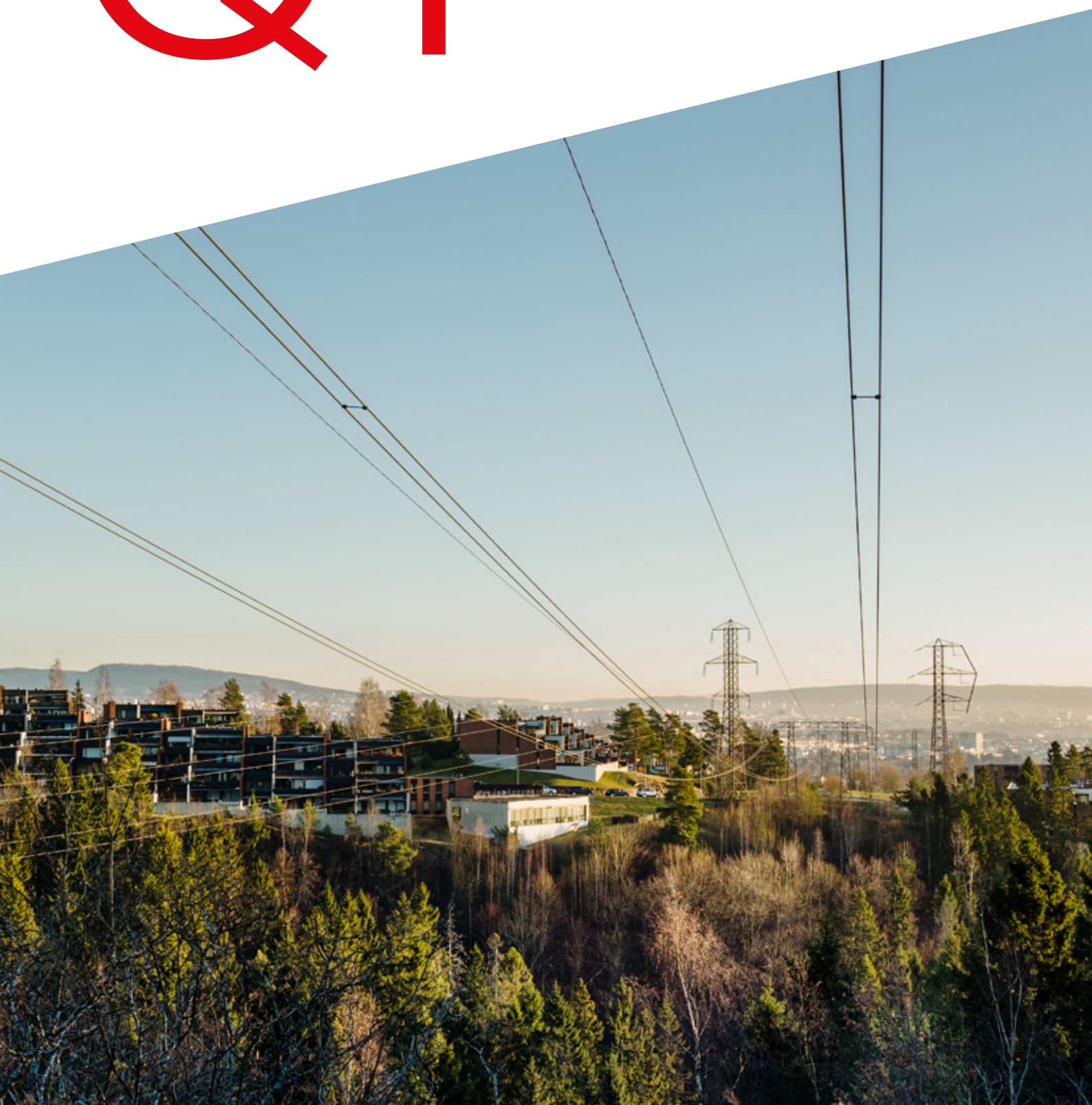


Q1



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In short

Highlights

The Statnett Group's underlying profit after tax amounted to NOK 354 million in the first quarter of 2014 (NOK 289 million in the first quarter of 2013). The higher profit was primarily due to higher regulated permitted revenue due to increased activity and an increase in the number of facilities in the enterprise. Operating costs were lower in the first quarter of 2014 than in the corresponding period in 2013.

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 (higher or lower revenue) will level out over time through adjustment of tariffs, ensuring that Statnett's accumulated revenue corresponds with the regulated permitted revenue.

The Group reported a profit after tax of NOK 171 million in the first quarter of 2014 (NOK 84 million), which was lower than the underlying profit. This reduced the higher revenue balance for previous years by NOK 250 million including interest in the first quarter of 2014.

The power situation continues to be good, following a quarter characterised by high inflow and high temperatures for the season. The hydrological balance was strengthened by approximately 2 TWh in the first quarter of 2014, resulting in a surplus at the end of the quarter of 5 TWh compared with normal. There was a change in reservoir water levels from 2.1 TWh below median levels at the beginning of the quarter to 2.4 TWh above the median at the end of the quarter.

Important events

- In March, Statnett made a final decision to construct a new 420 kV power line between Ofoten and Balsfjord. The project is estimated to cost between NOK 3.2 and 3.7 billion. Construction is scheduled to start in the summer of 2014.
- The Norwegian Water Resources and Energy Directorate (NVE) has granted Statnett a licence for a new 420 kV subsea cable across the Indre Oslofjord. The planned facility will replace the existing older facility and is important in order to secure a reliable supply of electricity to central parts of Eastern Norway.
- In March, Statnett decided to merge the regional control centres in Sunndalsøra and Alta. As of 1 September 2016, the regional control centres will be located in Alta and Oslo. This is expected to improve preparedness and security of supply in the power system.
- On 3 February 2014, Statnett SF purchased 50 percent of the shares in Lyse Sentralnett AS. With the acquisition, Statnett SF has achieved controlling influence in the company.
- As of 5 February 2014, the Nordic and western European power markets were connected through a common power price calculation model.

Director's report

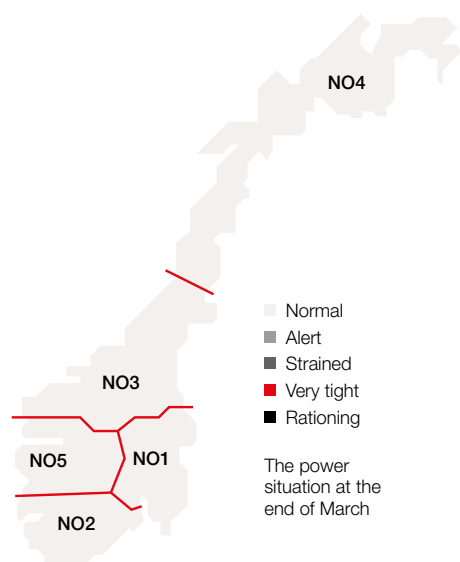
Security of supply

At the beginning of the first quarter of 2014, reservoir water levels were 68 percent of capacity, two percentage points below the median (from the 1993–2013 measuring period). The quarter was characterised by high temperatures and high inflow. The average temperature in February was 6 degrees above normal, the second warmest February since 1900. In March, the average temperature was almost 4 degrees higher than normal. Inflow in the first quarter was 125 percent of normal levels, whereas precipitation was somewhat below normal. High inflow and low consumption resulted in reservoir water levels of 39 percent at the end of the quarter, three percentage points above the median. The hydrological balance improved throughout the quarter, and showed a surplus of approximately 5 TWh at the end of the period.

Total power generation and consumption was 39 TWh and 38 TWh, respectively, in the first quarter of 2014. This resulted in net exports of 1 TWh. Net exports were 0.6 TWh in the corresponding period in 2013.

In the market for secondary reserves (FRR-A) 105 MW was purchased in Norway from the week beginning on 13 January, and 300 MW in total in the Nordic region. In 2014, capacity was only purchased during selected hours with major consumption changes in the morning and in the evening. From the week 3–9 March, total purchases in the Nordic region were reduced to 200 MW, of which 65 MW were in Norway.

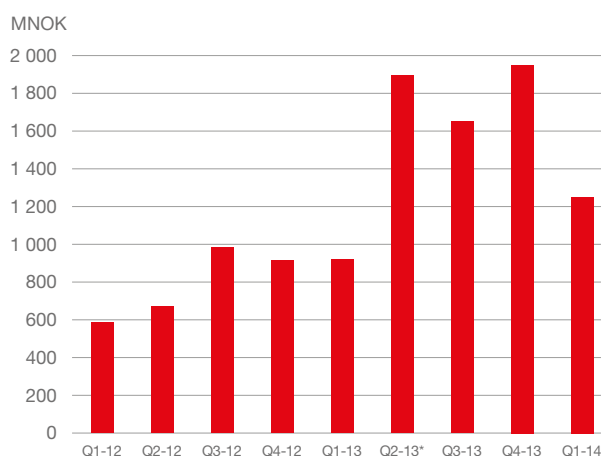
The Power Situation Q1 2014



Several major operational disturbances occurred in the first quarter of 2014:

- On 31 January, a fault occurred on the Rød–Hasle subsea interconnector, which reduced transmission capacity across the Oslofjord. The interconnector was reconnected the following day, and a few days later the transmission capacity was close to normal.
- On 21 February, a fault in the Ofoten transformer station caused power outages and blackouts in parts of Northern Norway. The power supply was restored two hours later, and the fault repaired the same evening.
- On 26 February, a short-term power outage occurred in the south-eastern part of Oslo due to a fault in one of Statnett's transformers in Follo. The electricity supply was restored after about 30 minutes.
- On 4 March, two pylons broke down on the Kvilldal–Rjukan power line. This resulted in production shedding of a generator in Kvilldal, a short-term drop in frequency and restricted capacity in the area. However, the breakdown did not result in a power outage. The power line came online on 4 April.
- During the period 13–14 March, the storm Kyrre caused outages on several power lines and transformer stations in Mid- and North-Norway, but relatively few end-users were affected by the power outages.
- On 16 March, a power outage occurred on the Viklandet–Fræna power line. The outage occurred as modification work was taking place on the Viklandet–Ørskog line. This resulted in a blackout from Molde to Åskåra, including Nyhamna (Ormen Lange). The grid was soon restored and supplied via 132kV. Due to strong winds the 420 kV power line was not reconnected until the following morning.
- The NorNed interconnector was down on 18 March due to damage to a facility in Fedå. The facility was repaired and reconnected the next day.

Investments Statnett Group



* Incl. acquisition of Nydalen Allé 33

Investments

Statnett is planning and implementing major development projects. The plans are presented in Statnett's 2013 grid development plan. The plans are in line with White Paper No. 14 (2011–2012), the Grid Report.

Statnett invested NOK 1 251 million (NOK 919 million) in total in the first quarter of 2014, including both commissioned projects and projects under construction. Planned investments for 2014 total NOK 6 billion.

The main projects are listed in the table below.

Overview of major investment projects

See statnett.no for more information about the projects.

| Project | Location | Expected investments NOK million |
|--|----------------------------------|----------------------------------|
| UNDER IMPLEMENTATION | | |
| Ørskog–Sogndal, new 420 kV power line | Møre og Romsdal/Sogn og Fjordane | 4 600–5 600 |
| Station investments (transformer capacity Eastern Norway, reactors for power reduction, spare transformers, Fedra, Frogner and others) | | 2 200–2 700 |
| Skagerrak 4 | Norway/Denmark | 1 400–1 700 ¹ |
| Ofoten–Balsfjord, new 420 kV power line | Nordland/Troms | 3 000–4 000 |
| Eastern Corridor, voltage upgrade and new power line | Vest-Agder/Telemark | 1 300–1 600 |
| Ytre Oslofjord | Vestfold/Østfold | 1 200–1 400 |
| FINAL LICENCE GRANTED | | |
| Namsos–Trollheim, new 420 kV power line | Trøndelag/Møre og Romsdal | 5 400–7 700 |
| Kløbu–Namsos, voltage upgrade | Trøndelag | 700–1 000 |
| PLANNED INVESTMENTS, LICENCES PENDING OR APPEALED | | |
| Western Corridor, voltage upgrade | Vest-Agder/Rogaland | 6 000–9 000 |
| Balsfjord–Hammerfest, new 420 kV power line | Troms/Finnmark | 5 000–8 000 |
| Station investments (Hamang, Salten, Western Norway and others) | | 1 500–2 200 |
| Indre Oslofjord, reinvestments interconnectors | Akershus/Buskerud | 1 150–1 650 |
| INTERCONNECTORS, LICENCES PENDING | | |
| Cable to England | | 6 000–8 000 ¹ |
| Cable to Germany | | 6 000–8 000 ¹ |
| ICT PROJECTS | | |
| Renewal of Statnett's central operations system | | 400–500 |
| New Regulation and Market System | | 200–250 |
| Computer network for power system management | | 200–250 |

¹ Statnett share

The amounts in the table show the anticipated interval including all project costs. Projects under construction are shown in current NOK, other projects in 2014 NOK.

Important project events in the first quarter of 2014

- *Sima–Samnanger*: Commissioning of the new 420 kV power line was officially launched in Hardanger in January.
- *Eastern Corridor*: The project has reported deviations from the power line contract schedule. However, commissioning is still scheduled for 2014 as agreed.
- *Ofoten–Balsfjord*: A final investment decision concerning construction of a new 420 kV power line was made in March. Advance commencement has been received from the Ministry of Petroleum and Energy (MPE). Construction is scheduled to start in the summer of 2014.
- *Ytre Oslofjord*: Six of nine new 420 kV cables entered service in 2013. Production of the three final oil cables has been completed. The cables are scheduled to be installed in May 2014.
- *Indre Oslofjord*: The NVE has granted Statnett a licence for new subsea cables across the Indre Oslofjord. The decision involves the construction and operation of seven 420 kV subsea cables and two new landing facilities for each of the interconnectors Solberg–Brenntangen and Filtvet–Brenntangen between the municipalities of Hurum and Vestby.
- *Western Corridor*: The NVE has granted a licence for upgrading the voltage on the existing power line between Lysebotn and Saudal.
- *Voltage upgrade Central Norway*: In January, Statnett submitted a licence application to the NVE for upgrading the voltage on the Nedre Røssåga–Namsos and Namsskogan–Kolsvik sections from 300 kV to 420 kV.
- *Voltage upgrade Aurland–Sogndal*: In March, a proposal was submitted to the NVE regarding the desired voltage upgrade. The proposal is an early notification of the plans and includes consequences that should be assessed in more detail.

Financial performance

The interim report has been submitted in accordance with International Standards for Financial Reporting (IFRS) and interpretations stipulated by the International Accounting Standards Board (IASB). The accounting standards for presentation of financial accounts (IAS1) and interim reports (IAS34) have been adhered to. The accounting policies and calculation methods used in the interim financial statements are the same as in the most recent annual financial statement.

Operating revenues

The Group's operating revenues in the first quarter of 2014 totalled NOK 1 324 million (NOK 1 261 million in the first quarter of 2013). Operating revenues from

regulated operations totalled NOK 1 291 million (NOK 1 211 million), while other operating revenues amounted to NOK 33 million (NOK 50 million). The increase is partly due to higher tariff revenues as a consequence of an adjusted tariff strategy, somewhat offset by a reduction in energy components due to lower energy prices and a reduction in grid losses. In addition, congestion revenues were higher, mainly due to higher price differences in 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 increased from NOK 1 370 million in the first quarter of 2013 to NOK 1 552 million in the first quarter of 2014, mainly due to increased activity and an increase in facilities. Operating revenues from regulated activities in Statnett consist primarily of fixed grid tariffs from the customers as well as congestion revenues (price differences between areas in the Nordic region and towards the Netherlands). If the total revenues from grid operations for one year diverge from the permitted revenue, so-called higher or lower revenue will occur. Higher/lower revenue will level out over time through adjustment of future grid tariffs. In the first quarter of 2014, Statnett's lower revenue amounted to NOK 261 million (higher revenue of NOK 158 million). Accumulated higher revenue including interest was NOK 2 163 million at the end of the first quarter of 2014.

Operating costs

The Group's operating costs totalled NOK 1 031 million in the first quarter of 2014 (NOK 1 089 million). The reduction was mainly due to lower system services costs, transmission loss and wage and staff costs, somewhat offset by an increase in depreciation and write-downs.

System services costs amounted to NOK 153 million in the first quarter of 2014, down NOK 27 million compared with the corresponding period in 2013. Costs related to purchase of tertiary reserves were lower in 2014 due to mild weather. Secondary reserves costs were also reduced.

Transmission losses totalled NOK 171 million in the first quarter of 2014 compared with NOK 228 million in the first quarter of 2013. The reduction was due to lower prices and lower loss volume.

Wage and staff costs in the first quarter of 2014 totalled NOK 185 million compared with NOK 207 million in the corresponding period in 2013. The reduction was due

to increased capitalisation of own hours for investment projects, somewhat offset by increased wage costs due to an increase in staff in the enterprise.

Depreciation and write-downs totalled NOK 260 million in the first quarter of 2014, up NOK 52 million compared with the corresponding period in 2013. This was due to an increase in the number of facilities as a result of Statnett's development activities.

Other operating costs amounted to NOK 262 million in the first quarter of 2014 compared with NOK 266 million in the corresponding period in 2013.

Operating profit

The Group's operating profit in the first quarter of 2014 was NOK 293 million (NOK 172 million).

Financial items

Net financial items amounted to a loss of NOK 62 million in the first quarter of 2014 (loss of NOK 60 million).

Net profit

The Group's profit after tax in the first quarter of 2014 was NOK 171 million (NOK 84 million). The underlying profit after tax, corrected for changes in the higher revenue balance, amounted to NOK 354 million in the first quarter of 2014 (NOK 289 million).

Cash flow and balance sheet

The Group's operating activities generated an accumulated cash flow of NOK 498 million in the first quarter of 2014, compared with NOK 284 million in the corresponding period in 2013. Net cash flow from investment activities totalled NOK -1 294 million compared with NOK -951 million in the corresponding period in 2013. In total, loans were paid down by NOK 1 200 million, and no new loans were raised. Statnett received an equity injection of NOK 3 250 million in the first quarter. At the end of the first quarter of 2014, the Group's liquid assets and market-based securities amounted to NOK 2 867 million (NOK 1 727 million).

At the end of the first quarter of 2014, the Group had total assets of NOK 34 086 million (NOK 26 595 million), and interest-bearing debt amounted to NOK 18 810 million (NOK 15 307 million). The market value of recognised interest swap and currency swap agreements (fair value hedges) related to interest-bearing debt was NOK 696 million. Interest-bearing debt, corrected for this, totalled NOK 18 114 million.

Subsidiaries and associated companies

Statnett SF wholly owns Statnett Transport AS. In the first quarter of 2014, operating revenues for Statnett Transport amounted to NOK 30 million (NOK 23 million) and the profit before tax was NOK 3 million (loss of NOK 3 million).

On 3 February 2014, Statnett SF purchased 50 percent of the shares in Lyse Sentralnett AS. Following this acquisition, Statnett SF has achieved controlling influence of Lyse Sentralnett AS, which has been consolidated in the Group accounts in the first quarter of 2014. Operating revenues in Statnett's ownership period totalled NOK 6 million for Lyse Sentralnett AS and the profit before tax was NOK 1 million.

Statnett SF has an ownership interest of 28.2 percent in Nord Pool Spot AS. Statnett's share of the result in Nord Pool ASA contributed NOK 2 million (NOK 4 million) to the Statnett Group's profit in the first quarter of 2014.

Corporate social responsibility

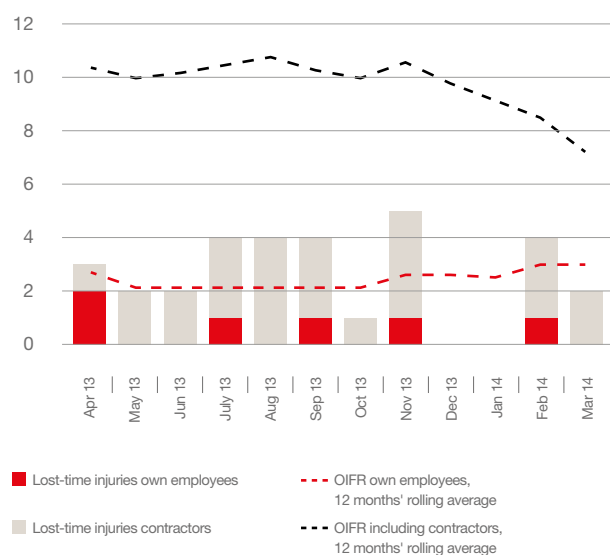
Corporate social responsibility in Statnett entails integration of social and environmental considerations in the company's day-to-day operations and vis-à-vis stakeholders. The Group focuses on understanding the expectations of the community, and on handling these expectations in a manner which generates mutual respect. Corporate social responsibility (CSR) is incorporated in Statnett's fundamental values, which is a key element of the enterprise's management system. The key elements are embedded in Statnett's objectives, which stipulate that Statnett shall maintain security of supply through a grid with sufficient capacity and high quality, that Statnett's services shall generate value for our customers and society at large, and that Statnett shall pave the way for realisation of Norway's climate objectives.

Statnett reports annually on CSR in accordance with the globally recognised reporting framework, Global Reporting Initiative (GRI). Statnett's GRI reporting complies with the requirements relating to CSR reporting stipulated in the Norwegian Accounting Act. Please see Statnett's 2013 annual report for more information about CSR.

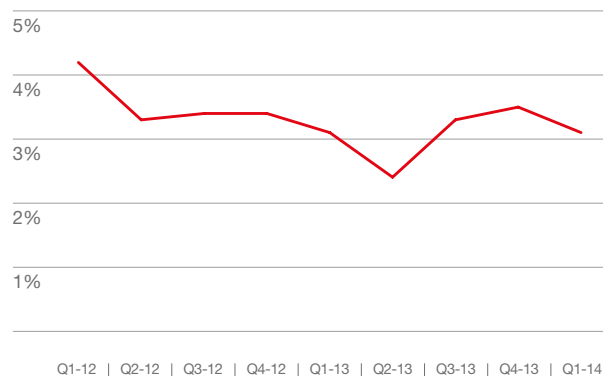
Health, Safety and Environment (HSE)

In total, six lost-time injuries were reported in the first quarter of 2014: one internal and five contractor/supplier lost-time injuries. This is a decrease from 2013 when 14 lost-time injuries were reported in the corresponding period.

Occupational Illness Frequency Rate (OIFR) and lost-time injuries – own employees and contractors



Absence due to illness



The two most serious incidents in the last quarter involved one person falling from a height due to deficient use of fall-arrest equipment during work in scaffolding and one incident where a car drove off the road. During an internal inspection of one of Statnett's development projects, serious deviations relating to salaries and working hours were uncovered at one of Statnett's subcontractors. The Norwegian Labour Inspection Authority was notified, and measures were introduced to ensure that the working conditions comply with regulatory regulations.

The Group has implemented mandatory HSE training for all employees and contractor personnel in key positions.

The Group's overall absence due to illness was 3.1 percent in the first quarter of 2014, which was on a par with the corresponding period in 2013.

Risk

Statnett's risk management focuses on risk with potential consequences for HSE, security of supply, finance and compliance.

The energy situation is normal in all areas and there is a low risk of a strained power situation nationally and regionally in the present season. This also applies in the event of low inflow in the time ahead.

Statnett is exposed to HSE risks mainly in connection with implementation of development projects as well as operation and maintenance of existing facilities. HSE risk is measured as incidents both in our own activities and in supplier companies engaged in our projects. The historical injury frequency is above the desired level and a comprehensive improvement programme has been initiated. Statnett's HSE objective is that, by the end of 2017, the company will be the leading TSO in Europe.

The commercial risk has been reduced as a result of added equity. The enterprise has a credit facility totalling NOK 6 500 million to be able to fund at least 12 months' revolving operation and investments without incurring any new debt. Statnett has long-term credit ratings of A+ and A2 from Standard & Poor's and Moody's Investor Service, respectively.

Outlook

Statnett is in a period of high construction activity and strong growth. Necessary escalation of capacity, both in our own organisation and in cooperation with suppliers, is being implemented to bolster executive capacity. Major projects that play a key role in strengthening security of supply will be completed over the next few years. Recently commissioned projects and projects that are scheduled to be completed by the end of 2014 will strengthen security of supply towards Bergen, in East Finnmark and in Eastern Norway. A new cable to Denmark, Skagerrak 4, will also be commissioned in 2014.

This places great demands on Statnett when it comes to coordinating a number of projects in existing facilities while operating the power system. Statnett has strengthened operative preparedness to improve its ability to handle unforeseen and critical incidents.

Statnett is working on the construction of interconnectors to Germany and the UK, which are scheduled for completion in 2018 and 2020, respectively. These projects have high priority and are important for the development and integration of the Northern European power grid. The projects will help ensure security of supply during cold and dry spells and balance variations in German and British renewable power production throughout the day. 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 the EU's climate and energy targets.

To be able to implement the planned development projects according to schedule, Statnett is dependent on an efficient project execution and licensing process as well as an external supplier market that can offer sufficient capacity. Statnett is eager to further improve collaboration with all involved parties to secure important input to the planning and realisation of new grid facilities.

Due to an increase in the company's investment activities in new and existing grid facilities, the number of Statnett facilities will increase significantly. New facilities will be commissioned and some of the old facilities will be phased out. It is important for Statnett to manage the company's facilities in a uniform and prudent manner. PAS 55, which is a quality standard representing best practice for optimum asset management, will be one of several measures to ensure that Statnett maintains high cost efficiency and quality in its operations in a lifetime perspective during the development of the next generation main grid. This also contributes to better quality management of contractor performance.

The effort to prevent serious HSE incidents will be further intensified to achieve the enterprise's ambition. Statnett has launched a comprehensive internal training programme. The company's strong focus on risk assessments will continue and the process for setting requirements, information work and follow-up of suppliers will be further professionalised. Statnett is also looking into how the construction client role is managed with a presence at the construction sites.

The Ministry of Petroleum and Energy has submitted proposed amendments to the Energy Act for consultation as a result of the third EU energy market package. The proposal entails substantial growth in the tasks assigned to Statnett if the enterprise 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.

Statnett is involved in cooperation both at a European and Nordic level. This work is important as some of the key framework conditions which are stipulated by the EU also are relevant for Norway through the EEA Agreement. 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. As the Norwegian power system differs from the European system, it is essential that the framework conditions are formulated to safeguard Norwegian security of supply and ensure value creation from Norwegian hydropower.

Major investments will be made in the main grid over an extended period, and all customer groups must contribute towards the financing. Statnett's work is based on a socio-economic model, and must ensure transparent and grid-based tariffs for all customer groups.

In 2013, the Norwegian Water Resources and Energy Directorate conducted a comparison study, along with about 20 other European regulators, which compared cost efficiency among the respective TSOs. The comparison study concluded that Statnett is one of the most cost-efficient TSOs in Europe. It is important for Statnett to maintain this position throughout the strong growth phase. Consequently, Statnett aims to increase efficiency by 15 percent, compared to budget 2013, by the end of 2016.

Oslo, 15 May 2014

The Board of Directors, Statnett SF

Statement of comprehensive income

Statnett Group

| (Amounts in NOK million) | Note | First quarter 2014 | 2013 | Year 2013 |
|--|------|-----------------------|--------------|--------------|
| OPERATING REVENUE | | | | |
| Operating revenue regulated operations | 2 | 1 291 | 1 211 | 4 403 |
| Other operating revenue | | 33 | 50 | 158 |
| Total operating revenue | | 1 324 | 1 261 | 4 561 |
| OPERATING COSTS | | | | |
| System services | | 153 | 180 | 569 |
| Transmission losses | | 171 | 228 | 698 |
| Salaries and personnel costs | | 185 | 207 | 779 |
| Depreciation and write-downs of tangible fixed assets | | 260 | 208 | 1 048 |
| Other operating costs | | 262 | 266 | 1 121 |
| Total operating costs | | 1 031 | 1 089 | 4 215 |
| Operating profit | | 293 | 172 | 346 |
| Income from associate | | 2 | 4 | 10 |
| Financial income | | 20 | 18 | 126 |
| Financial costs | | 82 | 78 | 393 |
| Profit before tax | | 233 | 116 | 89 |
| Tax | | 62 | 32 | 7 |
| Profit for the period | | 171 | 84 | 82 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Changes in fair value, held-for-sale investments | | - | - | 1 |
| Changes in fair value for cash flow hedges | | -21 | 4 | 33 |
| Tax effect | | 6 | -1 | -10 |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i> | | -15 | 3 | 24 |
| Changes in estimate deviations of pension liabilities | | - | - | 60 |
| Tax effect | | - | - | -16 |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i> | | - | - | 44 |
| Total other comprehensive income | | -15 | 3 | 68 |
| Total comprehensive income | | 156 | 87 | 150 |

Balance sheet

Statnett Group

(Amounts in NOK million)

| | Note | 31.03.14 | 31.03.13 | 31.12.13 |
|--|------|---------------|---------------|---------------|
| ASSETS | | | | |
| FIXED ASSETS | | | | |
| Goodwill | | 53 | 53 | 53 |
| Other intangible fixed assets | | 164 | 81 | 170 |
| Tangible fixed assets | | 21 412 | 17 665 | 21 472 |
| Plant under construction | 5 | 7 278 | 5 100 | 6 020 |
| Investment in associate | | 82 | 58 | 81 |
| Financial fixed assets | 3 | 1 206 | 1 153 | 1 161 |
| Total fixed assets | | 30 195 | 24 110 | 28 957 |
| CURRENT ASSETS | | | | |
| Trade accounts receivable and other short-term receivables | 3 | 1 024 | 758 | 1 080 |
| Claim upon decided, non-registered contributed capital | | - | - | 3 250 |
| Market-based securities | 3 | 649 | 652 | 640 |
| Liquid assets | 3 | 2 218 | 1 075 | 970 |
| Total current assets | | 3 891 | 2 485 | 5 940 |
| Total assets | | 34 086 | 26 595 | 34 897 |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| Contributed capital | | 5 950 | 2 700 | 2 700 |
| Decided, non-registered contributed capital | | - | - | 3 250 |
| Other equity accrued | | 6 341 | 6 239 | 6 185 |
| Total equity | | 12 291 | 8 939 | 12 135 |
| LONG-TERM LIABILITIES | | | | |
| Deferred tax | | 610 | 477 | 557 |
| Pension liabilities | | 329 | 424 | 486 |
| Other liabilities | | 292 | 67 | 255 |
| Long-term interest-bearing debt | 3 | 17 523 | 14 249 | 17 441 |
| Total long-term liabilities | | 18 754 | 15 217 | 18 739 |
| CURRENT LIABILITIES | | | | |
| Short-term interest-bearing debt | 3 | 1 287 | 1 058 | 2 468 |
| Trade account payable and other short-term debt | 3 | 1 677 | 1 284 | 1 555 |
| Tax payable | | 2 | 97 | - |
| Total current liabilities | | 2 966 | 2 439 | 4 023 |
| Total equity and liabilities | | 34 011 | 26 595 | 34 897 |

Statement of changes in equity

Statnett Group

| <i>(Amounts in NOK million)</i> | 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 |
|---|---------------------|---------------------------------|---|-----------------------------|--------------------|--|----------------------------|
| Equity as at 1.1.2013 | 8 852 | - | 8 852 | 6 233 | -81 | - | 2 700 |
| Profit/loss for the year | 82 | - | 82 | 82 | - | - | - |
| Other comprehensive income | 68 | - | 68 | 44 | 24 | - | - |
| Dividends declared | -117 | - | -117 | -117 | - | - | - |
| Decided, non-registered contributed capital | 3 250 | - | 3 250 | - | - | 3 250 | - |
| Equity as at 31.12.2013 | 12 135 | - | 12 135 | 6 242 | -57 | 3 250 | 2 700 |
| Equity as at 1.1.2013 | 8 852 | - | 8 852 | 6 233 | -81 | - | 2 700 |
| Profit/loss for the period | 84 | - | 84 | 84 | - | - | - |
| Other comprehensive income | 3 | - | 3 | - | 3 | - | - |
| Equity as at 31.3.2013 | 8 939 | - | 8 939 | 6 317 | -78 | - | 2 700 |
| Equity as at 1.1.2014 | 12 135 | - | 12 135 | 6 242 | -57 | 3 250 | 2 700 |
| Profit/loss for the period | 171 | - | 171 | 171 | - | - | - |
| Other comprehensive income | -15 | - | -15 | - | -15 | - | - |
| Paid contributed capital | - | - | - | - | - | -3 250 | 3 250 |
| Acquisition subsidiary | 75 | 75 | - | - | - | - | - |
| Equity as at 31.3.2013 | 12 366 | 75 | 12 291 | 6 413 | -72 | - | 5 950 |

Cash flow statement

Statnett Group

| (Amounts in NOK million) | First quarter | | Year |
|--|---------------|--------------|---------------|
| | 2014 | 2013 | 2013 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before tax | 233 | 116 | 89 |
| Loss/gain(-) on sale of fixed assets | -2 | - | -3 |
| Depreciation and write-downs | 260 | 208 | 1 048 |
| Paid taxes | - | -136 | -210 |
| Interest recognised in the income statement | 63 | 91 | 268 |
| Interest received | 17 | 8 | 45 |
| Interest paid, excl. construction interest | -87 | -26 | -257 |
| Changes in trade accounts receivable/payable | 191 | -100 | 144 |
| Changes in other accruals | -175 | 127 | 190 |
| Result from companies using equity method | -2 | -4 | -10 |
| Net cash flow from operating activities | 498 | 284 | 1 304 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of tangible fixed assets | 2 | 1 | 14 |
| Purchase of tangible fixed assets, other intangible fixed assets and plants under construction | -1 218 | -919 | -5 546 |
| Construction interest paid | -38 | -33 | -158 |
| Purchase of subsidiary, net of cash acquired | -40 | - | -491 |
| Changes in investment in subsidiaries, associates and joint ventures | - | - | -20 |
| Dividend received | - | - | 4 |
| Net cash flow from investing activities | -1 294 | -951 | -6 197 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from new interest-bearing borrowings | - | 2 785 | 8 195 |
| Repayment of interest-bearing debt | -1 200 | -1 700 | -2 883 |
| Proceeds from sale of market-based securities | 293 | 77 | 310 |
| Purchase of market-based securities | -299 | -54 | -276 |
| Dividends paid | - | - | -117 |
| Proceeds from new equity | 3 250 | - | - |
| Net cash-flow from financing activities | 2 044 | 1 108 | 5 229 |
| Net cash flow for the period | 1 248 | 441 | 336 |
| Cash and cash equivalents at the start of the period | 970 | 634 | 634 |
| Cash and cash equivalents at the close of the period | 2 218 | 1 075 | 970 |

Restricted bank deposit amounting to NOK 69 million is included in cash and cash equivalents as at 31 March, 2014.
Unused credit facilities of NOK 6 500 million are not included in cash and cash equivalents.

Notes

Note 1 Accounting Principles

The interim accounts for the first quarter of 2014 have been presented in accordance with IAS 34. The interim accounts do not contain all the additional information required in the annual accounts, and should therefore be read in the context of the consolidated accounts presented on 31 December 2013.

The accounting principles applied for the interim accounts for the first quarter of 2014 are consistent with the accounting principles that were applied for the consolidated accounts presented on 31 December 2013, with the following exception:

As of 1 January 2014, the Group implemented IFRS 10 Consolidated financial statements. The standard is based on a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled by the parent company, where all enterprises that are to be controlled must be consolidated. The decisive factor in determining whether a company is to be consolidated under IFRS 10 is whether there is control. Control exists when the investor has power over the investee; is exposed to or entitled to variable returns from the investee; and the ability to exercise power to govern activities of the investee that significantly affect the investee's return. Thus, the Group has evaluated which entities should be consolidated pursuant to IFRS 10. However, implementation of the standard has not resulted in any changes with regard to which entities must be consolidated.

Note 2 Operating revenues regulated operations

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

Tariff revenues increased from NOK 1 148 million in the first quarter of 2013 to NOK 1 216 million in the same period in 2014. Congestion revenues increased from NOK 127 million in the first quarter of 2013 to NOK 161 million in the same period in 2014.

Lower revenue in the first quarter of 2014 amounted to NOK 261 million (lower revenue of NOK 158 million). Setting the actuarial gains/losses on pensions to zero as of 1 January 2013 means that NOK 143 million of pension expenses is not included in the revenue cap basis. To compensate for this, the higher revenue balance will be reduced by NOK 143 million. Accumulated higher revenue including interest and compensation amounted to NOK 2 163 million at the end of the first quarter of 2014.

| Statnett Group <i>(Amounts in NOK million)</i> | Year to date | | Year |
|--|---------------|---------------|---------------|
| | 2014 | 2013 | 2013 |
| Tariff revenues | 1 216 | 1 148 | 4 150 |
| Congestion revenues | 161 | 127 | 576 |
| Income from other owners in shared grids | -86 | -63 | -323 |
| Operating revenues regulated activities | 1 292 | 1 211 | 4 403 |
| Permitted revenue | 1 552 | 1 370 | 5 361 |
| Higher/lower (-/+) revenue, excl. interest | 261 | 158 | 958 |
| Provision for interest higher/lower (-/+) revenue | -11 | -16 | -59 |
| Changes in higher/lower (-/+) revenue regarding pension liabilities as at 1.1.2013 | - | 143 | 143 |
| Changed balance for higher/lower (-/+) revenue | 250 | 285 | 1 042 |
| Balance higher/lower (-/+) revenue, incl. interest as at 1 Jan. | -2 413 | -3 455 | -3 455 |
| Changed balance for higher/lower (-/+) revenue, incl. interest | 250 | 285 | 1 042 |
| Balance higher/lower (-/+) revenue, incl. interest year to date | -2 163 | -3 170 | -2 413 |

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. 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.

Note 3 Financial instruments

Fair values

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 with which Statnett has entered into such contracts.

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 a good estimate of fair value, due to the short-term nature of the items.

As 31 March 2014

| Group (Amounts in NOK million) | Category | Book value | Fair value |
|--|---------------------------------------|---------------|---------------|
| Assets | | | |
| Long-term receivables | Loans and receivables | 1 | 1 |
| Subord. capital in Statnett SF's pension fund | Fair value through profit/loss | 75 | 75 |
| Financial assets available for sale | Available for sale | 9 | 9 |
| Derivatives | Fair value through profit/loss | 1 121 | 1 121 |
| Sum andre finansielle anleggsmidler | | 1 206 | 1 206 |
| | | | |
| Trade accounts receivable | Loans and receivables | 47 | 47 |
| Derivatives | Fair value through profit/loss | 24 | 24 |
| Other short-term receivables | Loans and receivables | 953 | 953 |
| Total trade accounts and other short-term receivables | | 1 024 | 1 024 |
| | | | |
| Market-based securities | Fair value through profit/loss | 649 | 649 |
| Liquid assets | Fair value through profit/loss | 2 218 | 2 218 |
| | | | |
| Debt | | | |
| Derivatives | Fair value through profit/loss | 524 | 524 |
| Other long-term interest-bearing debt | Other liabilities | 16 999 | 17 184 |
| Total long-term interest-bearing debt | | 17 523 | 17 708 |
| | | | |
| Derivatives | Fair value through profit/loss | 7 | 7 |
| Other short-term interest-bearing debt | Other liabilities | 1 280 | 1 293 |
| Total short-term interest-bearing debt | | 1 287 | 1 300 |
| Trade accounts payable and other short-term debt | Other liabilities | 1 677 | 1 677 |

Fair value hierarchy

Level 1: Fair value is used for quoted 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 for Level 1, either direct (prices) or indirect (derived from prices).

Level 3: Fair value is measured using input based on non observable market data.

Financial assets and liabilities measured at fair value

As at 31 March 2014

| Group (Amounts in NOK million) | Level 1 | Level 2 | Level 3 | Total |
|---|--------------|--------------|-----------|--------------|
| Assets | | | | |
| Subord. capital in Statnett SF's pension fund | - | - | 75 | 75 |
| Financial assets available for sale | - | - | 9 | 9 |
| Derivatives | - | 1 147 | - | 1 147 |
| Market-based securities | 649 | - | - | 649 |
| Liquid assets | 2 218 | - | - | 2 218 |
| Total assets | 2 867 | 1 147 | 84 | 4 098 |
| Liabilities | | | | |
| Derivatives | - | 531 | - | 531 |
| Total liabilities | - | 531 | - | 531 |

During the period there have not been any transactions between level 1 and 2.

Reconciliation of level 3 in fair value measurements

There have not been any changes in the first quarter of 2014.

Note 4 Purchase of subsidiary

On 3 February 2014, Statnett SF purchased 50 percent of the shares in Lyse Sentralnett AS.

Following this acquisition, Statnett SF has achieved control of Lyse Sentralnett AS, and the company has therefore been included using the acquisition method in accordance with IFRS 3R.

Statnett has an option to acquire another 25 percent of Lyse Sentralnett once a licence has been granted for Lysebotn–Stølaheia and the remaining 25 percent upon completion of the power line.

Lyse Sentralnett owns the main grid facilities in the south of Rogaland. As part of improving security of supply to the Stavanger area, Lyse Sentralnett AS has applied for a licence for a new 420 kV power line between Lysebotn and Stølaheia. Statnett will be responsible for construction of the new power line.

On the acquisition date, the following identifiable assets and liabilities were included in the consolidated accounts:

| <i>(Amounts in NOK million)</i> | | Fair value on the acquisition date |
|--|--|---|
| Account items | | |
| ASSETS | | |
| Fixed assets | | |
| Deferred tax assets | | 1 |
| Tangible fixed assets | | 104 |
| Plants under construction | | 33 |
| Total fixed assets | | 138 |
| Current assets | | |
| Trade accounts and other short-term receivables | | 15 |
| Liquid assets | | 33 |
| Total current assets | | 48 |
| Total assets | | 186 |
| LIABILITIES | | |
| Current liabilities | | |
| Trade accounts payable and other short-term debt | | 38 |
| Tax payable | | 1 |
| Total current liabilities | | 39 |
| Total liabilities | | 39 |
| Total fair value | | 147 |
| Non-controlling interest | | 74 |
| Agreed purchase price | | 73 |

Operating revenues and profit for the period in Lyse Sentralnett AS:

| <i>(Amounts in NOK million)</i> | First quarter 2014 | In the period after acquisition (3 February–31 March 2014) |
|---------------------------------|---------------------------|---|
| Operating revenue | 9 | 6 |
| Profit for the period | 2 | 1 |

Note 5 Plants under construction

| Group <i>(Amounts in NOK million)</i> | 2014 | 2013 |
|---|--------------|--------------|
| Acquisition cost at 1 January | 6 085 | 4 277 |
| Additions during the year | 1 294 | 917 |
| Transferred to tangible fixed assets | (57) | (72) |
| Write-offs | - | - |
| Acquisition cost at 31 March | 7 322 | 5 122 |
| Accumulated write-downs | (2) | - |
| Effect, hedged forward exchange contracts | (42) | (22) |
| Balance sheet value at 31 March | 7 278 | 5 100 |

Contractual obligations as at 31 March 2014

Contractual obligations as at 31 March 2014 total NOK 2 497 million. The amount concerns development projects where contractual obligations exceed NOK 50 million.

Note 6 Disputes

The contractor to one of Statnett's ICT projects has filed a claim for compensation grounded in increased expenses incurred due to circumstances which they believe Statnett is responsible for. Based on the documentation of the claim, Statnett has made no accounting provisions at this point.

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