 489 million (NOK 665 million), excluding interest. Accumulated higher revenue including interest was NOK 1 346 million at the end of 2015. Higher/lower revenue is not recorded in the balance sheet.

Operating costs

The Group's operating costs totalled NOK 4 192 million in 2015 (NOK 4 185 million).

System services costs amounted to NOK 451 million in 2015, down NOK 158 million compared with 2014. System services are costs associated with Statnett SF's responsibility to maintain instantaneous balance in the power system and to ensure satisfactory quality of supply. The reduction is mainly due to lower costs in connection with special adjustments as well as lower transit costs.

For 2015, transmission loss totalled NOK 466 million, down NOK 120 million from 2014. The reduction was mainly caused by lower power prices, but is offset somewhat by a higher loss volume.

Wage and staff costs for 2015 totalled NOK 591 million, down NOK 124 million from 2014. After adjusting for the one-time effect of the change of pension scheme, wage and staff costs increased by NOK 152 million compared with the same period in 2014. The increase was caused by increased staffing as a result of a higher activity level, as well as increased costs associated with the new scheme for differentiated employer's contribution.

Depreciation and write-downs totalled NOK 1 626 million in 2015, up NOK 476 million compared with 2014. The increase was mainly due to an increased asset base, increased allocation for removal obligations, higher residual depreciation related to scrapping of fixed assets, as well as write-down of plants under construction mainly associated with the current consideration to establish an alternative route for grid reinforcements in to Stavanger.

Other operating costs totalled NOK 1 058 million in 2015, down NOK 67 million from 2014. The reduction is partly related to currency gains from hedging the NordLink project. Equipment and material costs are lower as a result of projects being postponed. In addition, the general cost level was also lower as a result of measures related to Statnett's efficiency improvement programme. This was somewhat offset by increased property tax, mainly caused by the increased asset base and introduction of property tax in several municipalities.

Net profit

The Group's operating profit for 2015 amounted to NOK 1 714 million (NOK 1 378 million). Adjusted for the year's changes in unrecognised higher revenue balance, the underlying profit totalled NOK 2 158 million (NOK 2 001 million).

Revenues from associates totalled NOK 8 million in 2015 (NOK 11 million).

The Group's net financial items for 2015 amounted to a net cost of NOK 312 million (net cost of NOK 269 million). The increase in financial costs was mainly due to realisation of Statnett's development projects, somewhat offset by lower interest rates. The increase in gross financial income and expenses was mainly due to currency gain and loss associated with increased security under the Credit Support Annex (CSA).

Profit for the year after tax in 2015 was NOK 1 103 million (NOK 829 million). The underlying profit after tax for 2015 (corrected for changes in unrecognised higher revenue) amounted to NOK 1 427 million (NOK 1 284 million). The increase in underlying profit is primarily due to higher regulated permitted revenue due to an increased asset base in the Group, as well as a one-time effect from the transition to a defined benefit from a defined contribution pension scheme.

Cash flow and balance sheet

The Group's operating activities generated an accumulated cash flow of NOK 2 260 million at the end of 2015 (NOK 3 028 million). Net cash flow from investment activities totalled NOK -5 777 million (NOK -5 997 million). In total, loans were paid down by NOK 1 142 million, and new loans of NOK 1 503 million were raised. At year-end 2015, the Group's liquid assets and market-based securities amounted to NOK 2 376 million (NOK 4 364 million).

At the end of 2015, the Group had total assets of NOK 45 547 million (NOK 41 107 million), and interest-bearing debt amounted to NOK 28 289 million (NOK 24 643 million). Interest-bearing debt includes security under CSA of NOK 3 328 million (NOK 1 860 million). The market value of recognised interest swap and currency swap agreements (fair value hedges) related to interest-bearing debt was NOK 5 032 million. Interest-bearing debt, corrected for this, totalled NOK 23 257 million.

At year-end 2015, the Group's equity totalled NOK 13 605 million (NOK 12 629 million). Statnett SF's distributable equity was NOK 7 315 million at year-end (NOK 6 240 million). Corrected for net higher/lower revenue, the equity ratio in the Group was 28 percent.

The Board of Directors and management consider the enterprise's equity and liquidity to be prudent.

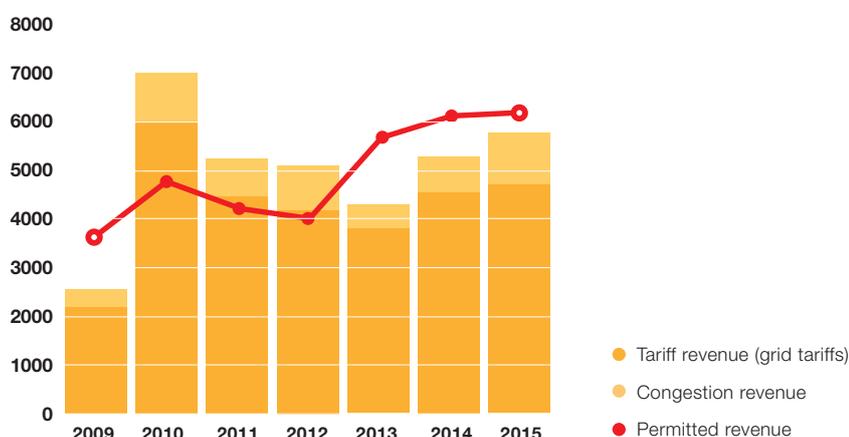
Subsidiaries and associated companies

Statnett SF is required to provide heavy transport preparedness for the Norwegian power supply. Statnett's wholly owned subsidiary Statnett Transport AS is required to ensure efficient and competitive implementation of this duty. In 2015, operating revenues for Statnett Transport amounted to NOK 130 million (NOK 151 million) and the profit before tax was NOK 19 million (NOK 24 million).

The wholly owned subsidiary NordLink Norge AS is responsible for construction and operation of Statnett's section of the NordLink cable, a high-voltage cable between Norway and Germany. Profit before tax in 2015 was NOK 29 million, and is mainly related to recording of currency gains as income when hedging the project.

On 28 August, Statnett SF established the company Elhub AS in which Statnett owns 100 percent of the shares. Elhub AS became operational from 1 October. The company will develop and operate a central data hub for measuring values and market processes in the Norwegian electricity market (Elhub), which is a responsibility assigned to Statnett by the NVE through the Energy Settlement Licence. According to the plan, Elhub will be operational in the Norwegian power market during the first quarter of 2017. The company has a break-even result for 2015.

MNOK Operating revenue



Statnett SF has a controlling interest of 50 percent in Lyse Sentralnett AS, and the company is consolidated in the Statnett group in the accounts. In 2015, operating revenues for Lyse Sentralnett AS amounted to NOK 33 million (NOK 37 million), but the company recorded a loss before tax of NOK 101 million (NOK 9 million). This is due to write-down of plants under construction.

Statnett SF has an ownership interest of 33.3 percent in eSett OY. The company will provide balance settlement services for market players in Finland, Sweden and Norway, and will be operational from the second half of 2016. In 2015, the company recorded a loss of NOK 19 million. Statnett's share constituted a loss of NOK 6 million.

Statnett SF has an ownership interest of 28.2 percent in Nord Pool Spot AS. Statnett's share of the profit in Nord Pool AS constitutes NOK 7 million in 2015 (NOK 9 million).

Risk

Statnett practises unified risk management in a manner that reflects that the enterprise is responsible for critical infrastructure in the society, and that Statnett is in a phase with a significant construction program as well as increase in facilities. The risk management framework is based on the ISO 31000 standard with relevant adaptations in order to safeguard Statnett's internal needs and external requirements. Statnett's risk management covers the enterprise's entire perspective, including strategic, commercial, operational and financial aspects. There is a strong focus on risks with a potential impact on HSE, supply of electric power, finances, reputation and compliance, and consequences at the enterprise level will take priority.

Please see the separate section of the annual report for more detailed information about the framework for Statnett's risk management and specific risks. This section includes information about Statnett's financial risk management and how the Group uses financial instruments in its risk management.

Corporate social responsibility

Statnett's social mission is to ensure a reliable supply of electricity, contribute to value creation in society through an efficient and well-functioning power system and pave the way for better environmental solutions. As a part of this social mission, Statnett is working on understanding the expectations of the community, and handling these expectations in a manner which generates mutual trust.

Statnett reports on corporate social responsibility in accordance with the Global Reporting Initiative's (GRI G4's) guidelines for the electricity sector (GRI Sustainability Reporting Guidelines & Electric Utility Sector Disclosures). Statnett believes that the reporting covers the requirements stipulated in Section 3-3c of the Accounting Act, adopted in 2013. Please see the description of CSR in Statnett's annual report for more information about corporate social responsibility.

Climate and the environment

Statnett works systematically on preventive environmental initiatives

to reduce the risk of serious incidents, from the early planning phase, through the construction phase and in the operational phase. Statnett's most important contribution to reduced greenhouse gas emissions is development of the next generation power system, which will facilitate connection of new renewable energy. Statnett is also working on reducing its energy consumption and greenhouse gas emissions from daily operations.

For a more detailed account of climate and the environment, please see the statement under Corporate Social Responsibility in the annual report.

Corporate governance

Statnett is a state enterprise wholly owned by the Norwegian State through the Ministry of Petroleum and Energy.

Statnett's corporate management principles clarify the distribution of roles between the owner, the Board of Directors and the general management. Statnett adheres to the Norwegian State's Principles for Good Corporate Governance and follows the recommendations laid down by the Norwegian Corporate Governance Board (NUES) to the extent permitted by Statnett's organisation. A separate description of corporate management in the annual report gives an account of Statnett's compliance with the NUES principles.

Changes in the Board of Directors

At the enterprise general meeting in June 2015, Per Hjorth was elected chairman after Kolbjørn Almlid left the Board of Directors. In the same meeting, Synne Larsen Homble was elected deputy chairman and Einar Anders Strømsvåg came in as a new board member. Trine Pande-Rolfen, the employee representative, left the Board of Directors in January 2016. Ane Elgesem was appointed the Board in March 2015.

Events since the balance sheet date

On 18 February, Statnett SF entered into an agreement with BKK Nett AS concerning takeover of facilities that are part of, or will be part of, the main grid. As regards the facilities under construction on the Fana-Kollsnes-Mongstad section, BKK Nett AS is entitled to hand over the facilities with effect from 1 January 2018. As regards the Mongstad-Modalen section, the parties have agreed, subject to board approval, to enter into an option agreement that entitles BKK Nett AS to hand over the facilities upon final completion over the course of 2019.

Outlook

The upcoming five-year period is expected to involve the most extensive construction and development of the next generation power system leading up to 2030. The focus on implementing the considerable project portfolio will be substantial. Statnett's 2015 Grid Development Plan reflects Norwegian society's need for a stronger grid which ensures a reliable power supply and facilitates renewables projects and industrial and commercial development throughout the country. In line with this, Statnett will deliver important

results on its social mission during the five-year period.

Statnett has an overall project and reinvestment plan that balances the efficient development of the main grid in Norway with maintaining reliable security of supply. The grid development measures with the highest priority have a positive effect on security of supply. However, the project scope also entails major strain on a generally highly utilised and ageing power grid. Consequently, a focus on preparedness will continue to be important in the years to come.

Together with its German and British partners, Statnett has started the construction of the interconnectors to Germany and the UK. Both projects have high priority and are important for the development and integration of the Northern European power system. Power exchange capacity generates value creation in Norway. Moreover, the projects will support the ambitions to increase generation of renewable energy throughout the region and help meet the EU's climate and energy targets. Norwegian contractor industry has demonstrated its competitiveness and has been awarded considerable contract packages for the years to come.

The establishment of a common European power market makes it necessary to harmonise the framework for the electricity market, as well as for system and grid operations. Statnett is involved in cooperation both at a European and Nordic level. This work is important, as key framework conditions stipulated by the EU also are relevant for Norway through the EEA Agreement. As the Norwegian and Nordic power systems differ from the European system, it is important that the framework conditions are formulated to safeguard Norwegian and Nordic security of supply, promote cooperation and structure developments at a Nordic level, and thereby ensure value creation from Norwegian hydropower. Increased focus on Nordic collaboration on further development of shared power systems is therefore key both today and in the years to come.

Statnett will continue to invest in ICT systems, in R&D and technological development. Changes in consumption and generation require continuous development within system operations. New regulatory requirements from the EU have led to additional development and a need for changes. Through the Group's R&D and ICT programmes in cooperation with other Scandinavian TSOs, as well as European and national players, Statnett will continue to facilitate a well-functioning power market. The collaborative solutions also facilitate a cost-efficient development progress. R&D is also an important tool for developing new technology that can be used in upcoming development projects.

Implementation of planned grid development projects as well as development within system operations, amount to a substantial scope of activities, and causes a persistent change and restructuring of Statnett's operations. Overall investments are expected to be in the order of NOK 8-10 billion per year in the upcoming five-year period. In order to face the many challenges this involves, Statnett has extensive improvement work under way. The improvement work is e.g. aimed at developing more efficient working methods, better risk and quality management, as well as stepping up work within HSE

through the launch in 2016 of a colleague programme for the entire organisation, which will strengthen Statnett's safety culture.

The Ministry of Petroleum and Energy (MPE) has submitted proposed amendments to the Energy Act for consultation, as a result of EU's third energy market package. The proposal entails substantial growth in the tasks assigned to Statnett if Statnett assumes ownership of the remaining 15 percent of the main grid. This will lead to an increased need for investments and staff in Statnett, but will also allow for an overall more efficient organisation of main grid operations and development in the long term.

Statnett is focusing on maintaining its position as one of the most cost-efficient transmission system operators in Europe. The Group aims to increase efficiency by 15 percent by the end of 2018, based on the 2013 cost level. The results so far show that Statnett expects to reach the objective in 2018. An important objective is to realise the potential for economies of scale inherent in the combination of existing facilities, new commissioned facilities and acquisition of the remaining part of the main grid as a consequence of the EU's third energy market package. Another important objective is to reduce the time spent on project development and execution, as well as reducing unit costs in projects.

Statnett's investment programme is well-founded from a socio-economic standpoint. The extensive investments will simultaneously affect tariffs. Statnett strives to ensure transparent, cost-efficient and grid-based tariffs for all customer groups. Statnett's current tariff strategy applies for the period 2014-2018.

Through the ongoing and planned development, Statnett will strengthen security of supply in exposed parts of the country, and facilitate important climate measures. With a changed financial situation in Norway and weakened profitability in the power industry, Statnett's measures will be an important contribution to increased value creation. This both from Norwegian electricity production and industry, but also through the supplier market in which the competition for Statnett's assignments is considered to be good, and includes contributions from local enterprises that are increasingly awarded assignments that contribute to local value creation.

The Statnett Group has overall had a positive development in 2015. The Board thanks all employees for their efforts and loyalty during the past year, and looks forward to continued joint efforts for the development of Statnett.

Going concern

In accordance with Section 3-3a of the Norwegian Accounting Act, the Board of Directors confirms that the annual financial statements have been prepared on the assumption that the company is a going concern.

Profit allocation

Statnett SF posted a profit after tax of NOK 1 202 million. Statnett SF's Board of Directors proposes a dividend of NOK 357 million,

corresponding to 25 percent of the dividend basis. The basis for the dividend is defined as the Group's net profit after tax, adjusted for changes in the balance for higher/lower revenue for the year after tax. The proposed dividend is in accordance with the enterprise's adopted dividend policy, and is deemed to be prudent based on Statnett SF's equity and liquidity.

On the basis of the above, the Board therefore recommends that the annual profit from Statnett SF is allocated as follows:

(Amounts in NOK million)	
Dividend	357
To other equity	845
Total allocated	1202

Declaration from the Board of Directors and President and CEO

We confirm to the best of our knowledge that the annual accounts for 2015 have been prepared in accordance with IFRS, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the information presented in the accounts gives a true and fair view of the enterprise's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the Board of Directors' report gives a true and fair view of the development, performance and financial position of the enterprise and Group, and includes a description of the key risks and uncertainties the Group is faced with.

Oslo, 17 March 2016
The Board of Directors, Statnett SF



Per Hjorth
Styrets leder



Synne Larsen Homble
Nestlede



Maria Sandsmark
Styremedlem



Egil Gjesteland
Styremedlem



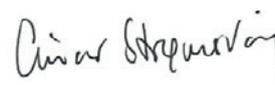
Kirsten Indgjerd Værdal
Styremedlem



Pål Erland Opgård
Styremedlem



Steinar Jøråndstad
Styremedlem



Einar Anders Strømsvåg
Styremedlem



Ane Elgesem
Styremedlem



Auke Lont
Konsernsjef



Statnett shall deliver every minute, every hour and every day - year round

The Board of Directors

Per Hjorth

Chairman

Elected in 2008, Chairman from 2015

Per Hjorth is a working Chairman of Newsec AS, a commercial real estate brokerage and consultancy firm. Per Hjorth also serves on a number of boards. He has held a number of senior executive posts in industry, finance and the energy sector. He was CEO of Nord Pool ASA until 2000. Per Hjorth holds a Master of Business and Economics from BI Norwegian Business School, and has served on Statnett's Board since 2008. He was elected Chairman in 2015.

Synne Larsen Homble

Deputy Chairman

Elected in 2013, Deputy Chairman from 2015

Synne Larsen Homble is Chief Officer at Cermaq Group ASA where she is responsible for legal affairs, communication, HR, corporate responsibility/sustainability and risk reporting. She joined Cermaq in 2006 and has held various management positions. From 1998-2006, she was employed as attorney at law in the Norwegian law firm Wikborg Rein. Synne Larsen Homble has her law degree from the University of Oslo.

Maria Sandsmark

Board member

Elected in 2013

Maria Sandsmark holds a doctorate in social economics from the University of Bergen (2000). She has worked as a painter since 2014. Previous work experience includes 12 years for Møreforsking Molde and Econ Analyse as a researcher on socio-economic analyses and R&D projects related to deregulated power markets. Sandsmark has been a member of an expert committee appointed by the government to review the framework for socio-economic analyses. She has also served as secretary on two government committees on socio-economic analyses.

Egil Gjesteland

Board member

Elected in 2012

Egil Gjesteland is assistant Project Director for the Gassco Emden. In addition, he runs his own oil and gas consulting company, Gjesteland Consulting AS. He is an engineer with a Master of Science from NTH, has worked for Statoil in more than 30 years, has been an

IT manager, as well as project manager for a number of oil and gas projects run by Statoil in Norway and abroad. Gjesteland was the project director of the Snøhvit development in the Norwegian Sea for four years. Gjesteland has also been a lecturer at the BI MBA programme and UC Berkeley.

Kirsten Indgjerd Værdal

Board member

Elected in 2009

Kirsten Indgjerd Værdal has been Director of Agriculture with the County Governor of Nord-Trøndelag. She has held several senior executive posts in the food and agriculture industry. Værdal has served on several boards in the private and public sectors. She is an agronomist and also holds degrees in finance and corporate management.

Einar Anders Strømsvåg

Board member

Elected 2015

Einar Strømsvåg is the director of Statoil's group audit division. He has been with Statoil ASA since 1997, and has held various managerial positions. Einar Strømsvåg has also served on several boards, including the Executive Board of the Confederation of Norwegian Business. He holds a Master of Business and Economics from the Norwegian School of Economics and is also a chemical engineer.

Steinar Jøråndstad

Board member, employee representative

Elected in 2004

Steinar Jøråndstad is employed as team coordinator in the division for System Operations, Asset Management and Markets, and is the leader of the Norwegian Electrician and IT Workers' Union (EL&IT) as well as a member of the Working Environment Committee. Steinar Jøråndstad, who began his career as an apprentice in 1981, has also served as main safety delegate in Statnett.

Pål Erland Opgård

Board member, employee representative

Elected in 2010

Pål Erland Opgård joined Statnett in 1995, and has since his employment been part of the Regional Control Centre Northern Norway in

Alta. Pål Erland Opgård holds a degree in engineering from Narvik University College. In 2010, Pål Erland Opgård was elected leader of the Norwegian Society of Engineers and Technologists (NITO) in Statnett, where he has been a board member since 1999.

Trine Pande-Rolfsen

Board member, employee representative

Elected in 2014, resigned in January 2016

Trine Pande-Rolfsen is the Director of HSE, Emergency Preparedness and R&D in the System Operations, Asset Management and Markets business area in Statnett. She has been employed by Statnett since 2006 and has had various positions and areas of responsibility in Statnett, both within operations and development. Before joining Statnett, she was employed by Mantena AS for a few years, which is a company in the NSB (Norwegian State Railways) group. She is a chartered engineer from the Norwegian University of Science and Technology and graduated in 2003.



Statement of comprehensive income

Parent company		(Amounts in NOK million)	Note	Group	
2014	2015			2015	2014
5 355	5 717	Operating revenue regulated operations	4	5 747	5 389
270	321	Other operating revenue	4	159	174
5 625	6 038	Other operating revenue		5 906	5 563
Operating costs					
609	451	System services	5	451	609
586	466	Transmission losses	5	466	586
710	602	Salaries and personnel costs	6, 7, 19	591	715
1 122	1 488	Depreciation, amortisation and impairment	8	1 626	1 150
1 217	1 223	Other operating costs	23	1 058	1 125
4 244	4 230	Total operating costs		4 192	4 185
1 381	1 808	Operating profit		1 714	1 378
-	-	Income from associate	16, 17	8	11
193	530	Financial income	10	501	202
477	811	Financial costs	10	813	471
1 097	1 527	Profit before tax		1 410	1 120
287	325	Tax	15	307	291
810	1 202	Profit for the year		1 103	829
Other comprehensive income					
3	1	Changes in fair value, held-for-sale investments	24	1	2
-158	20	Changes in fair value for cash flow hedges	13,24	20	-158
43	-10	Tax effect	15,24	-10	43
-112	11	Other comprehensive income to be reclassified to profit or loss in subsequent periods		11	-113
-407	253	Changes in estimate deviations of pension liabilities	7,24	253	-407
110	-70	Tax effect	7,15,24	-70	110
-297	183	Other comprehensive income not to be reclassified to profit or loss in subsequent periods		183	-297
-409	194	Total other comprehensive income		194	-410
401	1 396	Total comprehensive income		1 297	419

Balance sheet

Parent company				Group	
31.12.2014	31.12.2015	(Amounts in NOK million)	Note	31.12.2015	31.12.2014
ASSETS					
Fixed assets					
-	-	Goodwill		53	53
218	283	Other intangible fixed assets	8	283	227
27 130	29 834	Tangible fixed assets	8	30 215	27 515
4 975	5 738	Plants under construction	9	6 553	5 047
416	879	Investment in subsidiaries	16	-	-
55	55	Investment in associates	16	90	89
3 475	5 397	Financial fixed assets	11, 12, 13, 14	5 213	3 340
36 269	42 186	Total fixed assets		42 407	36 271
Current assets					
597	1 337	Trade accounts and other short-term receivables	11, 12, 13, 14	764	472
996	306	Market-based securities	11, 12, 13, 14	680	1 345
2 858	1 441	Liquid assets	11	1 696	3 019
4 451	3 084	Total current assets		3 140	4 836
40 720	45 270	Total assets		45 547	41 107
EQUITY AND LIABILITIES					
Equity					
5 950	5 950	Contributed capital		5 950	5 950
6 240	7 315	Other equity accrued		7 614	6 601
-	-	Non-controlling interest		41	78
12 190	13 265	Total equity		13 605	12 629
Long-term liabilities					
563	968	Deferred tax	15	1 055	682
866	247	Pension liabilities	7	249	869
485	665	Other liabilities	20	665	485
22 134	24 266	Long-term interest-bearing debt	11, 12, 13, 14	24 266	22 138
24 048	26 146	Total long-term liabilities		26 235	24 174
Current liabilities					
2 728	4 235	Short-term interest-bearing debt	11, 12, 13, 14	4 023	2 505
1 738	1 624	Trade accounts payable and other short-term debt	11, 12, 13, 14	1 673	1 763
16	-	Tax payable	15	11	36
4 482	5 859	Total current liabilities		5 707	4 304
40 720	45 270	Total equity and liabilities		45 547	41 107

Oslo, 17 March 2016

The Board of Directors, Statnett SF

Per Hjorth
Styrets leder

Synne Larsen Homble
Nestlede

Maria Sandsmark
Styremedlem

Egil Gjesteland
Styremedlem

Kirsten Indgjerd Værdal
Styremedlem

Pål Erland Opgård
Styremedlem

Steinar Jøråndstad
Styremedlem

Einar Anders Strømsvåg
Styremedlem

Ane Elgesem
Styremedlem

Auke Lont
Konsernsjef

Statement of changes in equity

Parent company						Group						
Contributed capital	Decided, non-registered contributed capital	Other items	Other equity accrued	Total equity		Total equity	Non-controlling interest	Total equity allocated to owner of Statnett SF	Other equity accrued	Other items	Decided, non-registered contributed capital	Contributed capital
2 700	3 250	-57	5 896	11 789	01.01.2014	12 135	-	12 135	6 242	-57	3 250	2 700
-	-	-	810	810	Profit/loss for the year	829	3	826	826	-	-	-
-	-	-113	-296	-409	Other comprehensive income, note 24	-410	-	-410	-297	-113	-	-
3 250	-3 250	-	-	-	Paid contributed capital	-	-	-	-	-	-3 250	3 250
-	-	-	-	-	Acquisition subsidiary	75	75	-	-	-	-	-
5 950	-	-170	6 410	12 190	31.12.2014	12 629	78	12 551	6 771	-170	-	5 950
5 950	-	-170	6 410	12 190	01.01.2015	12 629	78	12 551	6 771	-170	-	5 950
-	-	-	1 202	1 202	Profit/loss for the year	1 103	-37	1 140	1 140	-	-	-
-	-	11	183	194	Other comprehensive income, note 24	194	-	194	183	11	-	-
-	-	-	-321	-321	Dividends declared	-321	-	-321	-321	-	-	-
5 950	-	-159	7 474	13 265	31.12.2015	13 605	41	13 564	7 773	-159	-	5 950

Cash flow statement

Parent company				Group	
2014	2015	(Amounts in NOK million)	Note	2015	2014
Cash flow from operating activities					
1 098	1 527	Profit before tax		1 410	1 120
-57	-18	Loss/gain(-) on sale of fixed assets	8	-18	-59
1 122	1 488	Depreciation, amortisation and impairment	8	1 626	1 150
-	-24	Paid taxes	15	-37	-
291	338	Interest recognised in the income statement	10	327	270
46	30	Interest received	10	40	55
-302	-366	Interest paid, excl. construction interest	10	-366	-301
229	-141	Changes in trade accounts receivable/payable	11	-121	273
524	-611	Changes in other accruals	11	-593	531
-	-	Result from companies using equity method	16	-8	-11
2 951	2 223	Net cash flow from operating activities		2 260	3 028
Cash flow from investing activities					
56	39	Proceeds from sale of tangible fixed assets	8	46	58
-5 770	-5 112	Purchase of tangible fixed assets, other intangible fixed assets and plants under construction	8,9	-5 676	-5 809
-196	-139	Construction interest paid	9	-144	-196
-73	-	Purchase of subsidiary, net of cash acquired	16	-	-40
-	-160	Capital contribution to subsidiary	16	-	-
-2	-	Changes in investment in subsidiaries and associates	16	-	-
-14	-55	Changes in long term loan receivables	11, 12	-10	-14
-	-443	Changes in short term loan receivables	11, 12	-	-
16	38	Dividend received	10, 16	7	4
-5 983	-5 832	Net cash flow from investing activities		-5 777	-5 997
Cash flow from financing activities					
3 048	1 503	Proceeds from new interest-bearing debt	11, 12	1 503	3 048
-2 287	-1 142	Repayment of interest-bearing debt	11, 12	-1 142	-2 287
1 687	1 469	Changes in collateral under CSA (Credit Support Annex) agreements	11, 12	1 469	1 687
241	909	Proceeds from sale of market-based securities	11, 12	1 111	476
-922	-226	Purchase of market-based securities	11, 12	-426	-1 156
-	-321	Dividend paid and group contributions		-321	-
3 250	-	Proceeds from new equity		-	3 250
5 017	2 192	Net cash-flow from financing activities		2 194	5 018
1 985	-1 417	Net cash flow for the period		-1 323	2 049
873	2 858	Cash and cash equivalents at the start of the period	11	3 019	970
2 858	1 441	Cash and cash equivalents at the close of the period	11	1 696	3 019

Restricted bank deposit amounting to NOK 85 million for the parent company and NOK 86 million for the group is included in cash and cash equivalents as at 31 December, 2015.

Unused credit facilities of NOK 6 500 million are not included in cash and cash equivalents.



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Note Accounting principles

1

Statnett SF (the parent company) is a Norwegian state-owned enterprise that was formed on 20 December 1991. The sole owner of Statnett SF is the Norwegian State, represented by the Ministry of Petroleum and Energy (MPE). Statnett has issued bond loans listed on the Oslo Stock Exchange. The head office is located at Nydalen allé 33, 0423 Oslo.

Basis for preparation of the financial statements

The consolidated financial statements for the Statnett Group and the financial statements for the parent company, Statnett SF, have been prepared in compliance with the current International Financial Reporting Standards (IFRS), as adopted by the EU.

All subsequent references to "IFRS" imply references to IFRS as adopted by the EU.

The financial statements have been prepared on the basis of the historical cost principle, with the following exceptions:

- All derivatives, and all financial assets and liabilities classified as "fair value carried through profit or loss" or "available for sale", are carried at fair value.
- The book value of hedged assets and liabilities is adjusted in order to register changes in fair value as a result of the hedging.
- Assets are measured at each reporting date with a view to impairment. If the recoverable amount of the asset is less than the book value, the asset is written down to the recoverable amount.

Consolidation policies

Consolidated companies

The consolidated financial statements comprise Statnett SF and subsidiaries in which Statnett SF alone has a controlling influence. Normally, Statnett SF is assumed to have controlling influence when direct or indirect ownership interests make up more than 50 per cent of the voting shares. If Statnett owns less than 100 per cent of the voting shares, or, through agreement, has less than 100 per cent of the votes, further assessments will be made to determine whether the Group actually has controlling influence.

The consolidated financial statements have been prepared using uniform accounting principles for equivalent transactions and other events under otherwise equal circumstances. The classification of items in the income statement and balance sheet has taken place in accordance with uniform definitions. The consolidated financial statements are prepared in accordance with the acquisition method of accounting and show the Group as if it was a single entity. Balances and internal transactions between companies within the Group are eliminated in the consolidated financial statements.

The cost price of shares in subsidiaries is offset against equity at the time of acquisition. Any excess value beyond the underlying equity of the subsidiaries is allocated to the asset and liability items to which the excess value can be attributed. The portion of the cost price that cannot be attributed to specific assets represents goodwill.

Statnett SF's Pension Fund is not part of the Statnett Group. Contributed equity in the pension fund is measured at fair value and classified as financial fixed assets.

Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control, and where the parties contractually agree to share control of the arrangements. Joint control is the agreed sharing of control of a joint arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint operation

A "joint operation" is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Group recognises its share of assets, liabilities, revenues and operating expenses relating to its involvement in a joint operation.

Joint venture

A joint venture is defined as a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets. Result, assets and liabilities of joint ventures are recorded in the financial statements in accordance with the equity method. This means that the Group's share of the result for the year after tax and amortisation of any excess value is reported on a separate line in the income statement between operating profit/loss and financial items. The accounts of joint ventures are restated in accordance with IFRS. Ownership interests in joint ventures are presented as fixed asset investments at original cost plus accumulated profit shares and less dividends in the consolidated balance sheet.

The Group had no investments in joint ventures at the end of 2015.

Investment in associated companies

Associates are companies where Statnett has significant influence, i.e. Statnett can influence financial and operational decisions in the company, but does not have control of the company, alone or together with others. Normally these will be companies where the Group owns between 20 and 50 per cent of the voting shares.

Associates are evaluated according to the equity method. This means that the Group's share of the result for the year after tax and amortisation of any excess value is reported on a separate line in the income statement between operating profit/loss and financial items. The accounts of associates are restated in accordance with IFRS. Ownership interests in associates are carried as financial fixed assets at original cost plus accumulated profit shares and less dividends in the consolidated balance sheet.

Note Accounting principles

1

On each reporting date, the Group considers whether there are any objective indications of impairment in value. If there are any such indications, the investment will be tested for impairment. Write-downs are made if the recoverable amount (highest of the fair value less sales costs and value in use) is lower than the recognised value.

Purchase/sale of subsidiaries and associates

In the case of acquisition or sale of subsidiaries and associates, they are included in the consolidated financial statements for the part of the year they have been a part of or associated with the Group.

Investments in other companies

Investments in companies in which the Group owns less than 20 per cent of the voting capital are classified as "available for sale" and are carried at fair value in the balance sheet if they can be reliably measured. Value changes are recognised under other comprehensive income in the statement of comprehensive income.

Investments in subsidiaries and associates in Statnett SF (parent company accounts)

Investments in subsidiaries and associates are accounted for in accordance with the cost method in the parent company accounts. The group contribution paid (net after tax) is added to the cost price of investments in subsidiaries. Group contributions and dividends received are recorded in the income statement as financial income as long as the dividends and Group contributions are within the earnings accrued during the period of ownership. Dividends in excess of earnings during the ownership period are accounted for as a reduction in the share investment. Group contributions and dividends are recorded in the year they are adopted.

Business combinations

Business combinations are recognised according to the acquisition method. Acquisition costs are the total of the fair value on the acquisition date of assets acquired, liabilities incurred or taken over as compensation for control of the acquired enterprise, as well as costs which can be directly attributed to business combinations.

The acquired enterprise's identifiable assets, liabilities and contingent liabilities which satisfy the conditions for accounting according to IFRS 3, are recognised at fair value on the acquisition date. Goodwill arising as a result of acquisitions is recognised as an asset measured as the excess of the total consideration transferred and the value of the minority interests in the acquired company beyond the net value of acquired identifiable assets and assumed liabilities. If the Group's share of the net fair value of the acquired enterprise's identifiable assets, liabilities and contingent liabilities exceeds the total consideration after re-assessment, the surplus amount is immediately recognised in the income statement.

Segment reporting

The company has identified its reporting segment based on the risk and rate of return that affect the operations. Based on IFRS' definition, there is, according to the company's assessment, only one segment. The business is followed up as a single geographical segment. Subsidiaries do not qualify as separate business segments subject to reporting based on IFRS criteria. The parent company and the Group are reported as a single business segment.

Statement of cash flows

The cash flow statement has been prepared based on the indirect method. Cash includes bank deposits. Cash equivalents are short-term liquid investments that can be converted immediately to a known amount of cash, and with a maximum term of three months.

Principles for revenue recognition

Operating revenues are measured at fair value and recognised when they are accrued on a net basis after government taxes. Operating revenues are reported on a gross basis and consists of delivered energy multiplied with a tariff-model set through directives from the Norwegian Water Resources and Energy Directorate (NVE). In cases where Statnett acts primarily as a settlement function in connection with common grids and power trading, this is reported net.

Interest income is recognised over time as it is accrued. Dividends from investments are recorded as income when the dividends are declared.

Other operating revenues are revenues excluded from the regulated activity and consists of e.g. consultancy to external parties, construction on behalf of regional grid owners (customer projects) and rental income.

Customer project revenue is recognised on a current basis based on the measurement of the estimated fair value. This means that revenue is recognised as the work is performed based on the degree of completion. The degree of completion is determined on the basis of the accrued costs of the executed work and estimated total project expenditure. Revenue is included in other operating revenues. Invoiced and accrued project revenues are included in trade accounts receivable.

Where projects are expected to make a loss, the entire expected loss is recognised as an expense.

Note Accounting principles

1

Taxes

Tax costs in the income statement encompass both the tax payable for the period and changes in the deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income for the year. Net deferred tax assets/liabilities are calculated on the basis of temporary differences between the accounting and tax values, and the tax loss carried forward.

Tax-increasing or tax-reducing temporary differences that are reversed or may be reversed are offset. Deferred tax assets are recorded when it is probable that the company will have a sufficient taxable profit to benefit from the tax asset. Deferred tax liabilities/assets that can be recorded in the balance sheet are carried at their nominal value on a net basis.

Property taxes are recorded in the income statement and paid during the tax year. They are classified as other operating expenses.

Classification of items in the balance sheet

An asset is classified as short-term (current asset) when it is related to the flow of goods, receivables paid within one year, and "assets that are not intended for permanent ownership or use in the operations". Other assets are fixed assets. The distinction between short-term and long-term loans is drawn one year before maturity. The first year's instalments on long-term loans are reclassified as current liabilities.

Plants under construction

Plants under construction are recognised in the balance sheet at acquisition cost less any accumulated losses from impairments. Plants under construction are not depreciated.

Development projects start off with a feasibility and alternative study. The project is recognised in the balance sheet when the conclusion from the study is available, and the main development concept has been selected. At this point, a licence has not been granted and no final investment decision has been made. Statnett's experience is that once a main concept has been selected for development, it is highly likely that the project will be implemented.

Ongoing assessments are made of whether licensing conditions or other causes necessitate a full or partial write-down of the project expenses incurred. Write-downs are reversed when there is no longer any basis for the write-down.

Interest during the construction period

Construction loan costs related to the company's own plants under construction are capitalised in the balance sheet. The interest is calculated based on the average borrowing interest rate and scope of the investment, as the funding is not identified specifically for individual projects. Interest is recorded in the income statement through depreciation based on the associated asset's anticipated economic life.

Property, plants and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and write-downs. The depreciation reduces the carrying value of tangible fixed assets, excluding building lots, to the estimated residual value at the end of the expected useful life. Fixed assets are depreciated in a straight line from the time the fixed assets were ready to be used. This applies correspondingly to fixed assets acquired from other grid owners. Significant components of fixed asset are assessed separately for depreciation purposes. The significance is assessed based on the cost price of the components in relation to the cost price of the whole fixed asset.

Cost estimates for removal of tangible fixed assets are recognised as part of the acquisition cost at the time the Group is considered to have a legal or actual removal obligation. The estimate is assessed at the present value of the expenditure expected to incur at a future point in time. The annual interest cost that incurs as a result of the liability being one year closer to settlement, is recognised as a cost. The estimate may be amended later as a result of a change in the estimate of the size of the expense, change in the expected schedule and/or change in the discount rate. The amendments are recognised in the balance sheet as an increase or reduction of the book value of the fixed asset. If a potential reduction is higher than the book value of the fixed asset, the excess amount is recorded in the income statement. If there is an increase in the book value, the Group will assess whether this is a depreciation indicator for the portfolio of fixed assets.

Gains or losses on the divestment or scrapping of property, plant and equipment are calculated as the difference between the sales proceeds and the fixed assets' carrying value. Gains/losses on divestment are recorded in the income statement as other operating revenues/expenses. Losses on scrapping are recognised in the income statement as depreciation, amortisation and write-downs.

Compensation

Lump sum payments in connection with the acquisition of land etc. are included in the cost price of the fixed asset. Ongoing payments are minor amounts and are recognised in the income statement in the year in which the payment is disbursed.

Note Accounting principles

1

Maintenance/upgrade

Maintenance expenses are recognised in the income statement when they are incurred. No provisions are made for the periodic maintenance of the grid (transformer stations or power lines/cables). Even though maintenance is periodic for the individual transformer station or power line, it is not considered to be periodic for the entire grid as the grid as a whole is regarded as a single cash-generating unit. If the fixed asset is replaced, any residual financial value will be recorded in the income statement as a loss on scrapping.

Expenses that significantly extend the life of the fixed asset and/or increase its capacity are capitalised.

Intangible assets

Intangible assets are measured at acquisition cost on initial recognition. For intangible assets included in a business combination, acquisition cost is measured at fair value on the transaction date. In later periods, intangible assets are recognised at acquisition cost less accumulated amortisations and write-downs. Intangible assets with a fixed useful life are amortised over the asset's useful life which is assessed at least once a year. Intangible assets are amortised in a straight line as this best reflects the use of the asset.

Goodwill

Goodwill is not amortised. Goodwill does not generate cash flows independently of other assets or groups of assets, and is allocated to the cash-generating units expected to benefit from the synergy effects of the business combination that generated the goodwill. Cash-generating units allocated goodwill are evaluated for write-down annually, or more often if there are any indications of impairment in value. If the recoverable amount (the higher of the net sales and utility value) for the cash-generating unit is lower than the carrying value, the write-downs will first reduce the carrying value of any goodwill and then the carrying value of the unit's other assets, proportionally based on the carrying value of the individual assets in the unit. The carrying value of individual assets is not reduced below the recoverable amount or zero. Write-downs of goodwill cannot be reversed in a subsequent period if the fair value of the cash-generating unit increases. Impairment of value is included in the income statement as a part of write-downs.

Write-down of property, plants and equipment and intangible assets other than goodwill

On each reporting date, the Group considers whether there are any indications of impairment in value for property, plant and equipment and intangible assets. If there are any indications of impairment in value, the Group will estimate the recoverable amount for the assets and evaluate potential write-down.

The recoverable amount is the higher of the net sales and utility value. To assess the utility value, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset.

If the recoverable amount for a fixed asset (or cash-generating unit) is estimated to be lower than the carrying value, the carrying value of the fixed asset (or cash-generating unit) will be reduced to the recoverable amount. If an impairment in value is subsequently reversed, the carrying value of the fixed asset (cash-generating unit) will be increased to the revised estimate of the recoverable amount, but limited to the value that would be the carrying value if the fixed asset (or cash-generating unit) had not been written down in a prior year.

Leasing

The Group as lessor

Financial lease agreements

Financial lease agreements are lease agreements where the lessee takes over the majority of the risk and return associated with the ownership of the asset. The Group presents leased assets as receivables equal to the net investment in the lease agreements. The Group's financial income is determined so that a constant rate of return is achieved on the outstanding receivables over the term of the agreement period. Direct expenses incurred in connection with the establishment of the lease agreement are included in the receivable.

Operating leases

The Group presents leased assets as fixed assets in the balance sheet. The lease revenue is recognised in a straight line over the term of the lease period. Direct expenses incurred to establish the operating lease agreement are added to the leased asset's carrying value and recognised as expenses during the term of the lease on the same basis as the lease revenue.

Note Accounting principles

1

The Group as lessee

Financial lease agreements

Financial lease agreements are lease agreements where the Group takes over the majority of the risk and return associated with ownership of the asset. At the beginning of the lease term, financial lease agreements are capitalised at an amount corresponding to the lower of fair value and the present value of the minimum rent, less accumulated depreciation and write-downs. When calculating the lease agreement's present value, the implicit interest charge in the lease agreement is used if this can be estimated. Otherwise, the company's marginal borrowing rate is used. Direct expenses related to establishing the lease agreement are included in the asset's cost price.

The same depreciation period is used as for the company's other depreciable assets. If it is not reasonably certain that the company will acquire ownership at the end of the lease period, the asset will be depreciated over the shorter of the lease agreement's duration and the asset's useful life.

Operating leases

Operating leases where the majority of the risk and return associated with ownership of the asset is not transferred to the Group, are classified as operating leases. The rent payments are classified as operating expenses and are recorded in a straight line in the income statement over the duration of the agreement.

Research and development

Research expenses are recognised on a current basis. Research is an internal process that does not give rise to independent intangible assets that generate future economic benefits.

Expenses related to development activities are capitalised in the balance sheet if the product or process is technically and commercially feasible and the Group has adequate resources to complete the development. Expenses capitalised in the balance sheet include material expenses, direct wage costs and a percentage of directly attributable overhead expenses. Capitalised development expenses are recorded at acquisition cost, less any accumulated depreciation and write-downs.

Capitalised development expenses are depreciated in a straight line over the estimated useful life of the asset.

Accounts receivable

Trade accounts are recorded in the accounts at nominal value less any losses from impairment in value.

Contingent assets and liabilities

Contingent liabilities are not recorded in the annual financial statements. Significant contingent liabilities are disclosed unless the probability of the liability is low.

Contingent assets will not be recorded in the annual financial statements, but will be disclosed if there is a certain degree of probability that it will benefit the Group.

Higher/lower revenues are contingent liabilities/assets in accordance with IFRS and are not recorded in the balance sheet.

Dividend (from the parent company)

Dividends paid are recorded in the Group's financial statements during the period in which they are approved by the General Meeting. If the approval and payment occur in different periods, the amount will be allocated to current liabilities until payment is made.

Pensions and pension liabilities

The Group's liability relating to pension schemes, defined as defined-benefit pension schemes, is recognised at the present value of the future retirement benefits accrued at the end of the reporting period. Pension assets are evaluated at fair value. The accumulated effect of estimate changes and changes in financial and actuarial assumptions, actuarial gains and losses, are recognised under other comprehensive income in the statement of comprehensive income. Net pension costs for the period are presented as wage and staff costs. The Group has chosen to present the net interest expenses element as wage and personnel costs, as this provides the best information about the Group's pension costs.

Contributions to defined contribution plans are recognised as costs as they occur.

Loans

Interest-bearing loans are recorded in the income statement as the proceeds that are received, net of any transaction costs. Loans are subsequently accounted for at amortised cost using the effective interest rate method, where the difference between net proceeds and redemption value is recognised in the income statement over the term of the loan.

Note Accounting principles

1

Financial instruments

The initial measurement of financial instruments is at fair value on the settlement date, normally at the transaction price.

- Financial assets and liabilities held for the purpose of profiting from short-term price fluctuations (held for trading purposes) or accounted for according to the fair value option are classified at fair value through profit or loss.
- All other financial assets with the exception of loans and receivables issued by the company are classified as available for sale.
- All other financial liabilities are classified as other liabilities and accounted for at amortised cost.

Gains or losses attributed to changes in fair value of financial instruments classified as available for sale are recognised as other comprehensive income until the disposal of the investment. The cumulative gain or loss on the financial instrument previously recognised in other comprehensive income will be reversed, and the gain or loss will be recognised in the income statement.

Changes in the fair value of financial instruments classified at fair value through profit or loss (held for trading purposes or fair value option) are recognised in the income statement and presented as financial income/expenses.

Financial instruments are included in the balance sheet when the Group becomes a party to the instrument's contractual terms. Financial instruments are eliminated from the balance sheet when the contractual rights or obligations have been fulfilled, cancelled, or transferred, or they have expired. Financial instruments are classified as long-term when they are expected to be realised more than 12 months after the balance sheet date. Other financial instruments are classified as short-term.

Set-off

Financial assets are offset against financial liabilities if there is a legally enforceable right to set off the recognised amounts and the enterprise intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Statnett currently has no financial instruments that are set off and presented net in the balance sheet.

Derivatives

Derivatives are recognised initially at fair value on the date when the contract is entered into and then measured at fair value on a current basis. Derivatives are accounted for as assets or liabilities when the company has no right or intention to settle the contracts net. Gains and losses resulting from changes in the fair value of derivatives that do not meet the conditions for hedge accounting are recorded in the income statement.

Embedded derivatives in contracts are separated and measured separately. At the end of the accounting year, the Group had no embedded derivatives.

Hedging

When entering into a hedging contract, the Group will formally identify and document the hedging contract that the Group will use hedge accounting for, as well as the risk that is hedged and the strategy for the hedge. Documentation includes identification of the hedging instrument, or the item or transaction that is hedged, the type of risk that is hedged, and how the Group will assess the effectiveness of the hedging instrument to counteract the exposure to changes in the hedged item's fair value or cash flows that can be attributed to the hedged risk. Such hedges are expected to be highly effective in counteracting changes in fair value or cash flows to the identified object, i.e. the hedging efficiency must be expected to be within the 80-125 per cent range. Moreover, it must be possible to reliably measure the efficiency of the hedges, and to assess them on a current basis to determine whether they actually have been highly effective throughout the entire accounting period they are intended to cover.

Hedges that fulfil the strict conditions for hedge accounting are accounted for as follows:

Fair value hedging

Changes in the fair value of the derivative classified as a hedging instrument are recorded in the income statement continuously. Changes in the fair value of the hedging instrument are recorded correspondingly.

For fair value hedging of items that are accounted for at amortised cost, the change in value is amortised in the income statement over the remaining period until maturity.

The Group discontinues fair value hedging if (1) the hedging instrument expires, is sold, terminated or exercised, (2) the hedging no longer fulfils the conditions for hedge accounting or (3) the Group cancels the hedging due to other reasons.

The Group uses fair value hedging primarily to hedge the interest rate risk for fixed interest rate loans and the currency risk for interest-bearing liabilities. Fair value hedging is also performed for specific acquisitions in foreign currencies for investment projects. Unrealised hedging gains/losses (currency futures) reduce/increase the cost price of the investments upon realisation.

Note Accounting principles

1

Cash flow hedging

The criterion for cash flow hedging is that the pending transaction must be likely, and that continuous evaluation shows that the hedging has been efficient. The effective part of changes in the fair value of the hedging instrument is recognised as other comprehensive income, while the ineffective part is recognised as financial income or cost.

Amounts that are initially recognised as other comprehensive income are reclassified and recognised in the income statement as financial income or cost when the hedged transaction is conducted.

If the expected future transaction is no longer expected to take place, amounts recognised earlier as other comprehensive income will be recognised in the income statement as financial income or cost. If the hedging instrument expires, or is sold, terminated or used, or Statnett chooses to discontinue the hedging relationship, even if the hedged transaction is expected to occur, accumulated gains and losses remain as other comprehensive income and are recognised in the income statement when the transaction is executed.

The Group uses cash flow hedging primarily to hedge the interest rate risk in respect of loans with floating interest rates.

Measurement of financial instruments

The Group uses the following measuring hierarchy to measure and present the fair value of financial instruments:

Level 1: Fair value is measured using listed prices from active markets for identical financial instruments. No adjustments are made with regard to these prices.

Level 2: Fair value is measured using other observable input than used at level 1, either directly (prices) or indirectly (derived from prices).

Level 3: Fair value is measured using input that is not based on observable market data.

Listed shares, bonds and certificates are considered level 1 because the securities are listed on the stock exchange and freely negotiable, and measured at the most current market price. Shares and ownership interests that are not listed on the stock exchange are assessed based on corporate accounts and are consequently considered to be at level 3.

Derivatives are considered level 2. The currency element of currency futures contracts is measured at observable market prices applying Norges Bank rates. Different maturity dates mean that an interest rate element is added which provides a calculation of the fair value of currency futures contracts.

Financial risk management

Financial risk management is performed by the central finance department in accordance with guidelines approved by the Board of Directors. The Board of Directors lays down principles for general financial risk management in addition to guidelines that cover specific financial risks.

Foreign currency

The consolidated financial statements are presented in Norwegian Kroner (NOK), which is also the parent company's functional currency. All Group companies use NOK as their functional currency.

As all the companies in the Group have the same functional currency, no translation differences arise upon consolidation of the group companies.

Transactions in foreign currency are recognised at the current exchange rates prevailing at the date of the transaction. Monetary items in currencies are translated into NOK at the exchange rate in effect on the balance sheet date. Non-monetary items measured at acquisition cost are translated into NOK at the exchange rate in effect on the transaction date. Non-monetary items that are measured at fair value expressed in foreign currency are translated at the exchange rate in effect on the balance sheet date. Changes in exchange rates are recorded on a current basis in the income statement during the reporting period and presented as financial items.

Long-term interest-bearing debt in foreign currency is related to interest rate and currency swaps and treated as borrowings in NOK.

Provisions

Provisions for liabilities are recognised in the income statement when the Group has an existing liability (legal or assumed) as a result of an event that has taken place and it can be demonstrated as probable (more likely than not) that a financial settlement will be made as a result of the liability, and the amount can be reliably measured. Provisions are reviewed on each balance sheet date and the level reflects the best estimate of the liability. If there is a substantial time effect, the liability will be accounted for at the present value of future liabilities.

Note Accounting principles

1

Government grants

Government grants are not recorded in the accounts until it is reasonably certain that the Group will meet the conditions stipulated for receipt of the grants and that the grants will be received. Grants are recorded as a deduction in the expenses that they are meant to cover.

Events subsequent to the balance sheet date

New information on the company's positions on the balance sheet date is incorporated into the annual financial statements. Events after the balance sheet date that do not affect the company's position on the balance sheet date, but will affect the company's position in the future, are disclosed if they are material.

Note New and amended accounting standards

2

New relevant accounting standards

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to IFRS which have been implemented by the Group during the current financial year.

Below we have listed the amendments in IFRS which have been applicable for the Group's 2015 financial statements, as well as the effect of the amendments.

The following new and amended standards and interpretations have been implemented for the first time in 2015:

IFRIC 21 Levies

As of 1 January, 2015 the Group implemented IFRIC 21 which is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability. The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the event that triggers the payment of the levy. The obligating event will occur when the municipality issues the property tax to the Group entity. This implies that the Group recognizes the property tax when the invoice for the next term is received from the municipalities.

Changes to accounting standards and interpretations to be adopted in the future

The standards and interpretations that were adopted before submission of the consolidated accounts, but where the effective date is in the future, are stated below. The Group intends to implement the relevant amendments at the effective date, provided that the EU approves the amendments before the Group accounts are presented.

IFRS 9 Financial Instruments: Classification and Measurement

In July 2014 the IASB published the final element in IFRS 9 and the standard is now complete. IFRS 9 results in amendments to classification and measurement, hedge accounting and impairment. IFRS 9 will replace IAS 39 Financial Instrument: Recognition and Measurement. The parts of IAS 39 that have not been amended as part of this project has been transferred and included in IFRS 9. The standard shall be implemented retrospectively, with the exception of hedge accounting, but it is not a requirement to prepare comparative figures. The changes are effective for the year 2018 and thereafter.

The rules for hedge accounting shall mainly be implemented prospectively, with certain few exceptions. The Group has no plans regarding early implementation of the standard.

The Group is currently evaluating the potential accounting effects of IFRS 9, including possible effects on hedge accounting.

IFRS 15 Revenue from Contracts with Customers

The IASB and FASB has published a new converged standard for revenue recognition; IFRS 15 Revenue from Contracts with Customers. The standard replaces all existing standards and interpretations relating to revenue recognition. The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. With some few exceptions, the standard is applicable for all remunerative contracts and includes a model for recognition and measurement of sale of individual non-financial assets (e.g. sale of property, plant and equipment). IFRS 15 shall be implemented using either the fully retrospective or modified method. The standard is effective from 1 January 2018.

The Group is currently evaluating the potential accounting effects of IFRS 15. The preliminary assessment is that IFRS 15 can affect the Group's recognition of revenue from other services and customer projects that are included in the "Other operating revenue". The Group does not expect that revenue from regulated operations will be affected.

IFRS 16 Leases

IFRS 16 Leases replaces the existing IFRS standard for leases, IAS 17 Leases. IFRS 16 states principles for recognition, measurement, presentation and disclosures for leases for both parties in an agreement, i.e. the lessee and the lessor. The new standard states that the lessee is to recognize both assets and liabilities for most leases, a significant change from today's principles. The standard is effective from 1 January 2019.

The Group is currently evaluating the potential accounting effects of IFRS 16.

Transactions between investor and its associate or joint venture - amendments to IFRS 10 and IAS 28

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendment shall be implemented prospectively. The amendment's effective date has not been decided.

Note New and amended accounting standards

2 |

The amendments could imply changes to the accounting of future transactions, but are not considered to imply substantial changes in the Group's application of accounting principles or notes.

Investment in interests in a joint operation in which the activity of the joint operation constitutes a business - amendments to IFRS 11

The amendment clarifies that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, it shall apply all of the principles on business combinations accounting in IFRS 3. The amendment shall be implemented prospectively. The standard is effective from 1 January 2016.

The amendments could imply changes to the accounting of future transactions, but are not considered to imply substantial changes in the Group's application of accounting principles or notes.

Equity method in separate financial statements - amendments to IAS 27

The amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements in Separate Financial Statements. The entity must use the same method for each category of investments. Enterprises electing to use the equity accounting method shall apply the amendment retrospectively. The amendment is effective from 1 January 2016.

The amendments are not considered to imply substantial changes in the Group's application of accounting principles or notes.

Annual Improvements 2010-2012

IASBs annual improvements project 2010-2012 includes:

IFRS 3 Business Combinations

The amendment is implemented prospectively and clarifies that contingent consideration in a business acquisition that is not classified, as equity in subsequent periods shall be measured at fair value through profit or loss regardless of whether or not it falls within the scope of IAS 39. The amendment is effective from 1 January 2016.

The amendments could imply changes to the accounting of future transactions, but are not considered to imply substantial changes in the Group's application of accounting principles or notes.

Note Accounting estimates and assumptions

3

The preparation of the financial statements in compliance with IFRS requires that the management prepares assessments and estimates and assumptions that affect the application of accounting principles. This affects recognised amounts for assets and liabilities on the balance sheet date, reporting of contingent assets and liabilities, as well as the reported revenues and costs for the period.

Accounting estimates are used to determine some amounts that have an impact on the group's financial statements. This requires that the management prepares assumptions relating to values or uncertain conditions at the time of preparation. Key accounting estimates are estimates that are important to the Group's financial performance and results, requiring the management's subjective and complex assessment, often related to factors encumbered by uncertainty. Statnett assesses such estimates continuously on the basis of previous results and experiences, consultations with experts, trends, prognoses and other methods which the management deems appropriate in the individual case.

Significant items relating to Statnett's use of estimates:

(Amounts in NOK million)

Item	Note	Estimate/assumptions	Group Book value
Other intangible assets	8	Estimate of recoverable amount and remaining useful life	253
Property, plant and equipment	8	Estimate of recoverable amount and remaining useful life	30 215
Pension liabilities	7	Financial and demographic assumptions	249
Asset retirement obligations	20	Estimate of removal costs, removal dates and price increases in the period leading up to removal	643

Depreciation / Amortisation

Property, plant and equipment

Depreciation is based on the management's assessment of the useful life of property, plant and equipment. The assessments may change owing, for example, to technological developments and historical experience. This may entail changes in the estimated useful life of the asset and thus the depreciation. It is difficult to predict technological developments, and the management's view of how quickly changes will come may change over time. If expectations change significantly, the depreciation will be adjusted with effect for future periods. The estimated useful life, depreciation method and residual value are assessed at least once a year. For most assets, the residual value is estimated at zero at the end of the useful life.

Goodwill and other intangible assets

Goodwill arising in a business combination is not amortised. Intangible assets with a fixed useful life are amortised over the asset's useful life. Useful life is evaluated at least once a year. Intangible assets are amortised in a straight line as this best reflects the use of the asset.

Write-downs

Property, plant and equipment

Statnett has made significant investments in property, plant and equipment. The value of these assets is assessed when there is an indication of impairment in value. Property, plant and equipment in the parent company are regarded as one cash-generating unit and are assessed collectively since Statnett SF has one collective revenue cap. In subsidiaries, each fixed asset is assessed individually.

Statnett expects to make substantial investments in the future. These will largely take place in the form of projects under the company's own direction which are recorded in the balance sheet as plants under construction until the fixed asset is ready to be put into operation. Projects under execution are valued individually on indications of impairment in value.

Estimates of the recoverable amounts for assets must be based in part on the management's assessments, including the calculation of the assets' revenue-generating capacity and the probability of licences being granted for development projects. Changes in circumstances and the management's assumptions may result in write-downs for the relevant periods.

Goodwill

Goodwill is evaluated for write-down annually, or more often if there are any indications of impairment in value, based on the cash-generating unit to which goodwill is allocated. If the recoverable amount (the higher of net sales and utility value) for the cash-generating unit is lower than the carrying value, the write-downs will first reduce the carrying value of any goodwill and then the carrying value of the unit's other assets, proportionally based on the carrying value of the individual assets in the unit. The carrying value of individual assets is not reduced below the recoverable amount or zero. Write-downs of goodwill cannot be reversed in a subsequent period if the fair value of the cash-generating unit increases. Impairment of value is included in the income statement as a part of write-downs.

Note Accounting estimates and assumptions

3

Other intangible assets

On each reporting date, the Group considers whether there are any indications of impairment in value for intangible assets. If there are any indications of impairment in value, the Group will estimate the recoverable amount for the assets and evaluate potential write-down.

Pension liabilities

Net pension liabilities are calculated based on the Norwegian Accounting Standards Board's updated assumptions as of 31 December. These assumptions are considered relevant for the Group's pension schemes.

In June 2015 Statnett made a decision to change the Group's pension plan from a defined benefit plan to a defined contribution plan. The effect of the plan amendment is a cost reduction included in the line "Salaries and personnel costs" in the second quarter. The cost reduction is net after past services cost from earlier periods related to the compensation plan.

Note Operating Revenues

4

Operating revenues regulated operations

Statnett's revenues mainly derive from operations where the revenues are regulated by the Norwegian Water Resources and Energy Directorate (NVE). Statnett's actual operating revenues from regulated operations come from tariff revenues in the main grid and regional grid, as well as congestion revenues.

Due to uncertainty relating to each year's actual revenues and final permitted revenue, which the NVE decides after year-end, a difference arises annually between Statnett's actual operating revenues from regulated operations and Statnett's permitted revenue. This difference is called higher or lower revenue. Higher revenue occurs when Statnett's has higher actual operating revenues than the revenue cap set by the NVE for a particular year. Lower revenue means that Statnett's actual operating revenues are lower than the permitted revenue.

Pursuant to NVE regulations, any higher revenues, including interest, must be returned to the customers in the form of lower future tariffs, whereas lower revenues, including interest can be recouped from the customers in the form of higher future tariffs. The obligation to reduce future tariffs and the opportunity to collect increased tariffs do not qualify for capitalisation according to IFRS, consequently representing a latent obligation (in the event of accumulated higher revenue) and a latent receivable (in the event of accumulated lower revenue). Consequently, an annual change in these items will not be included in the income statement.

Statnett's actual operating revenues from regulated operations equal the total of Statnett's permitted revenue stipulated by the NVE and the higher/lower revenue the same year.

Permitted revenue, tariffs and higher/lower revenue

General

Statnett is the operator of the main national grid and two common regional grids. As the operator, Statnett is responsible for setting the annual tariffs for each common grid. The main national grid is a common grid. In a fiscal year, the actual revenues will deviate from the regulated revenues.

Permitted revenue – monopoly-regulated operations

Statnett owns transmission facilities and is a transmission system operator. These are monopoly-regulated operations. This means that the NVE sets an annual limit – a revenue cap – for the grid owner's maximum revenues. The basis for Statnett's permitted revenue is the revenue cap. The revenue cap is based on expenditure, including capital expenditure, for a retrospective period of two years. System operation costs are also included. Statnett's revenue cap is regulated to ensure that the enterprise has incentives for efficient operation. In addition to the revenue cap, Statnett's permitted revenue consists of the following: Actual property tax, transit costs and a supplement for investments. The supplement for investments shall ensure that the year's investments are reflected in the permitted revenue for the year the investment is put into operation. Furthermore, Statnett's permitted revenue is adjusted for interruptions through KILE (quality-adjusted revenue cap for energy not supplied).

Revenue cap transmission losses

Revenues

Transmission losses in the regional and main grid are part of Statnett's revenue cap. The reported revenue cap for transmission losses during the fiscal year consists of the actual measured loss in MWh for a retrospective period of two years valued at a regulated reference price based on the electricity spot market price in the fiscal year.

Discrepancies between the revenue cap for transmission losses and actual costs of purchases of transmission losses in the fiscal year are, in accordance with the guidelines, apportioned among the grid owners in each common grid where Statnett is the operator.

Transmission losses

Transmission losses occur as a result of measured discrepancies between the input and outtake of power in the grid. The size of the loss will vary with the temperature, the load in the grid and the electricity price. Actual loss in the fiscal year is purchased externally at spot market price. Losses arising during transmission of power in the main national grid and the common regional grids are covered by the grid's operator and are reported under "transmission losses".

Tariff-setting and higher/lower revenue for the year

Tariff revenues

As the operator of the main national grid and two common regional grids, Statnett is responsible for invoicing the users for the services they receive. The invoicing takes place on the basis of a tariff model, in accordance with guidelines provided by the NVE. The price system consists of fixed elements and variable elements; energy elements. Fixed elements are invoiced evenly throughout the year, while the energy element is invoiced concurrently with the customers' measured input or outtake of power from the grid.

Note Operating Revenues

4

Higher/lower revenue

The tariff for the year is set with a view to ensuring that the higher/lower revenue is offset over time. Tariffs are set in September preceding the fiscal year. Statnett has established a strategy for adjustment of the tariff basis including offsetting of the accumulated higher/lower revenue. Some quantities and parameters, including the price of energy, included in the calculation basis for the year's permitted revenue, are based on estimates. Discrepancies will occur between tariff revenues and the permitted revenue.

Interest is calculated on accumulated higher/lower revenue in accordance with the rules stipulated by the NVE, based on NIBOR plus 30 BP. The amount of interest is included in the balance for higher/lower revenue and is expressed in the financial reporting through regulation of future tariffs.

Operating revenues regulated operations

Specification of income by regional grid (R Grid) and the main grid (M Grid)

(Amounts in NOK million)

Parent Company

Operating revenues	R Grid	M Grid	Total 2015	R Grid	M Grid	Total 2014
Tariff revenues fixed element generation	45	1 438	1 483	44	1 434	1 478
Tariff revenues fixed element consumption	139	2 756	2 895	133	2 476	2 609
Other rental income	-	95	95	-	84	84
Tariff revenues energy element	-5	461	456	-1	633	632
Congestion revenues	-	1 067	1 067	-	807	807
Income from other owners in the regional and main grid	-55	-224	-279	-61	-194	-255
Total operating revenues regulated activities	124	5 593	5 717	115	5 240	5 355

Permitted revenue

Revenue cap without grid losses	81	4 457	4 538	84	4 102	4 186
Revenue cap, grid losses	9	449	458	12	614	626
Supplement to revenue cap	9	1 201	1 210	2	1 206	1 208
Total permitted revenue	99	6 107	6 206	98	5 922	6 020

This year's provision for interest higher/lower revenue (-/+)	-	-25	-25	1	-43	-42
This year's higher/lower revenue (-/+)	-25	514	489	-16	681	665
Higher/lower revenue decision (-/+)	-	-20	-20	-	-	-
This year's changed balance for higher/lower revenue (-/+)	-25	469	444	-15	638	623

Balance higher/lower revenue (-/+), incl. interest as at 1 Jan.	46	-1 836	-1 790	61	-2 474	-2 413
Changed balance for higher/lower revenue (-/+), incl. Interest	-25	469	444	-15	638	623
Balance higher/lower revenue (-/+), incl. interest as at 31 Dec.	21	-1 367	-1 346	46	-1 836	-1 790

Note Operating Revenues

4

(Amounts in NOK million)

Group

Operating revenues	R Grid	M Grid	Total 2015	R Grid	M Grid	Total 2014
Tariff revenues fixed element generation	45	1 438	1 483	44	1 434	1 478
Tariff revenues fixed element consumption	139	2 756	2 895	133	2 476	2 609
Other rental income	-	95	95	-	84	84
Tariff revenues energy element	-5	461	456	-1	633	632
Congestion revenues	-	1 067	1 067	-	807	807
Income from other owners in the regional and main grids	-55	-194	-249	-61	-160	-221
Total operating revenues regulated activities	124	5 623	5 747	115	5 274	5 389

Permitted revenue

Revenue cap without grid losses

Revenue cap, grid losses	81	4 487	4 568	84	4 136	4 220
Supplement to revenue cap	9	449	458	12	614	626
Total permitted revenue	9	1 201	1 210	2	1 206	1 208
Total permitted revenue	99	6 137	6 236	98	5 956	6 054

This year's provision for interest higher/lower revenue (-/+)	-	-25	-25	1	-43	-42
This year's higher/lower revenue (-/+)	-25	514	489	-16	681	665
Higher/lower revenue decision (-/+)	-	-20	-	-	-	-
This year's changed balance for higher/lower revenue (-/+)	-25	469	444	-15	638	623

Balance higher/lower revenue (-/+), incl. interest as at 1 Jan.	46	-1 836	-1 790	61	-2 474	-2 413
Changed balance for higher/lower revenue (-/+), incl. Interest	-25	469	444	-15	638	623
Balance higher/lower revenue (-/+), incl. interest as at 31 Dec.	21	-1 367	-1 346	46	-1 836	-1 790

Impact of grid outages on profit

As the transmission system operator, Statnett is in dialogue with the NVE regarding how outages in Nyhamna in the event of system protection activation in the period leading up to 2012 should be handled with respect to the KILE scheme and system operation costs. The financial consequences for Statnett of such grid interruptions/outages have therefore not been clarified. On 1 February 2016, NVE provided their opinion to the Ministry of Petroleum and Energy (MPE) which will conclude on the matter. For outages on the Viklandet-Fræna power line after 2012, a provision has been made in the accounts following the same principle as for previous incidents.

Operating profit within and outside grid activities

Parent company			Group	
2014	2015	(Amounts in NOK million)	2015	2014
1 359	1 767	Operating profit within grid activities	1 666	1 370
23	41	Operating profit outside grid activities	41	23
1 382	1 808	Total operating profit	1 707	1 393

Note Operating Revenues

4

Basis for return on invested grid capital

The asset base is defined as the average of the incoming and outgoing balance for invested grid capital, plus one per cent for net working capital. The invested grid capital is given as the initial historical acquisition cost. The share of common fixed assets is included.

Parent company		Group	
2014	2015	2015	2014
<i>(Amounts in NOK million)</i>			
23 969	28 365	28 467	24 078

Return on invested grid capital

Return is defined as the operating profit/loss viewed in relation to the asset base. The operating profit/loss is given as the annual permitted revenue from own grid less costs of own grid.

Parent company		Group	
2014	2015	2015	2014
<i>(Return in percentage)</i>			
7%	8%	7%	7%

Other operating revenue

Other operating revenues are revenues outside of the regulated operations and consist of mainly external consultancy commissions and rental income.

Balance settlement

Statnett SF holds a separate licence to settle the regulating power settlement system in Norway. This involves effectuating a financial settlement of the difference the balance responsible market players have between planned acquisitions and liabilities and the actual measured values. The balance responsible market players are financial counterparties in the settlements and must provide collateral in accordance with the Balance Agreement. The collateral requirement is calculated weekly based on trading volume and market prices. Collateral is posted as a guarantee on demand or as a cash deposit in a pledged bank account. The amount of collateral posted totalled NOK 953 million at year-end. The collateral posting for balance responsible market players on the same date was NOK 351 million. All balance responsible market players had posted satisfactory collateral under the Balance Agreement.

In 2015, income for the balance settlement responsibility amounted to NOK 84 million, of which NOK 40 million were fee revenues.

Note System services and transmission losses

5

System services

Parent company			Group	
2014	2015	(Amounts in NOK million)	2015	2014
32	20	Net regulating and peak power	20	32
104	104	Primary reserves	104	104
20	29	Secondary reserves	29	20
35	46	Tertiary reserves	46	35
95	30	Transit costs	30	95
275	173	Special adjustments	173	275
48	49	Other system services	49	48
609	451	Total system services	451	609

System services are costs relating to the exercise of Statnett's system responsibility as defined in the Regulations relating to the system responsibility in the power system (FoS).

The frequency in the power grid must be 50Hz. Statnett, as Transmission System Operator (TSO), is responsible for ensuring that this frequency remains stable. The requirement to maintain a reserve capacity for regulating purposes imposes limitations on the producers as they are unable to generate and sell the full generator capacity. We distinguish between three different forms of reserve capacity.

Primary regulation

The primary regulation is automatic and is activated immediately if any changes occur in the power grid frequency. This takes place by using a pre-agreed reserve capacity. The requirement to maintain a reserve capacity for regulating purposes imposes limitations on the producers as they are unable to generate and sell the full generator capacity. Primary reserves are costs Statnett incurs by buying reserve capacity from the producers. The extent of primary reserves is determined by agreements at Nordic level and the reserves are acquired through market solutions.

Secondary reserves

Automatic secondary reserves are activated to release the primary reserves so that they in turn can quickly handle any new faults or imbalances. Automatic secondary reserves function by the TSO sending a signal to a market player/power plant, which will then change the plant's generation. Secondary reserves are also referred to as Load Frequency Control (LFC) and in the Nordic countries they are mainly used to handle frequency deviations. The extent of secondary reserves is determined by agreements at Nordic level and the reserves are acquired through market solutions.

Tertiary regulation

In Norway there is an options market for regulating power. This is used to ensure that we have sufficient regulating resources available in the Norwegian section of the regulating power market, also during periods of demand for increased output, such as in the winter months. In the winter, the TSO sets up a market where they purchase a guarantee ensuring that market members submit bids for the regulating power lists for the subsequent week. The guarantees can apply for both consumption and production.

Transit costs

Transit costs are compensation for the use of grids abroad. The power system in Europe is connected through transmission lines/cables crossing international borders.

Special adjustments

In some cases there are restrictions in the transmission capacity (congestion revenues) which may entail that the bids in the regulating power market cannot be utilised in the "correct" price order. Activated regulations that are not in price order are categorised as special adjustments and are compensated for by the associated price of the bid without this affecting the stipulation of the regulating power price. Thus, Statnett will incur a cost equal to the difference between the price of activated bids used for special adjustments and the current hourly price mainly aimed at the regulating power market multiplied by the especially adjusted volume.

Note System services and transmission losses

5

Transmission losses

Statnett buys transmission losses (volume) from external suppliers at spot price (market price) for the hour the transmission loss applies.

The main grid transmission loss result is distributed between the grid owners in accordance with their proportionate shareholding in the main grid. 3.9 percent of the value of the facilities are owned by other companies than Statnett SF.

Parent company			Group	
2014	2015		2015	2014
2 497	2 513	Volume (GWh)	2 513	2 497
235	185	Price (NOK/MWh)	185	235
<i>(Amounts in NOK million)</i>				
584	466	Transmission losses	466	584
2	-	Transmission losses result other	-	2
586	466	Total transmission losses	466	586

Note Salaries and personnel costs

6

Parent company			Group	
2014	2015	(Amounts in NOK million)	2015	2014
857	963	Salaries	980	869
146	194	Employer's national insurance contributions (NICs)	197	149
185	-51	Pension costs (Note 7)	-49	187
94	109	Other benefits	80	85
1 282	1 215	Total salaries costs	1 208	1 290
-572	-613	Of which own investment projects	-617	-575
710	602	Net salaries costs	591	715
1 100	1 194	Number of full-time equivalents	1 226	1 119

Loans to employees

Employees had loans in the company totalling NOK two million as at 31 December 2015. The loans are repaid by salary deductions over a period of up to two years. The loans are interest-free for the employee. The interest gain of loans exceeding 3/5 of the basic amount is taxed in relation to the current standard interest rate set by the authorities.

Note Pensions

7

The parent company and subsidiaries have pension schemes entitling the employees to future pension benefits in the form of defined benefit schemes. The Group's pension schemes meet the requirements in the Norwegian Mandatory Occupational Pension Act.

In June 2015 Statnett made a decision to change the Group's pension plan from a defined benefit plan to a defined contribution plan. The transitioning to the defined contribution plan took place from 1 January 2016. Paid-up policies will be issued during the first quarter of 2016. The defined contribution plan will have a contribution level based on the maximum level of contribution in accordance with the "Defined pension contribution Act (Lov om innskuddspensjon)". The payments to the defined contribution plan will be charged as accrued as an operating expense and included in the line "Salaries and personnel costs". Employees that are 52 years or older when the transitioning takes place, will remain in the defined benefit plan. For employees between 37 and 51 years of age a compensation plan will be established in addition to the defined contribution plan. This arrangement is an unfunded defined benefit plan with yearly increase in compensation until 67 years of age. Payment under the compensation plan will take place at 67 years of age or earlier if the employee resigns.

The plan amendment resulted in a cost reduction of NOK 284 million for the parent company and the Group, included in the line "Salaries and personnel costs". The cost reduction is net after past services cost from earlier periods related to the compensation plan.

The pension benefits are based on the number of service years and final wage at retirement age. The full retirement is 70 per cent of pensionable income less calculated disbursements under the Norwegian National Insurance Scheme. The pensionable income is limited upward to 12 times the basic amount under the National Insurance Scheme. The full contribution period is 30 years and the normal retirement age is 67. The pension scheme also includes disability pensions, spouse pensions and children's pensions.

Accrued pension rights are secured chiefly through pension schemes in Statnett SF's Pensjonskasse. In addition, the parent company has early retirement pension obligations that are funded through operations.

Contributions to the pension fund are made in accordance with actuarial calculations. The pension assets in Statnett Pensjonskasse are primarily invested in securities. See the table relating to percentage distribution of pension assets in investment categories.

The Group management has separate additional agreements under which the normal retirement age is 65, but with the possibility of retirement after reaching the age of 62. The retirement pension is 66 per cent of the pensionable income. The pensionable income also includes incomes that exceeds 12 times the basic amount under the National Insurance Scheme. For more information on pension arrangement for management, see Note 19 Remuneration/benefits to the Group management.

The Group is a member of the private contractual early retirement scheme (AFP scheme) that came into force in 2011. The scheme entails that employees will receive a lifelong supplement to the national insurance retirement pension. The pension can be drawn from age 62, also if an employee decides to keep working. The AFP scheme is a defined-benefit multi-company scheme organised through a general office and financed through premiums stipulated as a percentage of the salaries. There is no reliable way of measuring and allocating liabilities and assets under the scheme. Consequently, the scheme is treated as a defined contribution scheme, according to the accounting rules, and premium payments are recognised on a current basis, and no provisions are made in the accounts. The premium for 2015 is 2.2 percent of overall wage payments between 1G and 7.1G to the company's employees, estimated at NOK 13 million. There is currently no accumulation of funds under the scheme, and premiums are therefore expected to increase in the time ahead.

The net pension liabilities in the balance sheet are determined after adjustment for deferred recognition in the income statement of the effect of changes in estimates and pension schemes, as well as discrepancies between the actual and interest income on pension assets that have not yet been realised in the income statement. The net pension liabilities are reported as provisions for liabilities.

Employees who leave the group before retirement age receive a paid-up policy. The paid-up policies have been managed by the life insurance company Storebrand Livsforsikring AS. For the employees that leaves the enterprise, after 1 January 2014, Statnett SF Pensjonskasse manage the paid-up policies. From the date the paid-up policy is issued, Statnett is exempt from any obligation to employees to which the paid-up policies apply. Assets and liabilities are measured at the date of issue of the paid-up policies, and are separated from pension assets and liabilities.

An external Actuary calculates the pension liabilities. When calculating the pension liabilities, the National Insurance contributions that the enterprise is required to pay on the payment of direct pensions or the payment of premiums for fund-based schemes are taken into account. The National Insurance contribution is a component of the enterprise's benefit and is recorded as part of the pension liabilities.

Note Pensions

7

Pension scheme members

Parent company			Group	
2014	2015		2015	2014
1 587	1 725	Members of the pension fund	1 763	1 611
403	427	Of which pensioners	432	408
1 184	1 298	No. of active pension scheme members	1 331	1 203

Financial/actuarial assumptions, parent company and Group

	2015	2014
Discount rate corporate covered bonds (OMF)	2,75%	2,30%
Interest income on pension assets	2,75%	2,30%
Expected wage adjustments	2,25%	2,75%
Expected pension adjustments	1,50%	1,75%
Expected adjustment of basic amount (G) under NIS	2,25%	2,50%
Mortality table	K2013FT	K2013BE

Sensitivity analysis

The figures below give an estimate of the potential effect of a change in certain assumptions for defined-benefit pension schemes. The following estimates and estimated pension costs for 2015 are based on the facts and circumstances at 31 December 2015. Actual results may differ significantly from these estimates.

Sensitivities decrease (increase) benefit obligation as of year-end:

Parent company			Group	
2015	2015	(Amounts in NOK million, except per cent)	2015	2014
173	-8,7 %	Discount rate increase 0,5 per cent	175	-8,7 %
-67	3,4 %	Expected salary increase 0,5 per cent	-68	3,4 %
-80	4,0 %	Expected pension increase 0,5 per cent	-81	4,0 %

Percentual breakdown of pension assets into investment categories, parent company and Group as at 31 December

	2015	2014
Property	8%	4%
Held-to-maturity bonds	17%	23%
Norwegian bonds	20%	29%
High-interest bonds	3%	4%
Foreign bonds	5%	0%
Bank deposits	2%	0%
Norwegian money market	10%	14%
Emerging Markets	6%	0%
Foreign shares	22%	21%
Norwegian shares	7%	5%
Total	100%	100%

Note Pensions

7

Pension costs

Parent company			Group	
2014	2015	(Amounts in NOK million)	2015	2014
160	213	Present value of this year's pension contributions	215	161
86	54	Interest cost of pension liability	54	87
-61	-34	Interest income on pension assets	-34	-61
-	-284	Effect of plan changes	-284	-
185	-51	Net pension costs	-49	187
26	44	Employer's contributions	44	26
211	-7	Net pension costs, incl. employer's cont.	-5	213

Funded and unfunded pension liabilities and pension assets

Parent company			Group	
31.12.14	31.12.15	(Amounts in NOK million)	31.12.15	31.12.14
Change in gross pension liability				
2 050	2 701	Gross pension liability at 1 Jan.	2 720	2 067
175	243	Present value of the year's pension contributions	246	178
-	-684	Effect of plan changes	-684	-
-	-85	Service costs plan changes (short-term debt)	-85	-
84	63	Interest costs of pension liability	64	85
456	-253	Actuarial gains and losses	-255	455
-27	-32	Employer's contribution on premium paid	-33	-27
-38	-43	Disbursed pension/paid-up policies	-43	-38
2 700	1 910	Gross pension liabilities as at 31 Dec.	1 930	2 720

Change in gross pension assets

1 566	1 835	Fair value of pension assets at 1 Jan.	1 851	1 581
61	39	Interest income on pension assets	39	61
-	-400	Effect of plan changes	-400	-
49	-2	Actuarial gains and losses	-2	48
191	229	Premium paid	231	193
-32	-38	Pension/paid-up policies disbursed	-38	-32
1 835	1 663	Actual value of pension assets as at 31 Dec.	1 681	1 851
865	247	Net pension liabilities as at 31 Dec.	249	869
-	-	Capitalised pension assets at 31 Dec.	-	-
865	247	Capitalised pension liabilities at 31 Dec.	249	869
759	217	Capitalised pension liabilities at 31 Dec. Excl. Employer's contributions	218	762
2 575	1 719	Gross funded pension liabilities at 31 Dec.	1 730	2 594
126	190	Gross unfunded pension liabilities at 31 Dec.	191	126

Note Pensions

7

Changes in estimate deviations of pension liabilities - through Other Comprehensive Income

Parent company			Group	
31.12.14	31.12.15	(Amounts in NOK million)	31.12.15	31.12.14
407	-253	Change in pension liabilities	-253	407
-110	70	Deferred tax	70	-110
297	-183	Equity - through Other Comprehensive Income	-183	297

Changes in estimate variances for the year

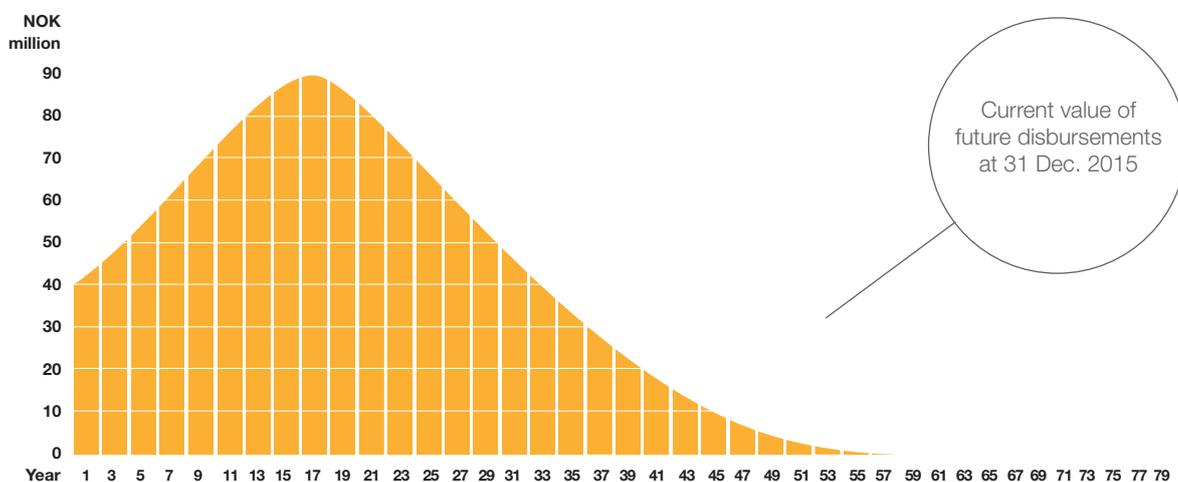
Parent company			Group	
2014	2015	(Amounts in NOK million)	2015	2014
1 214	-150	Discount rate	-150	1 214
-60	2	Interest income on pension assets	2	-60
-308	-56	Salaries growth	-56	-308
-450	-63	Pension adjustments	-63	-450
-	118	Mortality table (K2013)	118	-
11	-104	Effect of experience adjustment	-104	11
407	-253	Total changes in estimate variances for the year	-253	407

Pension disbursement flow Statnett SF

The average weighted maturity for pension liabilities, related to the main scheme in Statnett SF, is estimated at 16 years based on the pension assumptions at 31 Dec. 2015. Average weighted maturity has been taken into account when choosing discount rate.

Statnett SF' Pensjonskasse does not compare the pension assets against the date of payments for the pension liabilities at 31. December 2015.

● Disbursement



Note 8 Tangible fixed assets and other intangible fixed assets

8

Parent company	Power lines	Land and subsea cables	Main circuit equipment	Control and auxiliary equipment	ICT equipment	Buildings and land	Other assets and operation equipment	Total
<i>(Amounts in NOK million)</i>								
Acquisition cost at 1 Jan. 2014	10 751	3 390	7 639	2 002	1 714	4 176	2 195	31 867
Additions, acquisition cost	1 367	1 191	1 837	505	286	1 862	121	7 169
Disposals, acquisition cost	-	1	107	65	100	25	14	312
Acquisition cost at 1 Jan. 2015	12 118	4 580	9 369	2 442	1 900	6 013	2 302	38 724
Additions, acquisition cost	1 116	155	718	448	462	1 270	99	4 268
Disposals, acquisition cost	32	15	108	51	80	46	12	344
Acquisition cost at 31 Dec. 2015	13 202	4 720	9 979	2 839	2 282	7 237	2 389	42 648
Accumulated depreciation and amortisation at 1 Jan. 2014	4 142	837	2 602	961	878	628	486	10 534
Depreciation and amortisation	241	93	215	114	206	140	113	1 122
Disposals, depreciation and amortisation	-	1	97	63	98	9	12	280
Accumulated depreciation and amortisation at 1 Jan. 2015	4 383	929	2 720	1 012	986	759	587	11 376
Depreciation and amortisation	290	153	291	136	243	218	148	1 479
Disposals, depreciation and amortisation	28	14	111	50	80	30	11	324
Accumulated depreciation and amortisation at 31 Dec. 2015	4 645	1 068	2 900	1 098	1 149	947	724	12 531
Book value at 31 Dec. 2014	7 735	3 651	6 649	1 430	914	5 254	1 715	27 348
Book value at 31 Dec. 2015	8 557	3 652	7 079	1 741	1 133	6 290	1 665	30 117
Of which intangible fixed assets								
Book value 31 Dec. 2014	-	-	-	-	218	-	-	218
Book value 31 Dec. 2015	-	-	-	-	283	-	-	283
Of which financial lease								
Book value 31 Dec. 2014	-	-	-	-	93	159	200	452
Book value 31 Dec. 2015	-	-	-	-	116	120	178	414
Of which asset retirement obligations								
Book value 31 Dec. 2014	200	90	16	-	-	-	53	359
Book value 31 Dec. 2015	263	37	35	-	-	-	42	377
Acquisition cost for tangible fixed assets fully depreciated, but still in use	179	285	247	426	538	51	90	1 816
Depreciation rate (straight-line)	2%	2 - 7%	2 - 5%	3 - 13%	5 - 33%	0 - 7%	0 - 33%	

Note 8 Tangible fixed assets and other intangible fixed assets

8

Group	Power lines	Land and subsea cables	Main circuit equipment	Control and auxiliary equipment	ICT equipment	Buildings and land	Other assets and operation equipment	Total
<i>(Amounts in NOK million)</i>								
Acquisition cost at 1 Jan. 2014	10 751	3 390	7 639	2 002	1 714	4 214	2 544	32 254
Additions, acquisition cost	1 367	1 191	1 838	505	286	1 862	130	7 179
Purchase of subsidiary	31	-	61	11	9	13	2	127
Disposals, acquisition cost	-	1	107	65	100	25	18	316
Acquisition cost at 1 Jan. 2015	12 149	4 580	9 431	2 453	1 909	6 064	2 658	39 244
Additions, acquisition cost	1 116	155	718	448	462	1 284	112	4 295
Disposals, acquisition cost	32	15	108	51	80	46	27	359
Acquisition cost at 31 Dec. 2015	13 233	4 720	10 041	2 850	2 291	7 302	2 743	43 180
Accumulated depreciation at 1 Jan. 2014	4 142	837	2 602	961	878	633	559	10 612
Depreciation and amortisation	244	93	218	114	207	143	131	1 150
Purchase of subsidiary	16	-	3	2	1	-	-	22
Disposals, depreciation and amortisation	-	1	97	63	98	9	14	282
Accumulated depreciation at 1 Jan. 2015	4 402	929	2 726	1 014	988	767	676	11 502
Depreciation and amortisation	293	153	294	137	244	219	174	1 514
Disposals, depreciation and amortisation	28	14	111	50	80	30	21	334
Accumulated depreciation at 31. Dec. 2015	4 667	1 068	2 909	1 101	1 152	956	829	12 682
Book value at 31. Dec. 2014	7 747	3 651	6 705	1 439	921	5 297	1 982	27 742
Book value at 31. Dec. 2015	8 566	3 652	7 132	1 749	1 139	6 346	1 914	30 498
Of which intangible fixed assets								
Book value 31 Dec. 2014	-	-	-	-	218	-	9	227
Book value 31 Dec. 2015	-	-	-	-	283	-	-	283
Of which financial leasing:								
Book value 31 Dec. 2014	-	-	-	-	93	159	200	452
Book value 31 Dec. 2015	-	-	-	-	116	120	178	414
Of which asset retirement obligations								
Book value 31 Dec. 2014	200	90	16	-	-	-	53	359
Book value 31 Dec. 2015	263	37	35	-	-	-	42	377
Acquisition cost for tangible fixed assets fully depreciated, but still in use	179	285	247	426	538	51	67	1 793
Depreciation rate (straight-line)	2%	2 - 7%	2 - 5%	3 - 13%	5 - 33%	0 - 7%	0 - 33%	

Financial lease is paid for in full in advance. This means that there are no future lease obligations related to the financial lease agreements.

Note Plants under construction

9

Parent company			Group	
2014	2015	(Amounts in NOK million)	2015	2014
6 083	5 095	Acquisition cost at 1 January	5 166	6 083
5 772	5 112	Additions	5 676	5 842
195	139	Capitalised construction interest	144	195
-	-303	Transferred to subsidiary	-	-
-6 955	-4 125	Transferred to tangible and other intangible fixed assets	-4 152	-6 954
-	-9	Write-offs	-110	-
5 095	5 909	Acquisition cost at 31 December	6 724	5 166
-120	-171	Effect hedge accounting	-171	-119
4 975	5 738	Plants under construction at 31 December	6 553	5 047
Average capitalisation rate used to determine the loan expense amount that can be capitalised:			2015	2014
			2,32%	2,73%

Contractual obligations as at 31 December 2015

Contractual obligations as at 31 December 2015 total NOK 14 841 million.

The obligation above includes investment projects where future contractual obligations exceed NOK 50 million.

In 2014, Statnett entered into an agreement with Lofotkraft AS. The agreement stipulates that Lofotkraft has the right, but no obligation to, sell grid facilities to Statnett, and Statnett has the obligation, but no right, to purchase the grid facility from Lofotkraft from the time the grid facility in question has been commissioned and connected. The purchase price is estimated at NOK 250 million, and completion is scheduled for October 2016.

Note Financial items- profit/loss

10

Parent company			Group	
2014	2015	(Amounts in NOK million)	2015	2014
Financial income				
-	19	Income from investment in subsidiaries	-	-
15	7	Income from investment in associates	-	-
54	43	Interest income	44	63
-2	23	Change in value of derivatives	23	-2
121	432	Gain on currency exchange	436	123
5	6	Other financial income	-2	18
193	530	Total financial income	501	202
Financial costs				
538	519	Interest costs	514	527
-195	-139	Capitalised construction interest	-139	-195
120	419	Loss on currency exchange	424	121
14	12	Other financial costs	14	18
477	811	Total financial costs	813	471

Note Overview of financial instruments

11

This note gives an overview of book value and fair value of financial instruments, including accounting treatment. The table also shows at which level in the valuation hierarchy the different measurement methods for the Group's financial instruments measured at fair value are classified, compared to how objective the measurement method is.

(Amounts in NOK million)

Parent company	Category	Measure- ment level	2015		2014	
			Book value	Fair value	Book value	Fair value
Assets						
Fixed assets						
Long-term receivables	Loans and receivables		44	44	46	46
Long-term receivables to subsidiaries	Loans and receivables		184	184	139	139
Subord. capital in Statnett SFs pension fund	Fair value through profit/loss	3	75	75	75	75
Financial assets available for sale	Available for sale	3	10	10	12	12
Derivatives	Fair value through profit/loss	2	5 084	5 084	3 203	3 203
Total fixed asset investments			5 397	5 397	3 475	3 475
Current assets						
Trade accounts receivable	Loans and receivables		189	189	184	184
Derivatives	Fair value through profit/loss	2	119	119	57	57
Short-term receivables to subsidiaries	Loans and receivables		454	454	-	-
Other short-term receivables	Loans and receivables		575	575	356	356
Total trade accounts and other short-term receivables			1 337	1 337	597	597
Investment in market-based securities	Fair value through profit/loss	1	306	306	996	996
Liquid assets*	Fair value through profit/loss		1 441	1 441	2 857	2 857
Liabilities						
Long-term interest-bearing debt	Other liabilities	2	24 045	24 271	21 889	22 260
Derivatives	Fair value through profit/loss	2	221	221	245	245
Total long-term interest-bearing debt			24 266	24 492	22 134	22 505
Short-term interest-bearing debt	Other liabilities	2	4 019	4 032	2 503	2 509
Short-term interest-bearing debt to subsidiaries	Other liabilities	2	212	212	223	223
Derivatives	Fair value through profit/loss	2	4	4	2	2
Total short-term interest-bearing debt			4 235	4 248	2 728	2 734
Trade accounts payable and other short-term debt	Other liabilities		1 624	1 624	1 738	1 738
<i>*Included in liquid assets as at 31 December 2015 are reserved tax withholdings of NOK 54 million and securities to Nord Pool Spot AS of NOK 31 million.</i>						
Total measurement levels						
Level 1			306	306	996	996
Level 2			-23 298	-23 537	-21 602	-21 979
Level 3			85	85	87	87

Note Overview of financial instruments

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(Amounts in NOK million)

Group	Category	Measurement level	2015		2014	
			Book value	Fair value	Book value	Fair value
Assets						
Fixed assets						
Long-term receivables	Loans and receivables		44	44	50	50
Subord. capital in Statnett SF's pension fund	Fair value through profit/loss	3	75	75	75	75
Financial assets available for sale	Available for sale	3	10	10	12	12
Derivatives	Fair value through profit/loss	2	5 084	5 084	3 203	3 203
Total financial fixed assets			5 213	5 213	3 340	3 340
Current assets						
Trade accounts receivable	Loans and receivables		166	166	189	189
Derivatives	Fair value through profit/loss	2	119	119	57	57
Other short-term receivables	Loans and receivables		479	479	226	226
Total trade accounts and other short-term receivables			764	764	472	472
Investment in market-based securities	Fair value through profit/loss	1	680	680	1 345	1 345
Liquid assets*	Fair value through profit/loss		1 696	1 696	3 019	3 019
Liabilities						
Long-term interest-bearing debt	Other liabilities	2	24 045	24 271	21 893	22 260
Derivatives	Fair value through profit/loss	2	221	221	245	245
Total long-term interest-bearing debt			24 266	24 492	22 138	22 505
Short-term interest-bearing debt	Other liabilities	2	4 019	4 032	2 503	2 509
Derivatives	Fair value through profit/loss	2	4	4	2	2
Total short-term interest-bearing debt			4 023	4 036	2 505	2 511
Trade accounts payable and other short-term debt	Other liabilities		1 673	1 673	1 763	1 763
*Included in liquid assets as at 31 December 2015 are reserved tax withholdings of NOK 56 million and securities to Nord Pool Spot AS of NOK 31 million in the parent company.						
Total measurement levels						
Level 1			680	680	1 345	1 345
Level 2			-23 086	-23 325	-21 383	-21 756
Level 3			85	85	87	87

During the period there has not been any transactions between the measurement levels.

Note Overview of financial instruments

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Reconciliation of level 3 in fair value measurements

(Amounts in NOK million)

Parent company			Group	
2014	2015		2015	2014
84	87	Opening balance at 1. January	87	84
3	-	Net unrealised gain/loss in periode	-	3
-	-2	Repayment of capital	-2	-
87	85	Total fair value level 3	85	87

Financial assets and liabilities

The fair value of forward exchange contracts is determined by applying the forward exchange rate on the balance sheet date. The fair value of currency swaps and interest rate swap is calculated as the present value of future cash flows. Fair value is mainly confirmed by the financial institution Statnett has contracts with.

The fair value of financial assets and long-term liabilities accounted for at amortised cost has been calculated:

- using quoted market prices,
- using interest rate terms for liabilities with a corresponding maturity and credit risk, or
- using the present value of estimated cash flows discounted by the interest rate that applies to corresponding liabilities and assets on the balance sheet date.

In the case of financial instruments such as financial assets available for sale, trade account receivables and other short-term receivables, liquid assets, trade accounts payable and other current liabilities, it is assumed that the book value is the best estimate for fair value, due to the short-term nature of the items.

CSA agreements

Statnett has entered into CSA (Credit Support Annex) agreements with major counterparts. This entails that the market value of derivatives entered into between Statnett and a counterparty is settled on a weekly basis, and that monetary security is received or given for any outstanding amounts.

Note Interest-bearing assets and liabilities

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Parent company

Repayment profile for interest-bearing debt

The loans are measured at amortised cost adjusted for the effect of fair value hedging

Maturity date (Amounts in NOK million)	2016	2017	2018	2019	2020 -Thereafter	Total
Fixed rate loans						
Bond issues	599	2 372	-	625	13 826	17 422
Total fixed rate loans	599	2 372	-	625	13 826	17 422
Floating rate loans						
Collateral under CSA agreements	3 328	-	-	-	-	3 328
Other interest-bearing debt	216	-	-	1	220	437
Bond issues	-	-	1 053	700	187	1 940
Loans from financial institutions	92	92	158	224	4 808	5 374
Total floating rate loans	3 636	92	1 211	925	5 215	11 079
Total short-term debt	4 235					4 235
Total long-term debt		2 464	1 211	1 550	19 041	24 266
Total interest-bearing debt	4 235	2 464	1 211	1 550	19 041	28 501

* Loans linked to collateral under CSA agreements (Credit Support Annex), which reflect higher/lower value of derivatives. The loans have weekly settlement.

** Statnett SF intra-group loans of NOK 212 million, payable on demand. In the balance sheet for Group these loans are eliminated.

Maturity of fixed interest of the loan portfolio (Amounts in NOK million)	2016	2017	2018	2019	2020 -Thereafter	Total
	25 413	-	-	-	3 088	28 501

Information about interest-bearing debt per currency	Average interest rate 1)	Loans in currency	Loans in NOK
Currency			
NOK	2,49%	12 479	12 479
JPY	1,13%	4 000	311
CHF	1,49%	400	3 901
SEK	1,56%	1 200	1 240
USD	2,11%	720	6 492
EUR	1,74%	70	750
CSA			
NOK	*	1 496	1 496
EUR	**	190	1 832
Total			28 501

1) All loans in foreign currency are converted into NOK using cross currency interest swap agreements.

* NOWA (Norwegian Overnight Weighted Average rate) - daily interest for deposits in NOK

** EONIA overnight - daily interest rates announced by the European Banking Federation (EBF)

Note Interest-bearing assets and liabilities

12

Market-based securities

Parent company			Group		
Acquisition cost	Book value	(Amounts in NOK million)	Acquisition cost	Book value	
71	70	Government	71	70	
67	69	Municipality/municipal operations	87	90	
74	74	Financial institutions, including banks	361	362	
94	93	Private/industry	99	98	
306	306	Total bonds	618	620	
-	-	Norwegian equity funds	18	26	
-	-	Foreign equity funds	18	34	
-	-	Total equity funds	36	60	
306	306	Total market-based securities	654	680	

Age distribution trade receivable

(Amounts in NOK million)	Not due	1-30 days	31-60 days	61-90 days	Over 90 days	Total trade acc. rcv.
Parent company	136	25	1	1	26	189
Group	122	16	1	1	26	166

Note Derivatives

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Derivatives are used in risk management to hedge risks related to interest and currency. The fair value of the derivatives fluctuates with underlying prices, and the footnote presents fair value at the balance sheet date.

Interest rate and currency swaps

These are agreements where the contracting parties exchange currency and/or interest rate terms for an agreed amount over a defined future period.

All interest rate and currency swaps are related to underlying loans. Any loss/gain on the swap will therefore correspond to the gain/loss on the loan.

(Amounts in NOK million)

Maturity	Principal lending	Principal borrowing	Market value* 2014	Cash flow 2015	Market value* 2015	Change in value***	Intr. Rate terms Statnett receives	Intr. Rate terms Statnett pays
Free-standing derivatives**								
2019	NOK 350	NOK 350	-1	-1	-	1	Nibor 3 mo.	Nibor 6 mo.
2019	NOK 350	NOK 350	-1	-1	-	1	Nibor 3 mo.	Nibor 6 mo.
2021	SEK 200	NOK 180	-	-1	23	22	SEK Stibor 3 mo.	Nibor 6 mo.
Total			-2	-3	23	24		

Derivatives, cash flow hedges

2016	NOK 400	NOK 400	-12	-9	-2	1	Nibor 6 mo.	Fixed
2021	NOK 400	NOK 400	-45	-7	-44	-6	Nibor 6 mo.	Fixed
2021	NOK 500	NOK 500	-57	-9	-55	-7	Nibor 6 mo.	Fixed
2021	NOK 400	NOK 400	-46	-7	-45	-6	Nibor 6 mo.	Fixed
2022	NOK 393	NOK 393	-82	-12	-76	-6	Nibor 6 mo.	Fixed
Total			-242	-44	-222	-24		

Note Derivatives

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(Amounts in NOK million)

Fair value hedging****	Principal lending	Principal borrowing	Market value* 2014	Market value* 2015	Intr. rate terms Statnett receives	Intr. Rate terms Statnett pays
Maturity:						
2017	CHF 250	NOK 1290	755	1 082	Fixed CHF	Nibor 6 mo.
2018	SEK 1000	NOK 997	-	56	SEK Stibor 3 mo.	Nibor 6 mo.
2019	JPY 4000	NOK 201	72	110	Fixed JPY	Nibor 6 mo.
2019	NOK 150	NOK 150	7	7	Fixed	Nibor 6 mo.
2019	NOK 150	NOK 150	7	7	Fixed	Nibor 6 mo.
2020	NOK 300	NOK 300	59	51	Fixed	Nibor 6 mo.
2020	NOK 60	NOK 60	8	8	Fixed	Nibor 6 mo.
2021	CHF 150	NOK 923	359	605	Fixed CHF	Nibor 6 mo.
2021	SEK 200	NOK 180	11	7	SEK Stibor 3 mo.	Nibor 6 mo.
2023	NOK 600	NOK 600	149	139	Fixed	Nibor 6 mo.
2024	USD 100	NOK 603	150	308	Fixed USD	Nibor 6 mo.
2025	NOK 600	NOK 600	171	161	Fixed	Nibor 6 mo.
2026	EUR 70	NOK 532	171	218	Fixed EUR	Nibor 6 mo.
2027	NOK 1000	NOK 1000	177	177	Fixed	Nibor 6 mo.
2028	USD 80	NOK 457	129	254	Fixed USD	Nibor 6 mo.
2028	USD 80	NOK 464	130	257	Fixed USD	Nibor 6 mo.
2029	USD 15	NOK 87	25	49	Fixed USD	Nibor 6 mo.
2029	NOK 500	NOK 500	63	67	Fixed	Nibor 6 mo.
2032	USD 160	NOK 928	271	532	Fixed USD	Nibor 6 mo.
2033	USD 220	NOK 1256	358	710	Fixed USD	Nibor 6 mo.
2043	USD 30	NOK 171	49	101	Fixed USD	Nibor 6 mo.
2043	USD 35	NOK 203	63	126	Fixed USD	Nibor 6 mo.
Total			3 184	5 032		

* Accrued interest is not included in the market value. In the case of combined interest rate and currency swaps, the unrealised currency effect is included in the market value.

** Free-standing derivatives of NOK 880 million are related to underlying loans, but hedge accounting is not applied.

*** Changes in market value includes cash flow for 2015.

**** Changes in value in fair value hedges have no effect on the result.

Note Derivatives

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Forward exchange options:

Statnett makes use of forward exchange contracts in order to hedge the currency risk on transactions in currencies other than NOK.

<i>(Amounts in NOK million)</i>	Nominal amount in currency	Nominal amount in NOK	Average hedge rate	Market rate*	Market value
SEK	1 119	1 124	1,00	1,05	57
EUR	205	1 902	9,26	9,70	91
Total forward exchange contracts		3 025			148

*Average forward rate

Fair value measurement

Foreign exchange forward contracts are measured at fair value based on observable forward rates on contracts with comparable terms on the balance sheet date. Fair value for interest and currency swap contracts is the present value of future cash flows based on observable market rates and foreign currency rates at the balance sheet date.

The derivatives relates to hedge relationships as follows:

Cashflow hedges

Statnett enters cashflow hedges to hedge interest rate risk on loans with floating interest. The interest rate risk is hedged using interest rate swaps where Statnett receives floating rate and pays a fixed rate. All derivatives defined as hedging instruments in cashflow hedges are booked at fair value in the balance sheet, while changes in fair value are temporarily through other comprehensive income (OCI). When the cashflow is due, prior periods fair value changes related to the hedging instruments are removed from equity to ensure that the hedging instrument and the hedged items affects the result in the same period.

Fair value hedges

Statnett enters fair value hedges to hedge interest rate risk on fixed rate loans and foreign currency risk on interest bearing debt in foreign currency. Most of Statnett's debenture bond are fixed rate bonds. The interest rate risk is hedged with interest rate swaps where Statnett receives fixed rates and have payments in floating rate. Underlying loans are recorded at amortised cost. Fair value hedges through foreign exchange forward contracts are also used to hedge currency risk related to investment contracts. Unrealised gains / losses on the forward contracts are included in plants under construction. Negative interest development has resulted in hedge ineffectiveness on a SEK loan. Hedge accounting is terminated and the derivative is reported as free standing derivative. Unrealised gain subsequent to termination of hedge accounting, amounts to NOK 22 million.

Free standing derivatives

Statnett also holds derivatives that does not qualify for hedge accounting under IFRS. However all derivatives are related to entered contracts. Changes in fair value for these derivatives are recorded periodically in the income statement.

Unrealized effects of changes in market value

<i>(Amounts in NOK million)</i>	Hedging instrument	Hedged item	Effect on P/L	Effect on OCI
Free-standing derivatives	23	-	23	-
Cashflow hedges	20	-	-	20
Fair value hedges	1 847	-1 847	-	-
Forward exchange options	76	-52	24	-

Note Financial risk management

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Financial risk

The object of Statnett SF's financial policy is to ensure that the enterprise achieves the necessary financing of planned operational and investment programmes at the lowest possible cost, risk included. Statnett SF's financial policy also comprises aims and frameworks for minimising the enterprise's credit, interest rate and foreign exchange risks. Statnett SF uses financial derivatives to manage the financial risk.

Capital management

The enterprise has liabilities and equity as specific in the balance sheet. The loan agreements do not impose any capital requirements on the enterprise which are expected to restrict the capital structure of the enterprise. Nor are there any explicit equity requirements other than those stipulated in applicable laws and regulations. The main objective of Statnett's capital management structure is to ensure that the enterprise has a sound financial position, which enables the enterprise to operate and develop the main grid in a socio-economically profitable manner in line with plans and the owner's expectations. It is a priority with the Statnett Board of Directors to maintain a robust A rating or better, and in January 2014 the owner increased its equity contribution. The owner has changed the dividend policy for the fiscal years 2013-2016 in line with the request for equity to zero dividend for 2013, and subsequently to 25 per cent of the Group's net profit for the year, adjusted for the changed balance for higher/lower revenues after tax. Moreover, the capital structure is managed by raising and paying off short-term and long-term debt, as well as through changes in liquid assets. There have been no changes to capital management guidelines or objectives in 2015.

Overview of capital included in capital structure management:

Parent company			Group	
2014	2015	(Amounts in NOK million)	2015	2014
22 134	24 266	Long-term interest-bearing liabilities	24 266	22 138
2 728	4 235	Short-term interest-bearing liabilities	4 023	2 505
3 854	1 747	Liquid assets and investment in market-based securities	2 376	4 364
21 008	26 754	Net liabilities	25 913	20 279

Liquidity risk

Statnett SF aims to be able to carry out 12 months of operations, investments and refinancing without raising any new debt. This will make Statnett less vulnerable during periods of low access to capital in the financial markets and periods with unfavourable borrowing conditions.

Statnett reduces liquidity risk related to maturity of financial liabilities by having an evenly distributed maturity structure, access to several sources of financing in Norway and abroad, as well as sufficient liquidity to cover scheduled operations, investment and financing needs without incurring any new debt within a time horizon of 12 months. The liquidity comprises of existing cash and cash equivalents (bank/time deposits, certificates and bonds) and a credit facility of NOK 3.5 billion running until January 2018. In spring 2014, Statnett is planning to enter into agreements which will increase the enterprise's credit facility to NOK 6.5 billion. As of 26 March 2015, the credit facility had not been utilised. Liquidity is followed up continuously with weekly reporting.

Statnett SF has a high credit rating. Standard & Poor's og Moody's Investor Service have given Statnett SF credit ratings for long-term borrowings of A+ and A2 respectively. The high credit ratings provides Statnett SF good borrowing opportunities.

Note Financial risk management

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The table below shows all gross cash flows related to financial liabilities. The cash flows have not been discounted and are based on interest rates and exchange rates at 31 Dec. 2015.

(Amounts in NOK million)

Parent company

As at 31 Dec. 2015	Under 1 year	1 to 3 years	3 to 6 years	6 to 10 years	10 years +	Total
Interest-bearing debt and interest payments	4 896	4 723	5 967	6 386	12 055	34 027
Other liabilities	80	153	273	113	25	644
Trade acc.payable and other short-term debt	1 624	-	-	-	-	1 624
Derivatives	2 860	3 285	2 117	1 174	4 722	14 158
Total	9 460	8 161	8 357	7 673	16 802	50 453

Derivatives	Under 1 year	1 to 3 years	3 to 6 years	6 to 10 years	10 years +	Total
Received	3 188	4 713	3 238	2 225	7 677	21 041
Disbursed	-2 860	-3 285	-2 117	-1 174	-4 722	-14 158
Net derivatives	328	1 428	1 121	1 051	2 955	6 883

(Amounts in NOK million)

Group

As at 31 Dec. 2015	Under 1 year	1 to 3 years	3 to 6 years	6 to 10 years	10 years +	Total
Interest-bearing debt and interest payments	4 680	4 723	5 967	6 386	12 055	33 811
Other liabilities	80	153	273	113	25	644
Trade acc.payable and other short-term debt	1 673	-	-	-	-	1 673
Derivatives	2 860	3 285	2 117	1 174	4 722	14 158
Total	9 293	8 161	8 357	7 673	16 802	50 286

Derivatives	Under 1 year	1 to 3 years	3 to 6 years	6 to 10 years	10 years +	Total
Received	3 188	4 713	3 238	2 225	7 677	21 041
Disbursed	-2 860	-3 285	-2 117	-1 174	-4 722	-14 158
Net derivatives	328	1 428	1 121	1 051	2 955	6 883

Cash and cash equivalents

Parent company			Group	
2014	2015	(Amounts in NOK million)	2015	2014
2 857	1 441	Cash in bank	1 696	3 019
2 857	1 441	Net liabilities	1 696	3 019

Note Financial risk management

14

Credit risk

Statnett SF is exposed to credit risk through the investment of surplus liquidity with issuers of securities and through the use of various interest rate and currency derivatives. In order to limit this risk, Statnett has set credit limits based on the creditworthiness of counterparties, the maximum exposure for each counterparty and collateral agreements with the most significant counterparties (CSA agreements). Creditworthiness is assessed at least once a year, and the counterparty risk is continuously monitored to ensure that Statnett's exposure does not exceed the set credit limits and complies with internal rules.

Maximum credit exposure

Parent company			Group	
2014	2015	(Amounts in NOK million)	2015	2014
2 858	1 441	Liquid assets	1 696	3 019
996	306	Bonds and certificates	621	1 291
3 260	5 203	Derivatives	5 203	3 260
183	225	Long-term receivables, excl. derivatives	86	44
540	1 218	Trade accounts and other short-term receivables, excl. derivatives	646	415
7 837	8 393	Total maximum credit exposure	8 252	8 029

Foreign exchange risk

Foreign exchange risk is the risk of fluctuations in foreign exchange rates that will result in changes in Statnett's income statement and balance sheet. The liabilities undertaken by Statnett in foreign currencies in connection with investment projects are mainly hedged using currency swaps. All loans in foreign currency are converted into NOK using cross currency interest swap agreements. As at 31 Dec. 2015, the foreign exchange reserves not swapped or reserved for future obligations totalled NOK 150 million for the parent company and NOK 187 million for the Group. The reserves mainly consist of bank deposits. In addition, foreign equity funds and shares totalled NOK 34 million for the Group.

Interest rate risk

The Group is exposed to interest rate risk through its loan portfolio, liquid assets and financial hedges. Statnett SF is also exposed to interest rate levels on which the revenue cap for the grid operations is based (the NVE interest rate).

In order to reduce the interest rate risk and minimise fluctuations in the result, the interest rate on Statnett's debt must correlate to the extent possible with the NVE interest rate. The NVE interest rate is calculated on the basis of daily averages of the five-year swap interest rate. In addition, the NVE interest rate comprises some fixed interest rates with the addition of inflation and a surcharge for credit risk. To achieve the desired fixed-interest period on the enterprise's debt, interest rate swap agreements linked to the underlying debt are used.

Average effective interest rate

The table below shows the average effective interest rate for the individual financial instruments for the full years 2014 and 2015. Statnett has had lower interest yield on deposits as a result of lower short-term interest rates.

Parent company			Group	
2014	2015		2015	2014
2,30%	1,68%	Bonds and certificates	1,36%	3,02%
1,81%	0,47%	Deposits	0,47%	1,81%
-	-	Shares and equity funds	10,64%	16,76%
2,83%	2,36%	Loans	2,36%	2,83%

Note Financial risk management

14

Sensitivity analysis

Interest rate sensitivity

(Amounts in NOK million)

Parent company		Change in interest rate level	Group	
2014	2015	%	2015	2014
-8	-8	+1	-15	-14
8	8	-1	15	14

The table shows the sensitivity of the parent company and the Group to potential changes in the interest rate. The calculation takes into account all interest-bearing instruments and associated interest rate derivatives. It shows the effect on the result of a change in the interest rate levels as at 31 December 2015.

Exchange rate sensitivity

(Amounts in NOK million)

Parent company		Change in NOK exchange rate	Group	
2014	2015	%	2015	2014
-4	-7	+5	-11	-6
4	7	-5	11	6

The table shows the sensitivity of the company to potential changes in the exchange rate of the Norwegian Krone, if all other factors remain constant. The calculation is based on an identical change in relation to all relevant currencies. The effect on the result is due to a change in the value of monetary items that are not fully hedged. Other monetary items and all foreign currency debt are hedged, and the change in value is matched by a change in the value of the derivative.

Note Taxes

15

The tax expense comprises the following

Parent company			Group	
2014	2015	(Amounts in NOK million)	2015	2014
16	1	Income tax	23	36
272	408	Change in deferred tax/tax benefit	373	256
-1	-84	Change in tax rates	-89	-1
287	325	Tax	307	291

Tax payable in income statement

Parent company			Group	
31.12.14	31.12.15	(Amounts in NOK million)	31.12.15	31.12.14
16	-	Income tax payable on the profit of the year	23	36
-	-	Tax effect of group contribution	-8	-
16	-	Taxes payable	15	36

Tax payable in the balance sheet

Parent company			Group	
31.12.14	31.12.15	(Amounts in NOK million)	31.12.15	31.12.14
16	-	Tax payable for the year	23	36
-	-	Tax payable on group contribution	-8	-
16	-	Tax payable	15	36

Reconciliation of nominal tax rate and effective tax rate

The following table provides a reconciliation of reported tax expense and tax expense based on nominal tax rate of 27%.

Parent company			Group	
2014	2015	(Amounts in NOK million)	2015	2014
1 097	1 527	Profit before tax	1 410	1 120
296	412	Expected tax expense at nominal rate	381	303
		Effect on taxes of:		
-12	-6	Permanent differences	14	-12
4	3	Share of profit/loss in associates	1	1
-1	-84	Changes in tax rates	-89	-1
287	325	Tax	307	291
26%	21%	Effective tax rate	22%	26%

Note 15

Breakdown deferred tax

The following table provides a breakdown of the net deferred tax. Deferred tax assets are recognised in the balance sheet to the extent it is probable that these will be utilised. The tax rate used when assessing deferred tax is 25% as of 31.12.2015 (27% as of 31.12.2014)

Parent Company

<i>(Amounts in NOK million)</i>	31.12.14	Recognised	Other comprehensive income	Group contribution	31.12.15
Current assets/current liabilities	879	420	-	-	1 299
Fixed assets	968	83	-	-	1 051
Pension liabilities	-234	102	70	-	-62
Other long term items	-1 050	-4	10	-	-1 044
Group contribution	-	-	-	-	-
Tax loss carried forward	-	-277	-	-	-277
Total	563	324	80	-	968

Group

(Amounts in NOK million)

Current assets/current liabilities	879	420	-	-	1 299
Fixed assets	1 041	60	-	-	1 101
Pension liabilities	-235	102	70	-	-63
Other long term items	-1 003	-20	10	-	-1 013
Tax loss carried forward	-1	-277	-	7	-271
Total	682	284	10	7	1 055

Deferred tax recognised in comprehensive income

Parent Company			Group	
31.12.14	31.12.15	<i>(Amounts in NOK million)</i>	31.12.15	31.12.14
110	70	Change in estimate deviations of pension liabilities	70	110
43	10	Changes in fair value for cash flow hedges	10	43
153	80	Total deferred tax recognised in comprehensive income	80	153

Note Investments in subsidiaries and associates

16

Statnett SF had the following investments at 31 December 2015:

Company	Business nature	Year of acquisition	Registered office	Ownership interest	Voting rights	Book value
<i>(Amounts in NOK thousand)</i>						
Subsidiaries						
Statnett Transport AS	Transport and shipping	1996	Drammen	100%	100%	108 021
Statnett Forsikring AS	Insurance	1998	Oslo	100%	100%	30 200
Nord Link Norge AS	Develop and operate national transmission grid	2010	Oslo	100%	100%	337 865
Noreveien 26 AS	Real estate	2010	Oslo	100%	100%	114
NorGer AS	General Partner	2010/2011	Oslo	100%	100%	29 947
NorGer KS	Limited activity	2010/2011	Oslo	100%	100%	151 478
Nydalshøyden Bygg C AS	Real estate	2013	Oslo	100%	100%	23 023
Lyse Sentralnett AS	Develop and operate national transmission grid	2014	Sandnes	50%	100%	72 978
Elhub AS	Datahub for electricity metering data	2015	Oslo	100%	100%	125 470
Total subsidiaries						879 096
Associates						
Nord Pool Spot AS	Marketplace	2002/2008	Bærum	28,2 %	28,2 %	36 320
eSett OY	Nordic Imbalance settlement	2013	Finland	33,3 %	33,3 %	16 891
KraftCERT AS	IT security	2014	Lysaker	33,3 %	33,3 %	1 678
Total associates						54 889
Total subsidiaries and associates						933 985

Group value of companies recorded according to the equity method

(Amounts in NOK thousand)

	Group value at 1 Jan.	Result for the year	Dividend	Group value at 31 Dec.
2015				
Nord Pool Spot AS, 28,2%	72 850	14 315	-6 948	80 217
eSett OY, 33,3%	14 509	-6 448	-	8 061
KraftCERT AS, 33,3%	1 667	-	-	1 667
Total associates	89 026	7 867	-6 948	89 945
2014				
Nord Pool Spot AS, 28,2%	63 758	13 246	-4 154	72 850
eSett OY, 33,3%	16 891	-2 382	-	14 509
KraftCERT AS, 33,3%	-	-	-	1 667
Total associates	80 649	10 864	-4 154	89 026

Note Joint Operations

17

When constructing subsea cables to transport energy to foreign countries the group has entered into agreements to construct and operate together with system operators in Netherlands, Denmark, Germany and England. These agreements are regarded as joint operations under IFRS.

Subsea cables in operation

TenneT TSO BV and Statnett SF have constructed a subsea cable to transport energy between Norway and the Netherlands, known as the NorNed cable. Each party owns its physical half of the cable, with Statnett SF owning the northern part and TenneT the southern part. The NorNed cable became operational in May 2008. Costs and trading revenues from the operation of the NorNed cable are shared equally between TenneT and Statnett.

Statnett SF owns Skagerrak cables 1-3 whereas the Danish system operator Energinet.dk holds a long-term lease agreement for half of the cable capacity. Income from the lease is included in "Other operating revenue". At the end of December 2014, the Skagerrak Cable 4 became operational. Statnett SF and Energinet.dk each own its physical half of the cable, with Statnett SF owning the northern part and Energinet.dk owning the southern part. Costs and trading revenues related to the operation of the Skagerrak cables are shared equally between Energinet.dk and Statnett SF.

Statnett'SF assets in the cables are included in the asset group "Land- and subsea cables" in note related to fixed assets and intangible assets.

Subsea cables under construction

In the autumn 2012 Statnett SF signed a cooperation agreement with the German companies TenneT and KfW in order to realize an HVDC interconnector between Norway (Tonstad) and Germany (Wilster). The project's name is NordLink. NordLink has a transmission capacity of 1400 MW. The interconnector consists of 53 km overhead line on the Norwegian side, a 514 km submarine cable and a 55 km land cable on the German side. The ownership will be shared equally, where Statnett SF will own the northern part through the wholly owned subsidiary NordLink Norge AS and TenneT and KfW will own the southern part through a jointly owned German company. Costs and trading revenues are to be shared equally between Germany and Norway. Trading- and technical licenses were granted for the cable in October 2014. Final investment decision was taken in February 2015. The interconnector is planned to be in operation in 2020.

National Grid NSN Link Ltd (NLL) and Statnett SF plan to realize an HVDC interconnector between Kviteseid in Norway and Blyth in North-East England. The project's name is North Sea Link and the transmission capacity will be 1400 MW. The ownership will be shared equally, with Statnett SF as the owner of the eastern part and NLL the western part. Costs and trading revenues shall be shared equally between the parties. Technical license was already in place when the trading license was granted in October 2014. Final investment decision was taken in March 2015. The interconnector is planned to be in operation in 2022. The value of work performed on the subsea cables under construction is included in the line "asset under construction" in the balance sheet.

Note Related parties

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As at 31 December 2015, Statnett SF was wholly-owned by the Norwegian State through the Ministry of Petroleum and Energy (MPE). Statnett has the following relations with MPE both as owner and regulatory authority:

Regulatory authority

The Norwegian parliament (Storting) is the legislative authority that passes legislation based on bills put forward by the government. Regulations are adopted by the King in Council. The MPE administers its areas of responsibilities and delegates the administration of the greater part of the Energy Act to the NVE. Pursuant to the Norwegian Public Administration Act, any administrative decision made by the NVE can be appealed to the MPE as the superior authority.

Other related parties:

Parent company	Subsidiary	Associate
Statnett SF	Statnett Transport AS	Nord Pool Spot AS
	Statnett Forsikring AS	eSett OY
	Nydalshøyden	KraftCERT AS
	Bygg C AS	
	Noreveien 26 AS	
	NordLink Norge AS	
	Elhub AS	
	NorGer KS	
	NorGer AS	
	Lyse Sentralnett AS	

The subsidiaries are all wholly-owned by Statnett SF, though so that Statnett owns 100 per cent of the shares in NorGer AS and 90 per cent of the shares in NorGer KS. In addition, NorGer AS owns 10 per cent of the shares in NorGer KS. This entails that Statnett SF, including indirect ownership, also controls 100 per cent of the shares in NorGer KS. Statnett SF has an ownership in Lyse Sentralnett AS of 50 per cent, but is considered to have control through 100 per cent of the voting rights.

Statnett SF has an ownership interest in Nord Pool Spot AS of 28.2 per cent. Statnett SF has an ownership of 33,3 per cent in eSett OY and of 33,3 per cent in KraftCERT AS.

Statnett SF is the borrower of the Groups external borrowings. The central treasury function in Statnett SF coordinates and manages financial risks related to currency, interest rates and liquidity within the Group. Loan agreements have been entered into between Statnett SF and its subsidiaries. In addition agreements relating to the provision of services between companies within the Statnett Group. All agreements are part of the normal commercial operations and the transactions are conducted at market terms. Transactions with subsidiaries relate mainly to the following:

Statnett Forsikring AS

Statnett Forsikring AS is licensed to provide insurance coverage and reinsurance, though limited to companies within the Statnett Group where the ownership exceeds 50 per cent. In addition, Statnett Forsikring AS operates both as a direct personal insurance company and a non-life insurance company.

Statnett Transport AS

Statnett Transport AS provides transportation services, transporting heavy machinery/equipment on land and at sea. The services provided to Statnett SF also include preparedness services relating to cables.

NordLink Norge AS

NordLink Norge AS will build and own the northern half of NordLink, an electricity cable connecting the German and the Norwegian high-voltage electricity grids. The German companies TenneT and KfW, through a jointly owned German company, will build and own the southern part of NordLink. NordLink will be the first direct interconnector between the Norwegian and German electricity markets. NordLink will be operated by the transmission system operators ("TSOs"). Statnett will acquire the right to use the northern part of NordLink, whereas TenneT will acquire the right to use the southern part of the cable.

Statnett SF is committed to providing the necessary funding for the project and has entered into a Capital Contribution Agreement with NordLink Norge AS. The funding committed is equal to NordLink Norge AS 50% share of the total investments costs related to the project, amounting to NOK 10 055 million (predetermined investment limit). Based on the Capital Contribution Agreement the funds to be injected will be treated as part equity (35 per cent) and part long term loan (65 per cent). The drawdown will be made at intervals ensuring that NordLink Norge AS will be in a position to fulfil its own obligations. Should the investments costs exceed the pre-determined investment limit, Statnett SF is obliged, through one or several capital injections,

Note Related parties

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to provide necessary additional funding, ensuring that the project is completed. The additional obligation is capped at NOK 4 500 million. Any extra funding exceeding the pre-determined investment limit is to be treated as equity. There are no other funding obligations related to the NordLink cable.

Statnett SF has issued payment guarantees towards the main suppliers on NordLink Norge AS behalf according to the terms and conditions in the agreements entered into with the respective suppliers. The guarantee fee is at market terms.

Statnett SF provides project services and certain administrative services to NordLink Norge AS. On 9th of June 2015, Statnett SF transferred all assets, rights, obligations and costs to NordLink AS as a capital contribution of NOK 177 million. The value equals book value at the date of the transfer.

Elhub AS

Elhub AS is the datahub for the Norwegian energy market ensuring efficient storing, processing and distribution of metering data and market processes. Its main function is automated metering processing and distribution of same, as well as processing of market processes such as change of electricity supplier, transfers and reporting. The datahub will become operational as of February 2017.

Statnett SF is committed to providing the necessary funding of the project. As agreed in the Loan Agreement between Statnett SF and Elhub AS the funds to be injected will be part equity (35 per cent) and part long term loan (65 per cent). The drawdown will be made at intervals ensuring that Elhub AS will be in a position to fulfil its own obligations. A fee equal to 0,21 per cent of unused credit facility will be charged by Statnett SF.

As of 1 October 2015, Statnett SF transferred all assets, rights, obligations and costs to Elhub AS as capital contribution of NOK 125 million. The value equals book value at the date of the transfer. The capital increase was registered in the Trade Register on 1 December 2015.

Lyse Sentralnett AS

Lyse Sentralnett AS owns the national transmission grid in Sør-Rogaland. A lease agreement has been entered into between Lyse Sentralnett AS and Statnett SF whereby Statnett SF leases the national transmission grid in Sør-Rogaland on terms equal to those of other national transmission grid owners. Statnett also provides project services.

Statnett Nord Pool Spot AS

Statnett SF purchases transmission losses on Nord Pool Spot AS on a daily basis and settled at the power exchange's market prices.

Statnett SF inter-company accounts

<i>(Amounts in NOK million)</i>	Trade accounts		Lending		Borrowing		Trade acc. Payable	
	2015	2014	2015	2014	2015	2014	2015	2014
Subsidiaries	79	22	637	135	212	223	56	24

Interest rates

Interest rates on long-term borrowing and lending have been agreed at six months' NIBOR with a mark-up in the interval 0,7% - 1.75%

Statnett SF's intra-group trading

<i>(Amounts in NOK million)</i>	Sales revenues		Operating costs		Financial revenues	
	2015	2014	2015	2014	2015	2014
Subsidiaries	108	39	169	155	24	4

<i>(Amounts in NOK million)</i>	Group Contribution received		Financial costs	
	2015	2014	2015	2014
Subsidiaries	20	89	5	13

<i>(Amounts in NOK million)</i>	Income from other owners in the main grids		Dividend received *)	
	2015	2014	2015	2014
Subsidiaries	30	34	3	196

Note 19 | Remuneration/benefits to the Group management

The Board's statement regarding salaries and other remunerations to Group management.

The statement concerning remuneration to the President and CEO and the Group management has been prepared in accordance with the enterprise's articles of association, provisions in the Public Limited Liability Companies Act as well as the Ministry of Trade, Industry and Fisheries "guidelines for salary and other remuneration for group management in enterprises and companies with state ownership".

Management remuneration policy

The Group's guiding principle is to keep remuneration and other benefits for the Group management at a competitive level to ensure that the Group attracts and retains high-quality senior executives, though not taking a leading position when it comes to salary. However, the salary must be competitive for our industry and compared to other companies recruiting in the same market as Statnett SF. Also, the salary must reflect individual experience, area of responsibility and achieved results.

In addition to a fixed salary, the Group management is entitled to a company car and pension benefits. There is no bonus scheme or other incentive based schemes for senior employees. The retirement age for the President and CEO and the Group management is 65. The President and CEO is entitled to 12 months' severance pay in the event of dismissal from the company. No other senior employees have agreements for salaries after the termination of their employment.

Based on the Ministry of Trade, Industry and Fisheries "guidelines for salary and other remuneration for group management in enterprise and companies with state ownership" and with effect from 13 February 2015, the Board of Directors has set the following framework for elements to be included in the enterprise's future salary and remuneration package for new members of Group management:

Fixed salary: Fixed salary is determined based on an assessment of the specific position and the market, measured against Statnett's policy of offering competitive terms, but not taking a leading position. When the fixed salary is determined, the total remuneration should be used as basis.

Pensions: Membership in Statnett's defined contribution plan. This entails no new individual pension agreements.

Personnel insurance: Arrangements applicable for other employees including group life-, accident-, sickness insurance as well as occupational injury- and travel insurance, are also applicable for Group management.

Car arrangement: Car allowance can be given, and in exceptional cases company car can be offered if needed in the line of duty.

Other remunerations: Coverage of newspapers, mobile phone and broadband communication in accordance with established standards.

This is also applicable for the subsidiaries in the Group.

Changes in the enterprise's pension scheme

In 2015 the Board of Director's decided to close the enterprise's defined benefit plan, thus the membership in the plan is kept for employees born in 1963 and earlier and was employed before 1 January 2016. Employees born in 1964 or later have been transferred to a new defined contribution plan through Storebrand Livsforsikring AS effective from 1 January 2016. The change also affected members of Group management born in 1964 or later, but will not change individual pension agreements already entered. In addition, a transition arrangement has been agreed whereas employees that started before 31 December 2014 and is between 51 and 37 years of age as of 1 January 2016, receives a partial and scaled compensation if they are negatively affected by the change, based on certain assumptions. The closed defined pension plan will be retained through the enterprise's own pension fund. The change in the pension arrangement will reduce the future pension costs.

Remuneration adjustment 2015 and 2016

The Board of Directors approves the annual salary adjustment for the company's president/CEO, and adopts a framework that the president/CEO uses to adjust the salaries for the rest of the Group management team.

Organisation

The Board of Directors has established a remuneration committee, consisting of two owner-appointed board members and one employee representative. Unless otherwise agreed, the Senior Vice President Employer Relations will act as committee secretary. The remuneration committee is an advisory and preparatory body for the Board of Directors, and will put forward proposals for salary adjustments in accordance with the guidelines specified below.

Note 19 | Remuneration/benefits to the Group management

Group management remuneration/benefits (Amounts in NOK)

Board of Directors		Board remuneration	
		2015	2014
Per Hjorth (Vice chair until June 2015, Chair from June 2015)	Chair	372 500	318 000
Kolbjørn Almlid	Chair	202 000	392 000
Synne Larsen Homble (Vice Chair from June 2015)	Vice Chair	250 000	211 500
Kirsten Indgjerd Værdal	Board member	225 000	219 000
Egil R Gjesteland	Board member	275 000	269 000
Maria Sandsmark	Board member	255 000	249 000
Einar Strømsvåg (from June 2015)	Board member	130 000	-
Steinar Jøråndstad	Board member *)	255 000	249 000
Per Erland Opgård	Board member *)	260 000	254 000
Kjerstin Bakke (until June 2014)	Board member *)	-	104 500
Trine Pande-Rolfsen (from June 2014)	Board member *)	220 000	104 500
Total remuneration		2 444 500	2 370 500

All figures are exclusive of employer's NICs.

Deputy board members and observers do not receive remuneration.

Some board members receive compensation for their participation in the audit committee, remuneration committee or project committee. Board remunerations may therefore vary.

*) In the case of employee representatives, only board members' fees are stated.

Remuneration/benefits to the Group management/board 2015 (Amounts in NOK)

		Salary	Other remuneration*)	Pension cost	Total remuneration
Group management					
President and CEO					
Auke Lont		2 826 337	149 687	2 364 850	5 340 874
Executive Vice Presidents					
Håkon Borgen	Technology and development	1 941 681	173 328	701 894	2 816 903
Øivind Kristian Rue	Market and Operations	2 062 457	158 404	1 249 546	3 470 407
Bente Monica Haaland	Strategy and Communications	1 659 466	145 073	630 901	2 435 440
Knut Hundhammer	Corporate Staff, CFO	2 248 350	103 602	786 519	3 138 471
Peer Olav Østli	ICT	1 748 765	160 762	939 424	2 848 951
Elisabeth Vike Vardheim	Constructions	1 929 758	182 735	642 100	2 754 593
Total remuneration		14 416 814	1 073 591	7 315 234	22 805 639

All figures are exclusive of employer's NICs.

Note 19 Remuneration/benefits to the Group management

Remuneration/benefits to the Group management/board 2015 (Amounts in NOK)		Salary	Other remuneration*)	Pension cost	Total remuneration
Group management					
President and CEO					
Auke Lont		2 742 276	188 227	2 283 475	5 213 978
Executive Vice Presidents					
Håkon Borgen	Technology and development	1 866 374	167 289	557 700	2 591 363
Øivind Kristian Rue	Market and Operations	2 025 795	155 075	973 507	3 154 377
Bente Monica Haaland	Strategy and Communications	1 569 478	138 372	509 466	2 217 316
Knut Hundhammer	Corporate Staff, CFO	2 140 569	102 288	647 340	2 890 197
Peer Olav Østli	ICT	1 692 342	152 550	728 384	2 573 276
Elisabeth Vike Vardheim	Constructions	1 770 289	147 159	519 479	2 436 927
Total remuneration		13 807 123	1 050 960	6 219 351	21 077 434

All figures are exclusive of employer's NICs.

*) Included value of company car, phone, news papers and personal insurance

Terms and conditions, senior executives

Title/name	Terms and conditions for retirement age/early retirement pension/retirement pension
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President and CEO: Auke Lont	<p>From the age of 65, the full annual retirement pension is 66 per cent of the pension base. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. From the age of 67, the annual retirement pension of 66 per cent will be co-ordinated with the retirement pension disbursed from Statnett SF's Group Pension Fund and the Norwegian National Insurance Scheme.</p> <p>Upon death, any surviving spouse and children under the age of 21 will receive a pension.</p> <p>Should the President become disabled before the age of 65, he or she will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 65. The disability pension disbursement will be reduced according to disability.</p>
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Executive Vice Presidents: Håkon Borgen Øivind Kristian Rue	<p>The retirement age is 65, but with the right to retire with an early retirement pension after the age of 62. In the event of retirement between 62 and 65 an annual payment of 66 per cent of the pension base will be disbursed. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. In the event that income is received from others and this, together with the early retirement pension disbursed by Statnett, exceeds the final salary the early retirement pension will be reduced by 50 per cent of the amount that exceeds the final salary.</p> <p>From the age of 65, the full annual retirement pension is 66 per cent of the pension base, i.e. of the fixed, normal annual salary retirement. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. From the age of 67, the annual retirement pension will be coordinated with the retirement pension disbursed from Statnett SF's Pension Fund and the Norwegian National Insurance Scheme.</p> <p>Upon death, any surviving spouse and children under the age of 21 will receive a pension.</p> <p>The above persons' entitlements to pension benefits over and above paid-up policies from Statnett SF's Group Pension Fund from the age of 62 will lapse if they are no longer employed by Statnett SF on their 62nd birthday.</p>
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Note 19 Remuneration/benefits to the Group management

Should any of the above persons become disabled before reaching the age of 65, he or she will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 65. The disability pension disbursement will be reduced according to disability.

For Øivind Rue, the annual retirement pension will be coordinated with the retirement pension disbursed from Statnett SF's Pension Fund and the Norwegian National Insurance Scheme, from the age of 67.

Håkon Borgen is as of 1.1.2016 transferred to the enterprise's defined contribution scheme.

Terms and conditions, senior executives

Title/name	Terms and conditions for retirement age/early retirement pension/retirement pension
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<p>Executive Vice Presidents: Peer Olav Østli</p>	<p>The retirement age is 65, with the right to retire with an early retirement pension at any time after 62. The full contribution period is 30 years. In the event of retirement between ages 62 and 65, an annual payment shall be disbursed of 66 per cent of the pension base, less one percentage point for each year between 62 and 65. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. Pension disbursement may be reduced if the member receives any salary, pension or remuneration from other companies in the Statnett Group.</p> <p>From the age of 65, the full annual retirement is 66 per cent of the pension base. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. From the age of 67, the annual retirement pension is covered through the National Insurance Scheme and Statnett's group pension scheme, plus 66 per cent of the part of the pension base that exceeds 12 times the basic amount, provided that there is a full contribution period (30 years).</p> <p>Upon death, any children under the age of 21 will receive a children's pension.</p> <p>If the Vice President leaves the company before retirement age, a pension rights certificate will be issued, which will secure retirement pension benefits from age 65. The pension rights certificate will be adjusted by 75 per cent of the increase in the basic amount for each year until retirement.</p> <p>Upon disability before reaching the age of 65, the Vice President will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 67, based on the pension base at the time the disability occurred. The disability pension disbursement will be reduced according to disability.</p>
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<p>Executive Vice President: Knut Hundhammer Bente Monica Haaland Elisabeth Vike Vardheim</p>	<p>The retirement age for executive positions is 65. A pension agreement has been entered into in addition to the ordinary membership in the enterprise's group pension scheme. The pension is secured through a bank saving account balance, including interest, disbursed to Vice Presidents. Statnett will, each year until retirement or resignation, pay up to 30 per cent of the difference between the ordinary salary and 12 times the Norwegian national insurance scheme basic amount to the pension fund scheme. Upon death, the surviving spouse or spouse equivalent will receive an amount corresponding to the remaining savings balance including interest from Statnett SF. This lump sum will be taxable for the spouse/spouse equivalent.</p> <p>Knut Hundhammer og Elisabeth Vike Vardheim are in addition entitled to pension from the enterprise's defined benefit scheme from 67 years of age. Bente Monica Haaland is as of 1.1.2016 transferred to the enterprise's defined contribution scheme.</p>
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No loans have been made or security provided for members of the Group Management or Board of Directors.

Note Other liabilities

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Parent company/Group

(Amounts in NOK million)

	Asset retirement obligations	Other liabilities	Total
Liabilities at 1 January 2015	480	5	485
New or changed estimates	152	17	169
Amounts charged against liabilities	-17	-	-17
Reduction due to divestments	-8	-	-8
Accretion expenses	36	-	36
Liabilities at 31 December 2015	643	22	665

Expected timing of cash outflows

Time

(Amounts in NOK million)

2016 - 2018	233
2019 - 2021	239
2022 and thereafter	171
Not to be paid	22
Total	665

There are no differences between parent company and group.

See note 3 - Accounting estimates and assumptions for an explanation of the most significant causes to uncertainty in the estimates.

Note Secured debt and guarantees

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The parent company may not pledge the enterprise's assets or provide other security, apart from providing security to financial institutions in connection with day-to-day banking transactions, and providing the customary security as part of the day-to-day operations. For guarantees issued on behalf of subsidiaries, see the note on related parties for details.

Statnett has given guarantees to ABN AMRO Bank N.V. as security for the banks financing of APX Shipping B.V. On behalf of Statnett SF and TenneT Holding B.V., APX Shipping B.V. conducts trading and settlement of the NordNed interconnector on the energy exchange in Norway and the Netherlands. At the end of 2015, the guarantees are limited to 15 million Euro.

Note Contingent assets

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In 2014 Statnett sold its former head office at Husebyplatået in Oslo with a recorded gain of NOK 56 million. The settlement is not final, and is dependent on which solution Statnett is granted for a new termination of the power line between Bærum and Smestad at Smestad substation. Thus, parts of the settlement have not been recognized.

Statnett estimates that the entity will receive payments of NOK 800 million during the period 2021 – 2016. These expected payments are not recognized, and the estimates are uncertain.

Note Other operating costs

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Parent company			Group	
2014	2015	(Amounts in NOK million)	2015	2014
45	51	Lease rental payable	57	51
304	303	Contracted personnel/consultants/ purchase of services	304	281
67	78	Insurance	76	75
275	220	Materials and subcontractors	234	296
172	202	Property tax	203	173
109	112	IT costs	112	109
245	257	Miscellaneous	72	140
1 217	1 223	Total other operating costs	1 058	1 125

Operational lease agreements (maturity less than one year from balance sheet date)

Parent company			Group	
2014	2015	(Amounts in NOK million)	2015	2014
21	25	Buildings	31	27
15	19	Contracted communication	19	15
9	7	Miscellaneous	7	9
45	51	Total lease rental payable	57	51

Operational lease agreements falling due later than one year from balance sheet date

The Group has entered into several minor lease agreements for buildings, communication and other operating equipment relating to ordinary onsite operations and implementation of our projects. The leases vary from a few months to 15 years. Leases are paid and carried to expense in accordance with the terms of each contract.

Auditor's fee

Parent company			Group	
2014	2015	(Amounts in NOK thousand)	2015	2014
838	938	Statutory audit	1 345	1 177
367	287	Other attestation services	331	381
50	62	Tax-related assistance	62	50
120	280	Other assistance	280	155
1 375	1 567	Total fees (excl. VAT)	2 018	1 763

Auditor's fees are exclusive of VAT.

Note Other comprehensive income

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Parent company/Group

(Amounts in NOK million)

	Fair value of held-for- sale invest- ments	Fair value of cash flow hedges	Total Other comprehen- sive income recorded in Other items	Estimate deviations of pension liabilities	Total Other comprehen- sive income recorded in Other equity accrued	Total Other comprehen- sive income
Book value 1.1.2014	4	-61	-57	44	44	-13
Changes	2	-158	-156	-407	-407	-563
Tax effect	-	43	43	110	110	153
Book value 31.12.2014	6	-176	-170	-253	-253	-423
Book value 1.1.2015	6	-176	-170	-253	-253	-423
Changes	1	20	21	253	253	274
Tax effect	-	-10	-10	-70	-70	-80
Book value 31.12.2015	7	-166	-159	-70	-70	-229

Note Comparative figures for the Statnett Group

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All amounts in the income statement, balance sheet, cash flow and supplementary information are presented showing one year comparative figures.

Below, comparative figures for five years in order to show development for a longer time period.

From profit and loss

(Amounts i NOK million)

Statnett Group	2015	2014	2013	2012	2011
Permitted revenue	6 236	6 054	5 361	4 025	4 296
Higher/lower revenue for the period	-489	-665	-958	1 065	1 020
Other operating revenue	159	174	158	244	181
Total operating revenue	5 906	5 563	4 561	5 334	5 497
Operating costs	4 192	4 185	4 215	3 901	3 869
Operating profit/loss	1 714	1 378	346	1 433	1 628
Income from joint ventures and associates	8	11	10	9	5
Net financial items	-312	-269	-267	-280	-276
Profit/loss before tax	1 410	1 120	89	1 162	1 357
Profit/loss for the year	1 103	829	82	837	1 000

From profit and loss, not including higher/lower revenue

(Amounts i NOK million)

Statnett Group	2015	2014	2013	2012	2011
Permitted revenue	6 236	6 054	5 361	4 025	4 296
Other operating revenue	159	174	158	244	181
Total operating revenue	6 395	6 228	5 519	4 269	4 477
Operating costs	4 192	4 185	4 215	3 901	3 869
Operating profit/loss excl. higher/lower revenue	2 203	2 043	1 304	368	608
Income from joint ventures and associates	8	11	10	9	5
Net financial items	-312	-269	-267	-280	-276
Profit/loss before tax excl. higher/lower revenue	1 899	1 785	1 047	97	337

From the balance sheet

(Amounts i NOK million)

Statnett Group	2015	2014	2013	2012	2011
Fixed assets	42 407	36 271	28 957	23 516	21 141
Current assets	3 140	4 836	5 940	2 278	2 740
Total assets	45 547	41 107	34 897	25 794	23 881
Equity	13 605	12 629	12 135	8 852	7 722
Interest-bearing liabilities	28 289	24 643	19 909	14 390	13 276
Other liability items	3 653	3 835	2 853	2 552	2 883
Total equity and liabilities	45 547	41 107	34 897	25 794	23 881

Note Comparative figures for the Statnett Group

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From the cash flow statement

(Amounts i NOK million)

Statnett Group	2015	2014	2013	2012	2011
Net cash flow from operating activities	2 260	3 028	1 304	1 426	1 523
Net cash flow from investing activities	-5 777	-5 997	-6 197	-3 085	-2 370
Net cash flow from financing activities	2 194	5 018	5 229	1 291	720
Net cash flow for the period	-1 323	2 049	336	-368	-127
Liquid assets	1 696	3 019	970	634	1 002
Dividend for the year to owner	321	0	117	117	315

Note Subsequent events

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On 18th of February, Statnett SF entered into an agreement with BKK Nett AS to acquire fixed assets included or to be included in the national grid. The purchase price for existing fixed assets and asset under construction, including Evanger station which is transferred upon completion estimated at 1st of July 2016, amounts to NOK 415 million.

For assets under construction on the section Fana-Kollsnes- Mongstad, BKK Nett AS has the right to transfer the assets as of 1st of January 2018. Estimated purchase price for the assets is NOK 1.4 billion. For the section Mongstad-Modalen the parties have agreed, subject to board approvals, to enter into an option agreement during the third quarter 2016, giving BKK Nett AS the right to transfer the assets upon completion in 2019.

In connection with the sale and purchase agreement, BKK Nett AS has agreed to assist Statnett in the operation, maintenance and emergency preparedness of the assets for a period of 3 years, with an option for Statnett to prolong the agreement with an additional 2 years. The agreement has an expected yearly cost limit of NOK 20 million.

Auditor's report



Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 29 01
www.ey.no
Medlemmer av den norske revisorforening

To the General Meeting of
Statnett SF

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Statnett SF, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2015, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and President and CEO's responsibility for the financial statements

The Board of Directors and President and CEO are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and President and CEO determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.



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Opinion

In our opinion, the financial statements of Statnett SF have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and President and CEO have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 17 March 2016
ERNST & YOUNG AS

Tommy Romskaug
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)