

Q4



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In short

Highlights

The Statnett Group's underlying profit after tax amounted to NOK 224 million in the fourth quarter of 2014 (NOK 165 million in the fourth quarter of 2013). At the end of 2014, the underlying profit amounted to NOK 1 284 million (NOK 832 million). The profit increase was primarily due to higher regulated permitted revenue due to increased activity and an increased asset base. Operating costs were somewhat higher than in the fourth quarter of 2013, as a result of increased depreciation and higher special adjustment costs within system services. Operating costs in 2014 were lower than 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 106 million in the fourth quarter of 2014 (loss of NOK 69 million), and NOK 829 million for 2014 (NOK 82 million). This reduced the higher revenue balance including interest for previous years by NOK 623 million. The remaining balance at the end of 2014 is NOK 1 790 million.

Important events

- Skagerrak 4, the fourth interconnector between Norway and Denmark, entered commercial operation on 29 December. The voltage upgrade of the main grid between Kristiansand substation in Venesla and Bamble substation was also completed in December, as was construction of a new power line northwards towards Rød substation in Skien (Eastern Corridor). Together, these new facilities contribute to a more reliable power supply and better opportunities for utilisation of the renewable energy generated in both Norway and Denmark. The transmission capacity between the two countries has increased by 700 MW.
 - Statnett, Statkraft and Hafslund Nett jointly established the company KraftCERT AS. KraftCERT will help members of the Norwegian power industry to handle and prevent attacks on the companies' IT systems.
 - In November 2014, a new power regulation and market system was completed, which will enable implementation of better system operation solutions.
- ### Important events after 31 December 2014
- The new 420 kV power line between Ørskog and Ørsta in the Ørskog–Sogndal project is now in operation. This means that there are no longer any restrictions in the main grid from Ørsta substation and northwards towards Ørskog. The work to demolish the existing 132 kV power line has started. As regards the area in Bremanger municipality, the enforcement officer decided in January to grant Statnett access to the properties in Myklebustdalen, but not to Sørvalen. Statnett has resumed work in the area, but is still awaiting access to Sørvalen.
 - As of 1 January 2015, part of Lofotrigen (power supply lines) became part of the main grid and Statnett took over operating responsibility for the lines. This includes the power line from Hinnøy to Sortland and Melbu in Vesterålen and onwards to Kvitfossen in Lofoten.
 - The storm Nina that hit Norway during the second weekend of January caused a number of minor outages in the main grid. However, this did not affect regular consumers.
 - At about 3pm on 29 January, a powerful storm caused faults in Statnett's facilities and a power outage in the area between Ofoten and Finnmark County in the north. Power was partly restored in less than one hour, except in Finnfjord and the area around the city of Tromsø. To ensure a stable restoration of the power supply, it was necessary to disconnect parts of the power consumption south of Tromsø. Normal grid operations resumed just before 8pm.

Director's report

Security of supply

The power situation was good throughout the fourth quarter of 2014. Temperatures and precipitation were higher than normal. At the beginning of the fourth quarter, water reservoir levels were about 78 percent. During the quarter, there was a change in water reservoir levels from 8 percentage points below the median (from the 1990–2013 measuring period), to 2 percentage points below the median. At the end of the quarter, water reservoir levels were at 69 percent.

The hydrological balance improved by approximately 4 TWh throughout the period, resulting in a shortfall of approximately 3 TWh at the end of the fourth quarter.

Total power generation and consumption was 39 TWh and 35 TWh, respectively, in the fourth quarter of 2014. This resulted in net export of approximately four TWh. In the corresponding period in 2013, net export was approximately 1 TWh.

The Hasle Pilot project was launched during the period 27 October–15 December. The project is a bilateral pilot project between Svenska Kraftnät and Statnett concerning the exchange of secondary reserves. During this period, up to 50 MW of capacity on the Haslesnittet cross-section between Norway and Sweden could be reserved for the sale of secondary reserves.

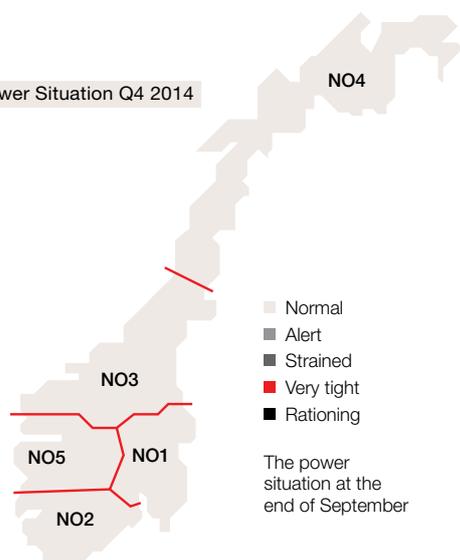
The fourth quarter was characterised by disconnections in connection with modifications and development.

- The construction of the Ørskog–Sogndal power line has necessitated several disconnections in the existing 132 kV grid. The disconnection of the Haugen–Sykkylven section caused major congestions. Overall special adjustment costs in connection with Ørskog–Sogndal amounted to about NOK 100 million. In addition, the power producers had costs in connection with production adaptation.
- After several disconnections between Kristiansand and Porsgrunn, the Eastern Corridor was put into operation in December with a new 420 kV interconnector between Kristiansand, Arendal, Bamble, Grenland and Rød.
- Skagerrak 4 came online on 29 December after commissioning had taken place since October, and there were periods of disconnections or reduced capacity.

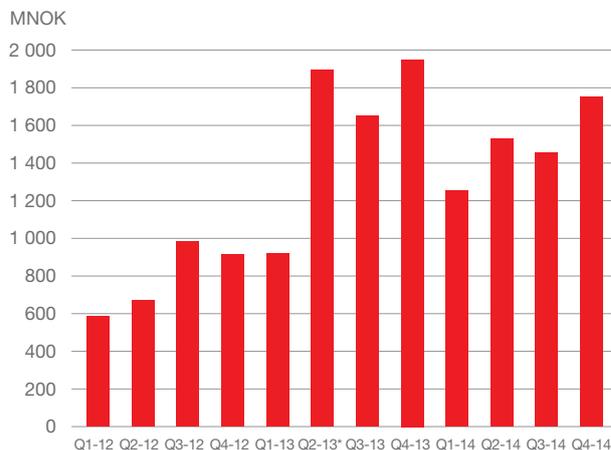
Major faults and operational disruptions in the fourth quarter of 2014 were:

- On 6 October, Ulven substation (T5) was disconnected causing a 195 MW loss of consumption for about 40 minutes.
- On 6 December, the 420 kV power line between Ørskog and Viklandet was disconnected due to an grounding fault. This resulted in an outage in Sunnmøre down to Åskåra. After about an hour, power was back in most of the area.
- Weather conditions caused problems with icing on several power lines, and in some cases, it was necessary to divide the grid into smaller sections or make special adjustments. The Kvilldal–Rjukan and Songa–Vemorkstoppen sections were particularly exposed after disconnections on 17 and 18 November.

The Power Situation Q4 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 2014, 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 some projects.

In total, Statnett invested NOK 5 981 million in 2014 (NOK 6 375 million in 2013), including commissioned projects, projects under construction, ICT projects and other investments. Planned investments for 2015 total approximately NOK seven billion.

The main projects are listed in the table on next page.

Overview of major investment projects

See statnett.no for more information about the projects.

Project	Location	Expected investments
COMPLETED PROJECTS		
Skagerrak 4	Norge/Danmark	
Eastern Corridor, voltage upgrade and new power line	Vest-Agder/Telemark	
Ytre Oslofjord	Vestfold/Østfold	
Ørskog-Ørsta (part of Ørskog-Sogndal)	Møre og Romsdal	
Station investments (spare transformers, Frogner, Martorvik and other)		
New Regulation and Market System		
UNDER IMPLEMENTATION		
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, Fedaa and other)		MNOK 2 100–2 500
Voltage upgrade Central Norway, subsection Klæbu-Namsos	Trøndelag	MNOK 700–800
FINAL LICENCE GRANTED		
Namsos-Storheia, new 420 kV power line	Trøndelag	MNOK 1 800–2 400
Storeheia-Snillfjord, new 420 kV power line	Trøndelag	MNOK 1 250–1 750
Snillfjord-Trollheim, new 420 kV power line	Trøndelag/Møre og Romsdal	MNOK 1 600–2 300
Station investments (Vemorktoppen, Mauranger, Kobbelv and other)		MNOK 1 250–1 750
Voltage upgrade Central Norway, subsection Nedre Røssåga-Namsos	Nordland/Trøndelag	MNOK 800–1 000
INTERCONNECTORS, FINAL LICENSE GRANTED		
Cable to England (NSN Link)		MEUR 750–1 000 ¹
Cable to Germany (NordLink)		MEUR 750–1 000 ¹
PLANNED INVESTMENTS, LICENCES PENDING OR APPEALED		
Western Corridor, voltage upgrade, subsection Kristiansand-Bamble (eastern corridor)	Vest-Agder/Rogaland	MNOK 8 000–10 000
Balsfjord-Skaidi (-Hammerfest), new 420 kV power line	Troms/Finmark	MNOK 4 000–6 000
Lyse-Stølaheia	Rogaland	MNOK 2 500–3 500
Station investments (Smestad, transformers Western Norway and other)		MNOK 1 300–1 700
Indre Oslofjord, reinvestments interconnectors	Akershus/Buskerud	MNOK 1 050–1 200
Voltage upgrade Central Norway, subsection Aura/Viklandet-Trollheim-Klæbu	Trøndelag/Møre og Romsdal	MNOK 500–700
ICT PROJECTS		
Renewal of Statnett's central operations system		MNOK 500–600
Elhub		MNOK 500–600

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

Projects under construction are shown in current rates, other projects in 2014 rates.

¹ Statnett share

Important project events in the fourth quarter of 2014

- Skagerrak 4: The project was finalised and commercial operations started in December. This has increased capacity between Norway and Denmark from 1 000 MW to 1 700 MW.
- Eastern Corridor: The project was finalised and came online in Desember.
- Ørskog–Sogndal: On 6 January 2015, the enforcement officer granted access to Myklebustdalen valley. Construction in the area can now be resumed. Parts of the project have been completed, and the 420 kV Ørskog–Ørsta interconnector is now in operation.
- Balsfjord–Hammerfest: An additional licence application has been submitted to the Ministry of Petroleum and Energy (MPE) as a result of a decision to realise the project in stages.
- Phase advancer Fedra: Commissioning has been initiated and is expected to be completed in mid-February when the facility is scheduled to come online.
- International interconnector Germany (NordLink): The Ministry of Petroleum and Energy (MPE) has granted a foreign trade licence and plant licence.
- UK interconnector (NSN Link): The Ministry of Petroleum and Energy (MPE) has granted a foreign trade licence and plant licence.
- Western Corridor: In October, the MPE made a final licence decision for the southern section (Kvinesdal–Ertsmyra). In December, the Norwegian Water Resources and Energy Directorate (NVE) made a final licence decision for the sections Ertsmyra–Lyse and Ertsmyra–Solhom.
- Mestervik substation: The project was finalised and handed over to Operations in December.
- Voltage upgrade Trollheim–Aura: A licence application was submitted to the NVE in December.
- New Power Regulation and Market System: Completed in November 2014 according to schedule and within the cost limit.

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 fourth quarter of 2014 totalled NOK 1 426 million (NOK 1 071 million in the fourth quarter of 2013). Operating revenues from

regulated operations totalled NOK 1 412 million (NOK 1 041 million), while other operating revenues amounted to NOK 14 million (NOK 30 million).

The Statnett Group's total operating revenues for 2014 amounted to NOK 5 563 million (NOK 4 561 million). Operating revenues from regulated operations totalled NOK 5 389 million (NOK 4 403 million), while other operating revenues amounted to NOK 174 million (NOK 158 million).

The increase in operating revenues from regulated operations was mainly due to higher fixed tariff revenues as a consequence of increased tariff rates for producers and stipulation of a lower discount limit. Congestion revenues have increased due to higher price differences in the Nordic countries and the revenue cap for other grid owners has been reduced. The increase in other operating revenues was due to an increased scope in customer projects, sale of property at Husebyplatået and a high level of activity 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 5 361 million in 2013 to NOK 6 054 million in 2014, mainly due to increased activity and an increased asset base in the company. 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 fourth quarter of 2014, Statnett's lower revenue amounted to NOK 172 million (NOK 338 million). At the end of 2014, lower revenue for the year totalled NOK 665 million (NOK 958 million) and accumulated higher revenue including interest was NOK 1 790 million.

Operating costs

The Group's operating costs totalled NOK 1 226 million in the fourth quarter of 2014 (NOK 1 101 million). The increase was mainly due to higher system services costs and higher depreciation and impairment. Operating costs for 2014 amounted to NOK 4 185 million (NOK 4 215 million). The reduction was due to lower transmission loss costs, wage and staff costs. Due to efficiency improvement measures in Statnett, other operating costs were on a par with 2013 despite growth in the enterprise.

System services costs amounted to NOK 165 million in

the fourth quarter of 2014, up NOK 64 million compared with the corresponding period in 2013. Special adjustments were significantly higher in the fourth quarter of 2014 than in the fourth quarter of 2013, mainly due to outages in connection with development of the Ørskog–Sogndal power line. System services costs at the end of 2014 totalled NOK 609 million, up NOK 40 million compared with 2013.

Transmission losses totalled NOK 175 million in the fourth quarter of 2014, on a par with the corresponding period in 2013. In 2014, transmission loss totalled NOK 586 million, down NOK 112 million from 2013. The reduction was due to a combination of lower prices and lower loss volume.

Wage and staff costs in the fourth quarter of 2014 totalled NOK 203 million (NOK 225 million). For 2014, wage and staff costs totalled NOK 715 million, down NOK 64 million compared with 2013. The reduction was due to increased capitalisation of own hours for investment projects, partly as a consequence of Statnett's efficiency program, somewhat offset by increased wage costs due to an increase in staff in the enterprise.

Depreciation and impairment amounted to NOK 346 million in the fourth quarter of 2014 (NOK 301 million). At the end of 2014, depreciation and impairment totalled NOK 1 150 million (NOK 1 048 million). The increase was due to an increased asset base and increased depreciation and impairment as a result of asset retirement obligations.

Other operating costs amounted to NOK 337 million in the fourth quarter of 2014, compared with NOK 302 million in the corresponding quarter in 2013. For 2014, other operating costs totalled NOK 1 125 million, on a par with 2013. Increased costs associated with service agreements, property tax, repairs and maintenance are offset by reduced costs associated with premises, property, equipment and materials.

Operating profit

The Group's operating profit in the fourth quarter of 2014 was NOK 200 million, compared with a loss of NOK 30 million in the fourth quarter of 2013. For 2014, the operating profit was NOK 1 378 million (NOK 346 million).

Financial items

Net financial items amounted to a loss of NOK 64 million in the fourth quarter of 2014 (loss of NOK 85 million). At the end of 2014, the Group's net financial items amount-

ed to a loss of NOK 258 million (loss of NOK 257 million).

Net profit

The Group's profit after tax in the fourth quarter of 2014 was NOK 106 million compared with a loss of NOK 69 million in the fourth quarter of 2013. For 2014, the profit after tax totalled NOK 829 million (NOK 82 million). The underlying profit after tax, corrected for changes in the higher revenue balance, amounted to NOK 1 284 million in the fourth quarter of 2014 (NOK 832 million).

Cash flow and balance sheet

The Group's operating activities generated an accumulated cash flow of NOK 3 028 million at the end of 2014, compared with NOK 1 224 million in 2013. Net cash flow from investment activities totalled NOK -5 997 million compared with NOK -6 197 million in 2013. In total, loans were paid down by NOK 2 287 million, and new loans of NOK 3 048 million were raised. In the first quarter of 2014, Statnett received an equity injection of NOK 3 250 million. At year-end 2014, the Group's liquid assets and market-based securities amounted to NOK 4 364 million (NOK 1 610 million).

At the end of 2014, the Group had total assets of NOK 41 107 million (NOK 34 897 million), and interest-bearing debt amounted to NOK 24 643 million (NOK 19 909 million). Interest-bearing debt includes security under CSA (Credit Support Annex) of NOK 1 860 million (NOK 173 million). The market value of recognised interest swap and currency swap agreements (fair value hedges) related to interest-bearing debt was NOK 3 185 million. Interest-bearing debt, corrected for this, totalled NOK 21 458 million.

Subsidiaries and associated companies

Statnett SF wholly owns Statnett Transport AS. In 2014, operating revenues for Statnett Transport amounted to NOK 151 million (NOK 147 million) and the profit before tax was NOK 17 million (NOK 22 million).

On 3 February 2014, Statnett SF purchased 50 percent of the shares in Lyse Sentralnett AS. Following the acquisition, Statnett SF has achieved control 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 37 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 profit in Nord Pool ASA contributed NOK 13 million (NOK 9 million) to the Statnett Group's profit in 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, three lost-time injuries were reported in the fourth quarter of 2014; one internal lost-time injury and two contractor/supplier lost-time injuries. This is an improvement from the corresponding period in 2013, which had six lost-time injuries.

One of the three incidents in the fourth quarter of 2014 caused serious personal injury, the others caused only minor injuries. The enterprise has improved its safety results and works systematically towards the objective of becoming the leading transmission system operator in Europe by the end of 2017. The objective has been specified to an occupational illness frequency rate (OIFR) of two or lower. As of the fourth quarter of 2014, Statnett's OIFR was 4.4 (including contractors/suppliers), compared with 9.8 at the end of 2013.

SAFETY awards were presented for the first time in October 2014. The awards serve to recognise efforts to further improve the safety work in Statnett and among our contractors. The 2014 awards went to Stasjonsgruppe Sauda and the contractor Kruse Smith Entreprenør AS.

The Group's overall absence due to illness was 3.2 percent in the fourth quarter of 2014, compared with 3.1 percent in the corresponding period in 2013. Overall absence due to illness for the year was 3.1 percent, on a par with 2013.

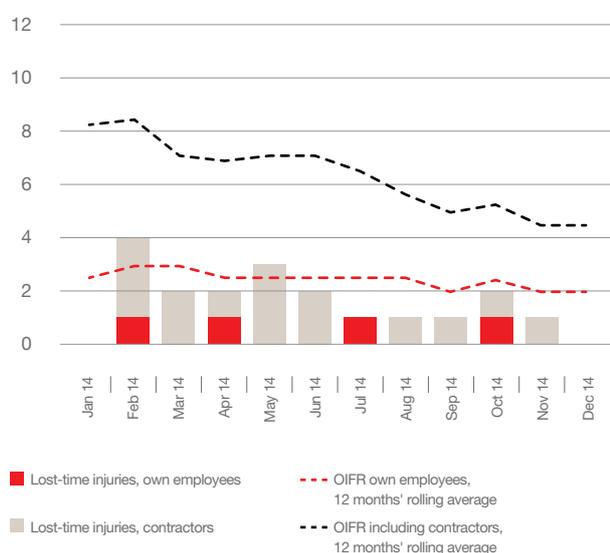
Risk

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

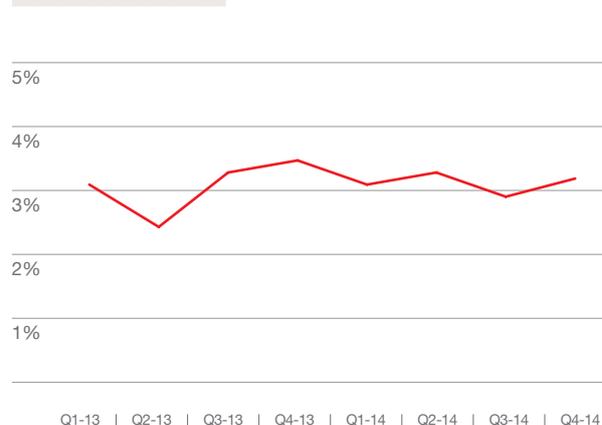
The energy situation is normal in all areas and there is a low risk of a strained power situation nationally and regionally in the present season. This also applies in the event of low inflow in the time ahead.

Statnett is exposed to HSE risks mainly in connection

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



Absence due to illness



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 have improved security of supply in Eastern Norway. The last cables for the Ytre Oslofjord interconnector were put into operation in July 2014. The Eastern Corridor, Kristiansand–Rød, entered operation at 420 kV in December 2014. This interconnector strengthens security of supply and is an important prerequisite for increasing international power trading. The interconnector to Denmark, Skagerrak 4, came online in December 2014, increasing the transmission capacity by 700 MW. Moreover, some sections of the Ørskog–Sogndal 420 kV power line entered service in 2014, which is important for security of supply in Central Norway. The work on a new 420 kV power line between Ofoten and Balsfjord has started. The new interconnector will improve security of supply in Northern Norway. Statnett has also completed a new regulation and market system in 2014, which will enable implementation of improved system service solutions.

In the years leading up to 2020, significant growth is expected in the investment scope across the entire industry. Statnett has significantly upgraded capacity in recent years, and this will continue. Concurrently, the need for a speedy capacity upgrade, combined with a large investment portfolio for the entire industry, puts increasing pressure on unit costs. This situation has intensified since the last grid development plan, and is likely to continue to do so over the next few years. Consequently, Statnett facilitates more stable and long-term assignments. During the period leading up to next year's grid development plan, Statnett will assess possible changes to the project portfolio together with the industry.

Statnett has been granted the required licences and is working on the construction of interconnectors to Germany and the UK. 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 in the long term. 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.

Statnett is focusing on maintaining its position as one of the most cost-efficient TSOs in Europe. In 2013, the enterprise established an objective to increase efficiency by 15 per cent by the end of 2018, based on the 2013 budget. Statnett achieved the milestone for 2014.

Oslo, 12 February 2015

The Board of Directors, Statnett SF

Statement of comprehensive income

Statnett Group

(Amounts in NOK million)	Note	Fourth quarter		Year	
		2014	2013	2014	2013
OPERATING REVENUE					
Operating revenue regulated operations	2	1 412	1 041	5 389	4 403
Other operating revenue	6	14	30	174	158
Total operating revenue		1 426	1 071	5 563	4 561
OPERATING COSTS					
System services		165	101	609	569
Transmission losses		175	172	586	698
Salaries and personnel costs		203	225	715	779
Depreciation, amortisation and impairment		346	301	1 150	1 048
Other operating costs		337	302	1 125	1 121
Total operating costs		1 226	1 101	4 185	4 215
Operating profit		200	-30	1 378	346
Income from associate		-2	1	11	10
Financial income		116	43	202	126
Financial costs		178	129	471	393
Profit before tax		136	-115	1 120	89
Tax		30	-46	291	7
Profit for the period		106	-69	829	82
OTHER COMPREHENSIVE INCOME					
Changes in fair value, held-for-sale investments		2	1	2	1
Changes in fair value for cash flow hedges		-77	-7	-158	33
Tax effect		21	1	43	-10
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		-54	-5	-113	24
Changes in estimate deviations of pension liabilities	7	-120	1	-407	60
Tax effect	7	33	1	110	-16
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>		-87	2	-297	44
Total other comprehensive income		-141	-3	-410	68
Total comprehensive income		-35	-72	419	150

Balance sheet

Statnett Group

<i>(Amounts in NOK million)</i>	Note	31.12.14	30.09.14	31.12.13
ASSETS				
FIXED ASSETS				
Goodwill		53	53	53
Other intangible fixed assets		227	170	170
Tangible fixed assets		27 515	22 020	21 472
Plant under construction	5	5 047	9 254	6 020
Investment in associate		89	89	81
Other financial fixed assets	3	3 340	1 494	1 161
Total fixed assets		36 271	33 080	28 957
CURRENT ASSETS				
Trade accounts receivable and other short-term receivables	3	472	378	1 080
Claim upon decided, non-registered contributed capital		-	-	3 250
Market-based securities	3	1 345	660	640
Liquid assets	3	3 019	1 625	970
Total current assets		4 836	2 663	5 940
Total assets		41 107	35 743	34 897
EQUITY AND LIABILITIES				
EQUITY				
Contributed capital		5 950	5 950	2 700
Decided, non-registered contributed capital		-	-	3 250
Other equity accrued		6 601	6 636	6 185
Non-controlling interest		78	78	-
Total equity		12 629	12 664	12 135
LONG-TERM LIABILITIES				
Deferred tax		705	737	557
Pension liabilities	7	869	714	486
Other liabilities		485	405	255
Long-term interest-bearing debt	3	22 138	18 543	17 441
Total long-term liabilities		24 197	20 399	18 739
CURRENT LIABILITIES				
Short-term interest-bearing debt	3	2 505	1 216	2 468
Trade account payable and other short-term debt	3	1 763	1 457	1 555
Tax payable		13	7	-
Total current liabilities		4 281	2 680	4 023
Total equity and liabilities		41 107	35 743	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	-	68	-	-
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	6 198	-13	3 250	2 700
Equity as at 1.1.2014	12 135	-	12 135	6 198	-13	3 250	2 700
Profit/loss for the year	829	3	826	826	-	-	-
Other comprehensive income	-410	-	-410	-	-410	-	-
Paid contributed capital	-	-	-	-	-	-3 250	3 250
Acquisition subsidiary	75	75	-	-	-	-	-
Equity as at 31.12.2014	12 629	78	12 551	7 024	-423	-	5 950

Cash flow statement

Statnett Group

<i>(Amounts in NOK million)</i>	Year	
	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1 120	89
Loss/gain(-) on sale of fixed assets	-59	-3
Depreciation and write-downs	1 150	1 048
Paid taxes	-	-210
Interest recognised in the income statement	270	268
Interest received	55	45
Interest paid, excl. construction interest	-301	-257
Changes in trade accounts receivable/payable	273	144
Changes in other accruals	531	110
Result from companies using equity method	-11	-10
Net cash flow from operating activities	3 028	1 224
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of tangible fixed assets	58	14
Purchase of tangible fixed assets, other intangible fixed assets and plants under construction	-5 809	-5 546
Construction interest paid	-196	-158
Purchase of subsidiary, net of cash acquired	-40	-491
Changes in investment in subsidiaries, associates and joint ventures	-	-20
Change in long term loan receivables	-14	-
Dividend received	4	4
Net cash flow from investing activities	-5 997	-6 197
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from new interest-bearing borrowings	3 048	8 195
Repayment of interest-bearing debt	-2 287	-2 883
Changes in collateral under CSA (Credit Support Annex) agreements	1 687	80
Proceeds from sale of market-based securities	476	310
Purchase of market-based securities	-1 156	-276
Dividends paid	-	-117
Proceeds from new equity	3 250	-
Net cash-flow from financing activities	5 018	5 309
Net cash flow for the period	2 049	336
Cash and cash equivalents at the start of the period	970	634
Cash and cash equivalents at the close of the period	3 019	970

Restricted bank deposit amounting to NOK 79 million is included in cash and cash equivalents as at 31 December, 2014. Unused credit facilities of NOK 6 500 million are not included in cash and cash equivalents.

Notes

Note 1 – Accounting policies

The interim accounts for the quarter 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 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 4 150 million in 2013 to NOK 4 741 million in 2014. Congestion revenues increased from NOK 576 million in 2013 to NOK 807 million in 2014.

Lower revenues for 2014 totalled NOK 665 million, compared with NOK 958 million in 2013. Accumulated higher revenue including interest and compensation amounted to NOK 1 790 million at the end of 2014.

Statnett Group <i>(Amounts in NOK million)</i>	Year	
	2014	2013
Tariff revenues	4 741	4 150
Congestion revenues	807	577
Income from other owners in shared grids	-160	-324
Operating revenues regulated activities	5 389	4 403
Total permitted revenue	6 054	5 361
This year's higher/lower (-/+) revenue, excl. interest	665	958
This year's provision for interest higher/lower (-/+) revenue	-42	-59
Higher/lower (-/+) revenue decision	-	-
Changes in higher/lower (-/+) revenue regarding pension liabilities as at 1.1.2013	-	143
Changed balance for higher/lower (-/+) revenue	623	1 042
Balance higher/lower (-/+) revenue, incl. interest as at 1 Jan.	-2 413	-3 455
Changed balance for higher/lower (-/+) revenue, incl. interest	623	1 042
Balance higher/lower (-/+) revenue, incl. interest year to date	-1 790	-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 – Overview of financial instruments

This footnote 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 Groups financial instruments measured at fair value is classified, compared to how objective the measurement method is.

As at 31 December 2014

Group (Amounts in NOK million)	Category	Measure- ment level	2014 Book value	2014 Fair value
ASSETS				
Fixed assets				
Long-term receivables	Loans and receivables		50	50
Subord. capital in Statnett SF's pension fund	Fair value through profit/loss	3	75	75
Financial assets available for sale	Available for sale	3	12	12
Derivatives	Fair value through profit/loss	2	3 203	3 203
Total financial fixed assets			3 340	3 340
Current assets				
Trade accounts receivable	Loans and receivables		119	119
Derivatives	Fair value through profit/loss	2	57	57
Other short-term receivables	Loans and receivables		296	296
Total trade accounts and other short-term receivables			472	472
Investment in market-based securities	Fair value through profit/loss	1	1 345	1 345
Liquid assets	Fair value through profit/loss		3 019	3 019
LIABILITIES				
Long-term interest-bearing debt	Other liabilities	1	21 893	22 260
Derivatives	Fair value through profit/loss	2	245	245
Total long-term interest-bearing debt			22 138	22 505
Short-term interest-bearing debt	Other liabilities	1	2 503	2 509
Derivatives	Fair value through profit/loss	2	2	2
Total short-term interest-bearing debt			2 505	2 511
Trade accounts payable and other short-term debt	Other liabilities		1 763	1 763
Total level 1*			-23 051	-23 425
Total level 2**			3013	3 013
Total level 3***			87	87

* Quoted prices for active markets for identical financial instruments. No adjustments are made regarding these prices.

** Measured using other observable input compared to level 1, either directly (prices) or indirectly (derived form prices)

*** Measured using input not based on observable market data.

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

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.

Reconciliation of level 3 in fair value measurements	2014	2013
Opening balance at 1. January	84	80
Net unrealised gain/loss in periode	3	1
Purchase during periode	0	3
Total fair value level 3	87	84

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.

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.

Statnett has an option to acquire another 25 percent of Lyse Sentralnett AS 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.

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>	2014	In the period after acquisition (3 February–31 December 2014)
Operating revenue	40	37
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	5 981	6 375
Transferred to tangible fixed assets	-6 954	-4 613
Write-offs	-	-19
Plants under construction at 31 December	5 047	6 020

Contractual obligations as at 31 December 2014

Contractual obligations as at 31 December 2014 total NOK 2 699 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. No gains were recorded in the fourth quarter. 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 calculations of the company's pension liabilities based on the Norwegian Accounting Standards Board's updated assumptions as of 31 December 2014.

The pension liability has increased by NOK 407 million as a result of changes in actuarial assumptions in 2014. 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:

Financial/actuarial assumptions	31.12.14	31.12.13
Discount rate corporate covered bonds (OMF)	2,30 %	4,10 %
Expected return on pension assets	2,30 %	4,10 %
Expected salaries adjustments	2,75 %	3,75 %
Expected pension adjustments	1,75 %	2,75 %
Expected adjustment of basic amount (G)	2,50 %	3,50 %
Expected mortality table adjustment	K2013	K2013

Changes in estimate variances	Year	
<i>(Amounts in NOK million)</i>	2014	2013
Discount rate	1214	-73
Rate of return assets	-60	-76
Salaries growth	-308	33
Pension adjustment	-450	-140
Mortality table (K2013)	-	188
Service cost	11	8
Total changes in estimate variances	407	-60

Declaration from the board of directors and CEO

We confirm that the financial statements for the period 1 January to 31 December 2014, to the best of our knowledge, have been prepared in compliance with IFRS. The disclosures in the financial statements give a true and fair view of the assets, liabilities, financial position and results as a whole, and that the disclosures in the annual report give a true and fair overview of the development, performance and position of the Group, together with a description of the principal risks and uncertainties facing the Group.

Oslo, 12 February 2015
The Board of Directors, Statnett SF

Kolbjørn Almlid
Chairman of the board

Per Hjorth
Deputy chairman

Maria Sandsmark
Board member

Egil Gjesteland
Board member

Synne Larsen Homble
Board member

Kirsten Indgjerd Værdal
Board member

Steinar Jøråndstad
Board member,
employee
representative

Pål Erland Opgård
Board member,
employee representative

Trine Pande-Rolfsen
Board member,
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Auke Lont
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