

Q3



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In short

Highlights

The Statnett Group's underlying profit after tax amounted to NOK 373 million in the third quarter of 2014 (NOK 233 million in the third quarter of 2013). As of the third quarter of 2014, the underlying profit amounted to NOK 1 060 million (NOK 667 million). The higher profit was primarily due to higher regulated permitted revenue due to increased activity and an increased asset base in the enterprise. Operating costs were somewhat higher than in the third quarter of 2013, as a result of increased depreciation and higher special regulation costs. As of the third quarter of 2014, operating costs were lower 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 recorded net profit for the Group amounted to NOK 224 million in the third quarter of 2014 (NOK 87 million), and NOK 723 million as of the third quarter of 2014 (NOK 151 million). This reduced the higher revenue balance for previous years by NOK 461 million including interest per the third quarter of 2014.

Important events

- In October, the Ministry of Petroleum and Energy (MPE) granted Statnett a foreign trade licence for an international interconnector to the UK (NSN). At the same time, a plant licence was granted for the subsea cable section that runs from the base line to the continental shelf. A plant licence has previously been granted for the remaining part of the facility on the Norwegian side of the cable. The NSN interconnector will be installed between Kvilldal in Norway and Blyth in the UK.
- In October, the MPE granted Statnett a foreign trade licence for an international interconnector to Germany (NordLink). At the same time, a plant licence was granted for the onshore cable project in Norway, and for the subsea cable section in Norwegian waters. This means that all necessary licences have been granted for NordLink on the Norwegian side. NordLink will run between Tonstad in Norway and Wilster in Germany.
- The MPE has granted Statnett a final licence for the Feda-Tonstad section, including substations at both ends of the power line, in Kvinesdal and Ertsmyra. This is an important licence in the Western Corridor project and one of the prerequisites for construction of international interconnectors to Germany and the UK.
- The MPE has concluded to uphold the licence decision from December 2011 for the Ørskog-Sogndal project and that the work in the areas Myklebustdalen and Sjørdalen in Bremanger Municipality can resume once access has been granted to the properties. The work was put on hold as a result of a ruling in Gulating Court of Appeal on 27 June 2014.
- Statnett has made an investment decision for a gradual continuation of the 420 kV power line from Balsfjord to Skaidi. The licence for continuing the power line from Balsfjord has been appealed and is currently being considered by the MPE, who will make the final decision.
- Statnett has entered into a collaboration with the Norwegian Police Security Service (PST), the Norwegian Police Directorate, the National Security Authority, Statkraft and others concerning establishment of a new information security research and education centre at Gjøvik. Statnett supports the centre based on the increasing digitalisation of the power supply and the need for high-level information security.

Director's report

Security of supply

At the beginning of the third quarter of 2014, reservoir water levels were approximately 69 percent, two percentage points above the median (from the 1993-2013 measuring period). The quarter was hotter and drier than normal. At the end of the quarter, reservoir water levels were about 78 percent, eight percentage points below the median.

Due to low precipitation, the hydrological balance was somewhat impaired throughout the period, resulting in a shortfall of about seven TWh at the end of the third quarter.

Total power generation and consumption was 31 TWh and 25 TWh, respectively, in the third quarter of 2014. This resulted in net export of approximately six TWh. In the corresponding period in 2013, net export was approximately five TWh. Average energy prices were somewhat lower in southern Norway than in northern Norway and the other Nordic countries.

There were some extensive outages in the third quarter of 2014 in connection with maintenance and projects. These include the following:

- The construction of the Ørskog-Sogndal power line has caused several outages in the existing 132 kV grid. The Haugen-Sykkylven section will be disconnected during the period 13 May - 1 November. On 30 June, a transformer was disconnected in Kristiansand. Reconnection was postponed to 15 October, instead of the scheduled reconnection date, which was 22 August.
- The Arendal substation was disconnected from 14 August to 1 October in connection with the voltage upgrade of the Eastern Corridor. This reduced production on the NorNed and Skagerrak interconnectors in certain

periods. A 420kV power line has now been established from Kristiansand to the new substation in Bamble.

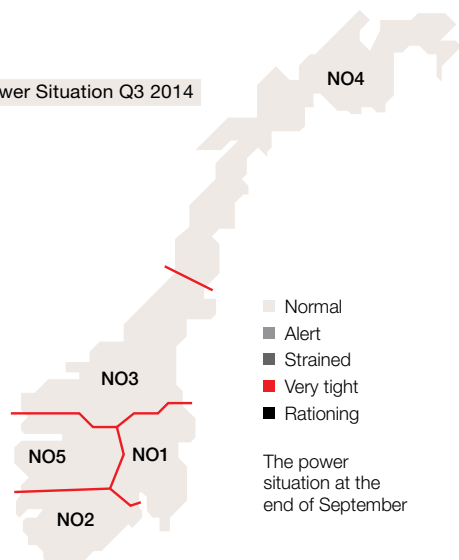
Special regulation costs were high in the third quarter, totalling approximately NOK 100 million, compared with NOK 42 million in the corresponding period in 2013. This was due to modification work, but also a high power surplus in some areas, particularly north of Ofoten and in western Norway.

The market for secondary reserves opened during the week starting on 18 August with deliveries the following week. The market had been closed since the week starting on 30 June.

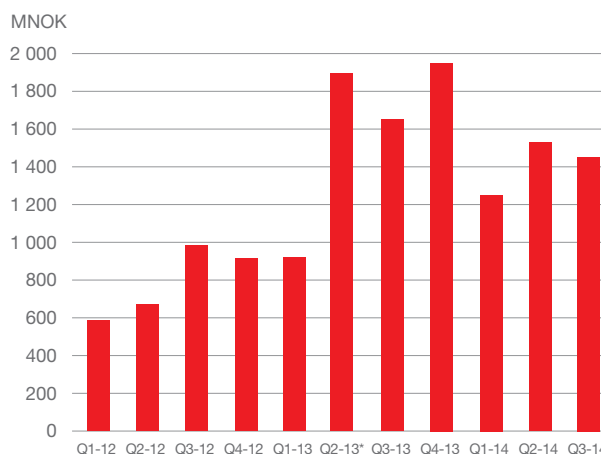
Major faults and operational disruptions in the third quarter of 2014 were:

- On 23 July, an outage occurred on the 300 kV power line between Tegneby and Hasle. At the same time, the 420 kV Tegneby-Hasle power line was emergency disconnected due to a forest fire. This resulted in special regulation in southern Norway and repurchasing of peak power from Sweden as the capacity to Sweden was significantly reduced. The power line was reconnected the next day.
- On 29 July, a breakdown occurred in the Furuset transformer in Oslo, affecting about 20 000 end-users for three minutes.
- On 4 August, a blackout occurred in Halden due to an outage on the Hasle-Halden power line. The power line was reconnected after about three minutes.
- On 11 September, a breakdown occurred in two transformers in Flesaker, causing a blackout in many parts of Buskerud County. All consumption was reconnected after about 30 minutes.

The Power Situation Q3 2014



Investments Statnett Group



* Incl. acquisition of Nydalen Allé 33

Investments

Statnett is planning and implementing major development projects, in line with Report No. 14 to the Storting (2011-2012), the Grid Report. In September, Statnett submitted its updated investment plan to the Norwegian Water Resources and Energy Directorate (NVE). Scheduled implementation of the projects generally follows the 2013 Grid development plan. However, adjustments have been made to the schedule and in cost estimates for certain projects.

Statnett invested NOK 4 227 million (NOK 4 465 million) as of the third quarter of 2014, including commissioned projects, projects under construction, ICT-projects and other investments. Planned investments for 2014 total approximately 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, Feda, Frogner and others)		2 200–3 000
Skagerrak 4	Norway/Denmark	1 550–1 680
Ofoten–Balsfjord, new 420 kV power line	Nordland/Troms	3 200–3 700
Eastern Corridor, voltage upgrade and new power line	Vest-Agder/Telemark	1 300–1 600
Voltage upgrade Middle Norway, subsection Klæbu - Namsos	Trøndelag	700–800
Ytre Oslofjord	Vestfold/Østfold	1 200–1 400
FINAL LICENCE GRANTED		
Namsos - Storeheia, new 420 kV power line	Trøndelag	1 800–2 400
Snillfjord - Trollheim, new 420 kV power line	Trøndelag/Møre og Romsdal	1 600–2 300
Storeheia - Snillfjord, new 420 kV power line	Trøndelag	1 900–2 700
PLANNED INVESTMENTS, LICENCES PENDING OR APPEALED		
Western Corridor, voltage upgrade	Vest-Agder/Rogaland	8 000–10 000
Balsfjord – Skaidi (-Hammerfest), new 420 kV power line	Troms/Finnmark	4 000–6 000
Station investments (Salten, Western Norway and others)		2 500–3 800
Voltage upgrade Middle Norway, subsection Nedre Røssåga	Norland/Trøndelag	800–1 000
subsection Aura/Viklandet - Trollheim - Klæbu	Trøndelag/Møre og Romsdal	1 850–2 250
Lyse - Stølaheia	Rogaland	2 500–3 500
Indre Oslofjord, reinvestments interconnectors	Akershus/Buskerud	1 150–1 200
INTERCONNECTORS		
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		500–600
New Regulation and Market System		200–250
Computer network for power system management		200–250

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

¹ Statnett share

Important project events in the third quarter of 2014

- Western Corridor: The Ministry of Petroleum and Energy (MPE) granted Statnett a licence for the Fedatunstad section.
- International interconnector UK (NSN): The MPE has granted Statnett a foreign trade licence.
- International interconnector Germany (NordLink): The MPE has granted Statnett a foreign trade licence and a plant licence.
- Ørskog-Sogndal: The Ministry of Petroleum and Energy (MPE) upheld its previous licence decision, and preparations are ongoing to gain access to the properties in Myklebustdalen. An enforcement notice has been issued. The property owners opposed entry, and Statnett subsequently filed an enforcement petition. The property owners have responded and are still opposing entry. The issue is now being considered by the Execution and Enforcement Authority. A new revised schedule will be prepared when the date of entry becomes known, and work is expected to recommence soon after.
- Ofoten-Balsfjord: Construction of a new 420 kV power line is well underway, and work has started on four substations and three power line sections.
- Balsfjord-Skaidi: Statnett's Board of Directors has made an investment decision for a gradual continuation of the 420 kV power line.
- Ytre Oslofjord: A new cable facility was commissioned in July.
- Eastern Corridor: The Hølen-Rød section was commissioned in July. In September, the upgraded section between Kristiansand and Bamble was commissioned for 420 kV operation.
- Namsos-Nedre Røssåga (voltage upgrade): The Statnett Board of Directors made an investment decision in September, and the project has now been granted a licence by the NVE.
- Skagerrak 4: Successful testing took place in August and commissioning was implemented in September. The interconnector will increase transmission capacity between Norway and Denmark from 1 000 to 1 700 MW.
- Indre Oslofjord: Statnett has made an investment decision to upgrade the subsea interconnector cables in the inner Oslofjord. The project will secure a reliable supply of electricity to central parts of eastern Norway, and is a key prerequisite for upgrading the Greater Oslo power grid.
- Hamang substation: Statnett received a final licence in September.

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 third quarter of 2014 totalled NOK 1 361 million (NOK 1 105 million in the third quarter of 2013). Operating revenues from regulated operations totalled NOK 1 264 million (NOK 1 064 million), while other operating revenues amounted to NOK 97 million (NOK 41 million).

The Statnett Group's total operating revenues for the third quarter of 2014 amounted to NOK 4 137 million (NOK 3 490 million). Operating revenues from regulated operations totalled NOK 3 977 million (NOK 3 362 million), while other operating revenues amounted to NOK 160 million (NOK 128 million).

The increase in operating revenues from regulated operations was mainly due to higher fixed tariff revenues as a consequence of increased production and stipulation of a lower discount limit. Congestion revenues have increased and the revenue cap for main grid owners has been reduced, somewhat offset by reduced energy components. The increase in other operating revenues was due to an increased scope in customer projects, sale of property at Husebyplatået and leasing of vessels in Statnett Transport.

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 3 982 million in the third quarter of 2013 to NOK 4 470 million in the third quarter of 2014, mainly due to increased activity and an increased asset base. 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 third quarter of 2014, Statnett's lower revenue amounted to NOK 212 million (lower revenue of NOK 218 million). At the end of the third quarter of 2014, the lower revenue totalled NOK 493 million (NOK 620 million). Accumulated higher revenue including interest was NOK 1 952 million at the end of the third quarter of 2014.

Operating costs

The Group's operating costs totalled NOK 991 million in the third quarter of 2014 (NOK 922 million). The

increase was mainly due to higher system services costs and higher depreciation and impairment. Operating costs as of the third quarter of 2014 amounted to NOK 2 959 million (NOK 3 114 million). This was a result of lower transmission loss costs, wage and staff costs as well as other operating costs due to reduced costs associated with rental of premises.

System services costs amounted to NOK 160 million in the third quarter of 2014, up NOK 29 million compared with the corresponding period in 2013. The increase was mainly due to significantly higher special regulation costs compared with the third quarter of 2013. System services costs in the third quarter of 2014 were NOK 444 million, down NOK 24 million from the corresponding period in 2013.

Transmission losses totalled NOK 141 million in the third quarter of 2014, on a par with the corresponding period in 2013. As of the third quarter of 2014, transmission losses were NOK 411 million, NOK 115 million lower than in the corresponding period in 2013. The reduction was due to a combination of lower prices and lower loss volume.

Wage and staff costs in the third quarter of 2014 totalled NOK 162 million, on a par with costs in the third quarter of 2013. Wage and staff costs amounted to NOK 512 million in the third quarter of 2014, down NOK 42 million compared with 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 impairment totalled NOK 277 million in the third quarter of 2014 (NOK 221 million). The increase was due to an increased asset base and increased depreciation and impairment as a result of removal obligations. Depreciation and impairment totalled NOK 804 million in the third quarter of 2014. Corrected for extraordinary depreciation and impairment in the third quarter of 2014, the increase is NOK 155 million as of the third quarter of 2014.

Other operating costs amounted to NOK 251 million in the third quarter of 2014, compared with NOK 263 million in the corresponding quarter in 2013. Other operating costs amounted to NOK 788 million in the third quarter of 2014, a reduction of NOK 31 million compared with the corresponding period in 2013. The reduction was primarily due to lower costs associated with rental of premises and internal efficiency improvement measures, partly offset by increased equipment, material and ICT service agreement costs.

Operating profit

The Group's operating profit in the third quarter of 2014 was NOK 370 million (NOK 183 million). Operating profit as of the third quarter of 2014 was NOK 1 178 million (NOK 376 million).

Financial items

Net financial items amounted to a loss of NOK 68 million in the third quarter of 2014 (loss of NOK 62 million). At the end of the third quarter of 2014, the Group's net financial items amounted to a loss of NOK 194 million (loss of 172 million). The increase in financial items was mainly due to an average increase in loans as a result of a higher activity level, somewhat offset by lower average borrowing rates.

Net profit

The Group's profit after tax in the third quarter of 2014 was NOK 224 million (NOK 87 million). The profit after tax as of the third quarter of 2014 was NOK 723 million (NOK 151 million). The underlying profit after tax, corrected for changes in the higher revenue balance, amounted to NOK 1 060 million in the third quarter of 2014 (NOK 667 million).

Cash flow and balance sheet

The Group's operating activities generated an accumulated cash flow of NOK 2 314 million in the third quarter of 2014, compared with NOK 732 million in the corresponding period in 2013. Net cash flow from investment activities totalled NOK -4 248 million compared with NOK -4 449 million in the corresponding period in 2013. In total, loans were paid down by NOK 1 992 million, and new loans of NOK 1 329 million were raised. In the first quarter of 2014, Statnett received an equity injection of NOK 3 250 million. At the end of the third quarter of 2014, the Group's liquid assets and market-based securities amounted to NOK 2 285 million (NOK 1 783 million).

At the end of the third quarter of 2014, the Group had total assets of NOK 35 743 million (NOK 29 985 million), and interest-bearing debt amounted to NOK 19 759 million (NOK 18 614 million). The market value of recognised interest swap and currency swap agreements (fair value hedges) related to interest-bearing debt was NOK 1 367 million. Interest-bearing debt, corrected for this, totalled NOK 18 392 million.

Subsidiaries and associated companies

Statnett SF wholly owns Statnett Transport AS. In the third quarter of 2014, operating revenues for Statnett Transport amounted to NOK 119 million (NOK 96 million) and the profit before tax was NOK 29 million (NOK 9 million).

On 3 February 2014, Statnett SF purchased 50 percent of the shares in Lyse Sentralnett AS. Following the acquisition, Statnett SF has achieved controlling interest of Lyse Sentralnett AS, which has been consolidated in the Statnett Group accounts. Operating revenues for Lyse Sentralnett AS during the 2014 ownership period amounted to NOK 25 million and profit before tax was NOK 9 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 AS contributed NOK 9 million (NOK 9 million) to the Statnett Group's profit in the third 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)

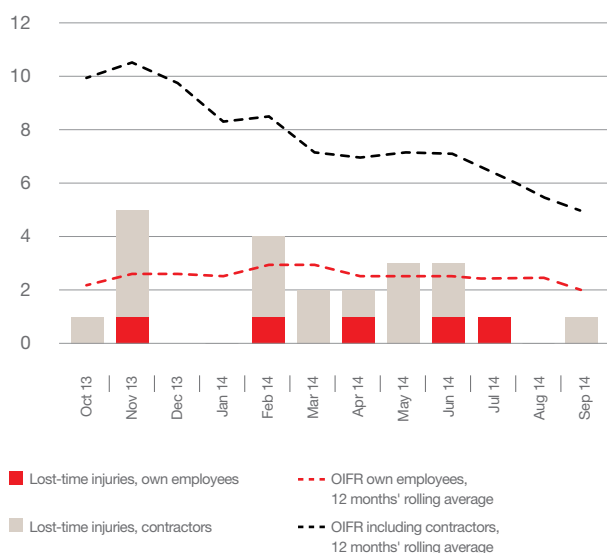
In total, two lost-time injuries were reported in the third quarter of 2014; one internal lost-time injury and one contractor/supplier lost-time injury. This is an improvement from the corresponding period in 2013, which had twelve lost-time injuries. Neither of the two incidents in the third quarter of 2014 resulted in serious personal injuries.

The total historical injury frequency including contractors is above the desired level and a comprehensive improvement programme has been initiated. This will focus particularly on Statnett's contractors and coordination with these has been implemented.

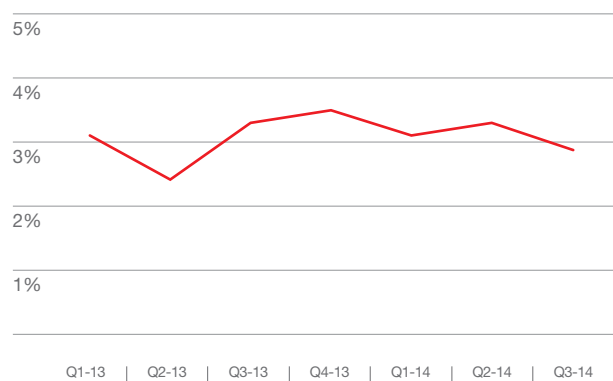
Statnett's HSE objective is that, by the end of 2017, the company will be the leading TSO in Europe and have an OIFR including contractors below 2.

The Group's overall absence due to illness was 2.9 percent in the third quarter of 2014, compared with 3.3 percent in the corresponding period in 2013.

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



Absence due to illness



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 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. Recently commissioned projects and projects that are scheduled to be completed by the end of 2014 will strengthen security of supply in East Finnmark and in eastern Norway. A new cable to Denmark, Skagerrak 4, has been tested and is scheduled to come online in 2014.

In the years ahead investments are expected to peak across the entire energy industry. Statnett has stepped up capacity significantly in recent years, and will continue to do so. At the same time, the need to increase capacity quickly, combined with a large investment portfolio across the industry, has put increasing pressure on unit costs. This situation has intensified since the last grid development plan, and is expected to continue to do so over the next few years. Consequently, it is important to facilitate a more stable and long-term project volume. The period leading up to next year's grid development plan will be used to assess potential changes to the project portfolio in collaboration with the industry.

Statnett has been granted the required licences and is working on the construction of interconnectors to Germany and the UK. These 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 system. 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.

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 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. This places great demands on Statnett when it comes to coordinating a number of projects in existing facilities while operating the power system.

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. 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, based on the 2013 budget, by the end of 2016.

Oslo, 6 November 2014

The Board of Directors, Statnett SF

Statement of comprehensive income

Statnett Group

<i>(Amounts in NOK million)</i>	Note	Third quarter		Year		
		2014	2013	2014	2013	2013
OPERATING REVENUE						
Operating revenue regulated operations		1 264	1 064	3 977	3 362	4 403
Other operating revenue		97	41	160	128	158
Total operating revenue		1 361	1 105	4 137	3 490	4 561
OPERATING COSTS						
System services		160	131	444	468	569
Transmission losses		141	141	411	526	698
Salaries and personnel costs		162	166	512	554	779
Depreciation, amortisation and impairment		277	221	804	747	1 048
Other operating costs		251	263	788	819	1 121
Total operating costs		991	922	2 959	3 114	4 215
Operating profit		370	183	1 178	376	346
Income from associate		4	3	13	9	10
Financial income		30	30	86	83	126
Financial costs		102	95	293	264	393
Profit before tax		302	121	984	204	89
Tax		78	34	261	53	7
Profit for the period		224	87	723	151	82
OTHER COMPREHENSIVE INCOME						
Changes in fair value, held-for-sale investments		-	-	-	-	1
Changes in fair value for cash flow hedges		-23	12	-81	40	33
Tax effect		6	-3	22	-11	-10
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		-17	9	-59	29	24
Changes in estimate deviations of pension liabilities		-287	59	-287	59	60
Tax effect		77	-17	77	-17	-16
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>		-210	42	-210	42	44
Total other comprehensive income		-227	51	-269	71	68
Total comprehensive income		-3	138	454	222	150

Balance sheet

Statnett Group

(Amounts in NOK million)

	Note	30.09.14	30.09.13	31.12.13
ASSETS				
FIXED ASSETS				
Goodwill		53	53	53
Other intangible fixed assets		170	115	170
Tangible fixed assets		22 020	18 756	21 472
Plant under construction	5	9 254	7 001	6 020
Investment in associate		89	62	81
Financial fixed assets	3	1 494	1 259	1 161
Total fixed assets		33 080	27 246	28 957
CURRENT ASSETS				
Trade accounts receivable and other short-term receivables	3	378	956	1 080
Claim upon decided, non-registered contributed capital		-	-	3 250
Market-based securities	3	660	649	640
Liquid assets	3	1 625	1 134	970
Total current assets		2 663	2 739	5 940
Total assets		35 743	29 985	34 897
EQUITY AND LIABILITIES				
EQUITY				
Contributed capital		5 950	2 700	2 700
Decided, non-registered contributed capital		-	-	3 250
Other equity accrued		6 636	6 257	6 185
Non-controlling interest		78	-	-
Total equity		12 664	8 957	12 135
LONG-TERM LIABILITIES				
Deferred tax		737	592	557
Pension liabilities	7	714	454	486
Other liabilities		405	67	255
Long-term interest-bearing debt	3	18 543	17 702	17 441
Total long-term liabilities		20 399	18 815	18 739
CURRENT LIABILITIES				
Short-term interest-bearing debt	3	1 216	912	2 468
Trade account payable and other short-term debt	3	1 457	1 270	1 555
Tax payable		7	31	-
Total current liabilities		2 680	2 213	4 023
Total equity and liabilities		35 743	29 985	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	151	-	151	151	-	-	-
Other comprehensive income	71	-	71	-	71	-	-
Dividends declared	-117	-	-117	-117	-	-	-
Equity as at 30.9.2013	8 957	-	8 957	6 267	-10	-	2 700
Equity as at 1.1.2014	12 135	-	12 135	6 242	-57	3 250	2 700
Profit/loss for the period	723	3	720	720	-	-	-
Other comprehensive income	-269	-	-269	-	-269	-	-
Paid contributed capital	-	-	-	-	-	-3 250	3 250
Acquisition subsidiary	75	75	-	-	-	-	-
Equity as at 30.9.2014	12 664	78	12 586	6 962	-326	-	5 950

Cash flow statement

Statnett Group

<i>(Amounts in NOK million)</i>	Year to date		Year
	2014	2013	2013
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax	984	204	89
Loss/gain(-) on sale of fixed assets	-56	-6	-3
Depreciation, amortisation and impairment	804	747	1 048
Paid taxes	-	-210	-210
Interest recognised in the income statement	202	197	268
Interest received	47	36	45
Interest paid, excl. construction interest	-279	-231	-257
Changes in trade accounts receivable/payable	102	133	144
Changes in other accruals	523	-129	190
Result from companies using equity method	-13	-9	-10
Net cash flow from operating activities	2 314	732	1 304
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible fixed assets	52	11	14
Purchase of tangible fixed assets, other intangible fixed assets and plants under construction	-4 124	-3 671	-5 546
Construction interest paid	-140	-111	-158
Purchase of subsidiary, net of cash acquired	-40	-491	-491
Changes in investment in subsidiaries, associates and joint ventures	-	-	-20
Change in long term loan receivables	-	-191	-
Dividend received	4	4	4
Net cash flow from investing activities	-4 248	-4 449	-6 197
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from new interest-bearing borrowings	1 329	6 995	8 195
Repayment of interest-bearing debt	-1 992	-2 692	-2 883
Proceeds from sale of market-based securities	372	262	310
Purchase of market-based securities	-370	-231	-276
Dividends paid	-	-117	-117
Proceeds from new equity	3 250	-	-
Net cash-flow from financing activities	2 589	4 217	5 229
Net cash flow for the period	655	500	336
Cash and cash equivalents at the start of the period	970	634	634
Cash and cash equivalents at the close of the period	1 625	1 134	970

Restricted bank deposit amounting to NOK 40 million is included in cash and cash equivalents as at 30 September, 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 third quarter 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 2013 annual accounts.

The accounting principles applied for the interim accounts for the third quarter of 2014 are consistent with the accounting principles that were applied for the 2013 annual accounts with the following exceptions:

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 controlled enterprises 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 3 129 million in the third quarter of 2013 to NOK 3 531 million in the same period in 2014. Congestion revenues increased from NOK 461 million in the third quarter of 2013 to NOK 588 million in the same period in 2014.

As of the third quarter of 2014, lower revenue for the period amounted to NOK 493 million compared with NOK 620 million in the corresponding period in 2013. 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 1 952 million at the end of the third quarter of 2014.

Statnett Group <i>(Amounts in NOK million)</i>	Year to date		Year
	2014	2013	2013
Tariff revenues	3 531	3 129	4 150
Congestion revenues	588	461	576
Income from other owners in shared grids	-142	-228	-323
Operating revenues regulated activities	3 977	3 362	4 403
Permitted revenue	4 470	3 982	5 361
Higher/lower (-/+) revenue, excl. interest	493	620	958
Provision for interest higher/lower (-/+) revenue	-32	-46	-59
Changes in higher/lower (-/+) revenue regarding pension liabilities as at 1.1.2013	-	-	-
Changed balance for higher/lower (-/+) revenue	-	143	143
	461	717	1 042
Balance higher/lower (-/+) revenue, incl. interest as at 1 Jan.			
Changed balance for higher/lower (-/+) revenue, incl. interest	-2 413	-3 455	-3 455
Balance higher/lower (-/+) revenue, incl. interest year to date	461	717	1 042
	-1 952	-2 738	-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 at 30 September 2014

Group (Amounts in NOK million)	Category	Book value	Fair value
Assets			
Long-term receivables	Loans and receivables	32	32
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	1 378	1 378
Total financial fixed assets		1 494	1 494
Trade accounts receivable	Loans and receivables	103	103
Derivatives	Fair value through profit/loss	10	10
Other short-term receivables	Loans and receivables	265	265
Total trade accounts and other short-term receivables		378	378
Market-based securities	Fair value through profit/loss	660	660
Liquid assets	Fair value through profit/loss	1 625	1 625
Debt			
Other long-term interest-bearing debt	Other liabilities		
Derivatives	Fair value through profit/loss	18 353	18 694
Total long-term interest-bearing debt		190	190
		18 543	18 884
Other short-term interest-bearing debt	Other liabilities	1 190	1 217
Derivatives	Fair value through profit/loss	26	26
Total short-term interest-bearing debt		1 216	1 243
Trade accounts payable and other short-term debt	Other liabilities	1 457	1 457

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.

As at 30 September 2014

Group (Amounts in NOK million)	Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets at fair value through profit or loss				
Subord. capital in Statnett SF's pension fund	-	-	75	75
Investment in market-based securities	660	-	-	660
Liquid assets	1 625	-	-	1 625
Financial assets available for sale				
Minor shareholdings in non-listed companies	-	-	9	9
Hedging				
Derivatives	-	1 388	-	1 388
Total assets	2 285	1 388	84	3 757
LIABILITIES				
Other financial liabilities accounted for at amortised cost				
Interest-bearing debt	19 759	-	-	19 759
Hedging				
Derivatives	-	216	-	216
Total liabilities	19 759	216	-	19 975

There has been no transactions between level 1 og 2 during the periode.

Note 4 - Purchase of subsidiary

On 3 February 2014, Statnett SF purchased 50 percent of the shares in Lyse Sentralnett AS. After the purchase, Statnett SF has acquired 100 percent of the voting rights in the company.

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. At the same time, Lyse Elnett AS has the right to request that Statnett assume another 25 percent of Lyse Sentralnett AS after a licence has been granted for the Lyse-Stølaheia power line, and the remaining 25 percent upon completion.

Lyse Sentralnett owns the main grid facilities in the Lyse area. 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 Lyse 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>	In the period after acquisition	
	Year to date 2014 (3 February–30 September 2014)	
Operating revenue	28	25
Profit for the period	7	6

Note 5 - Plants under construction

<i>Group (Amounts in NOK million)</i>	2014	2013
Plants under construction at 1 January	6 020	4 277
Additions during the year	4 365	3 640
Transferred to tangible fixed assets	(1 131)	(916)
Write-offs	-	-
Plants under construction at 30 September	9 254	7 001

Contractual obligations as at 30 September 2014

Contractual obligations as at 30 September 2014 total NOK 3 046 million. The amount concerns development projects where contractual obligations exceed NOK 50 million.

Note 6 – Sale of Statnett's former head office

With effect as of 1 July 2014, Statnett has entered into an agreement with JM Norway AS and Miliarium AS concerning the sale of Statnett's former head office at Husebyplatået in Oslo. The agreement relates to the main section of Statnett's property at Husebyplatået, which was Statnett's head office from 1992 to 2013. In addition, an option agreement has been entered into for the remaining part of the site. The total framework for the sale is approximately NOK 700 million. The book value of the properties comprised by the agreement is NOK 72 million. In the third quarter of 2014, the recorded gain associated with the sale was NOK 56 million. The enterprise expects to report further revenues in the years ahead, as the revenues qualify for recognition in the accounts.

Note 7 – Pensions and changes in actuarial gains/losses

Statnett has conducted new calculations of the company's pension liabilities based on the Norwegian Accounting Standards Board's updated assumptions as of 31 August 2014.

The pension liability has increased by NOK 287 million as a result of changes in actuarial assumptions as of the third quarter. The changes in actuarial gains/losses as a result of the update have been recognised in other comprehensive income.

The following assumptions have been applied in the quarterly accounts:

Changes in estimate variances year to date*(Amounts in NOK million)*

	Year to date		Year
	2014	2013	2013
Discount rate	659	-73	-73
Rate of return assets	-55	-67	-76
Salaries growth	-125	34	33
Pension adjustment	-203	-140	-140
Mortality table (K2013)	0	188	188
Service cost	11	0	8
Total changes in estimate variances year to date	287	-58	-60

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