

Stat**nett**

Q1



Interim Report  
**01:13**

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# In short

## Highlights

Total operating revenues for the Statnett Group in the first quarter of 2013 amounted to NOK 1 261 million (NOK 1 395 million in the first quarter of 2012).

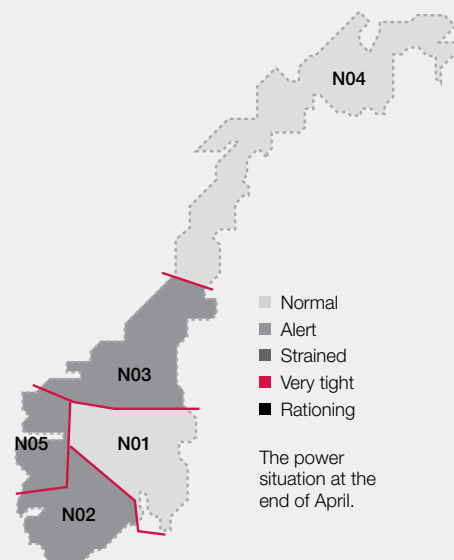
The Group reported a profit after tax of NOK 84 million in the first quarter of 2013 (NOK 265 million). The reduction in operating profit was mainly due to lower tariff revenues due to planned downward adjustment of tariffs as well as lower congestion revenues in 2013. This was reflected in the lower revenue which amounted to NOK 158 million at the end of the first quarter of 2013 (higher revenue of NOK 201 million). Statnett has implemented an amended reporting standard for pension liabilities. This increases the reported pension liability by NOK 143 million. To compensate for this, Statnett's balance for higher revenue will be reduced correspondingly. The profit after tax at the end of the first quarter, adjusted for changes in higher/ lower revenue and estimated interest expenses, was NOK 289 million.

Low precipitation and high consumption reduced the hydrological balance by 15 TWh resulting in a shortfall of 18 TWh at the end of the quarter. There was a change in reservoir levels from median levels at the beginning of the quarter to five TWh below the median at the end of the quarter. This impaired the power situation in the first quarter, particularly in western and central Norway. In April, Statnett changed the status of market areas NO5 (Bergen and surrounding areas), the northwestern part of NO2 (southern Norway) and NO3 (central Norway) from normal to alert.

## Important events

- Statnett and Svenska Kraftnät have made a joint decision to terminate the SydVest Link project. The reason for the decision was that the project has proven socio-economically unprofitable.
- Statnett, TenneT TSO GmbH and kfw have decided that Nord.Link will be the selected alternative for the Germany project. The 1400 MW interconnector will go between Vest-Agder (Tonstad) in Norway and Schleswig-Holstein (Wilster) in Germany. The interconnector is scheduled to become operational by the end of 2018.
- On 1 March, Statnett was granted the final licence for the northern section of the Eastern Corridor, Bamble - Rød. This means that Statnett now has a licence for the entire Kristiansand - Rød section.
- Successful move of Statnett's head office in Oslo, including the national control centre and the regional control centre for southern Norway.
- Markets and Operation Forum is established and the first meeting is held.

# Directors' report



## Security of supply

The power situation in Norway deteriorated throughout the first quarter of 2013, but was considered normal at the end of the quarter. At the beginning of April the power situation deteriorated in western and central Norway and Statnett changed the status of market areas NO5, the northwestern part of NO2 and NO3 from normal to alert.

The quarter was characterised by cold and dry weather. The average temperature for Norway was one degree below normal and precipitation was 80 percent of normal levels. Southern Norway had the coldest and driest weather. In March, several substations in southern Norway registered record-low precipitation for the month (lowest in more than 100 years).

High consumption and low precipitation impaired the hydrological balance by 15 TWh in the first quarter, and at the end of the quarter there was a shortfall of 18 TWh. At the beginning of the quarter, reservoir levels were 70 percent, on par with the median level (from the 1993-2012 measuring period). At the end of the period reservoir levels were 32 percent, five TWh below the median. Snow reservoirs were approximately 36 percent lower than normal at the end of the quarter.

The overall power consumption in the first quarter was 40 TWh, and overall power generation was 39 TWh, which resulted in net imports of one TWh. Net exports were six TWh in the corresponding period in 2012.

New production and consumption records were set in January due to cold weather. A production record of 26 075 MW was set on 16 January at 17.00 hours and on 23 January consumption peaked at 24 180 MW at 9.00 hours.

Frequency Restoration Reserves (FRR) have been active in Norway since December 2012, with a volume of 50 MW. From February 2013 the other Nordic countries have contributed with FRR. Total volume in the Nordic countries is 100 MW, of which Norway's share is 35 MW. As expected, the introduction of secondary reserves in the Nordic region has had a positive impact on the frequency quality. 18-24 March was a test period with a total capa-

city of 350 MW in the Nordic region. This had a significant positive effect.

There were several incidents in the first quarter of 2013 which caused disruptions for end-users. Preliminary estimated outage costs for connected end-users (under the KILE (Quality-adjusted revenue cap for energy not supplied) scheme) amounted to NOK 115 million, compared with NOK 4 million in the corresponding period in 2012.

The most important operational interruptions in the first quarter of 2013 were:

- The 132 kV power line from Hergot to Kvandal was out of service from 15 January to 14 February due to a fault. Simultaneous faults on units in Innset and Adamselv resulted in strained operations north of Ofoten and flexible consumption had to be disconnected.
- A storm on 2 March resulted in several power line breakdowns in central Norway. The power line between Viklandet and Fræna was out of operation until 5 March, which meant that Ormen Lange had to reduce its consumption to approximately 50 MW during this period, compared with a normal consumption of about 170 MW. Short-term consumption outages also occurred on Hydro Aluminium in Sunndalsøra and at Hustad Marmor on 2 March.
- Two major operational interruptions caused a complete blackout in Lofoten, Vesterålen and the Harstad area on two separate occasions on 13 and 14 March. The first incident resulted in a disconnection of 170 MW of consumption and lasted for several hours, whereas the second incident caused a loss of up to 300 MW of consumption, lasting for about one hour.

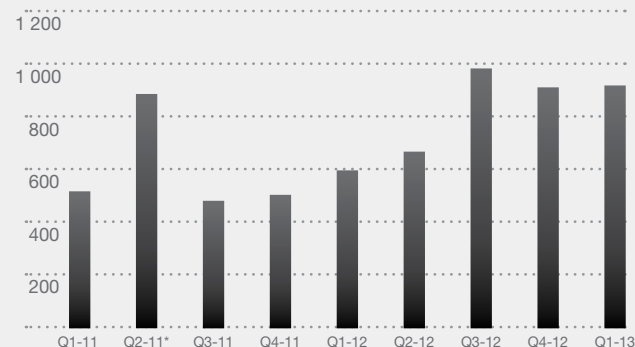
## Investments

Statnett has major development projects under planning and implementation. The plans are presented in Statnett's grid development plan from 2011 and the updated investment plan 2012. The plans are in line with Report to the Storting, No. 14 (2011-2012), the Grid Report.

In the first quarter of 2013 Statnett invested NOK 919 million (NOK 585 million), which is the sum of commissioned and ongoing investment projects.

## Investments Statnett Group

MNOK



\* Includes acquisition of assets from Hafslund NOK 323 million.

## Overview of major investment projects

See [www.statnett.no](http://www.statnett.no) for more information about the projects.

Project	Location	Expected investments NOK million
<b>Ongoing major investment projects</b>		
Ørskog - Sogndal	Møre og Romsdal/Sogn og Fjordane	4 600 - 5 600
Voltage upgrade		
Eastern Corridor (Kristiansand - Rød)	Vest-Agder/Telemark	1 350 - 1 950
Major investment in transformer stations (Frogner, Mestervik, Lakselv, spare transformers and reactors for power reduction)		1 300 - 1 600
Skagerrak 4	Norge/Danmark	1 400 - 1 700 <sup>1</sup>
Ytre Oslofjord	Vestfold/Østfold	1 200 - 1 400
Sima - Samnanger	Hordaland	900 - 1 100
Varangerbotn - Skogfoss	Finnmark	480 - 580
<b>Licences pending or appealed</b>		
Ofoten - Balsfjord - Hammerfest	Nordland/Troms/Finnmark	8 000 - 12 000
Voltage upgrade Western Corridor	Vest-Agder/Rogaland	6 000 - 9 000
Subsection Kristiansand - Bamble (Eastern Corridor) transformer capacity Eastern Norway and others)		2 500 - 3 600
Storheia - Snillfjord - Trollheim	Sør-Trøndelag/Møre og Romsdal	2 600 - 3 900
Namsos - Roan - Storheia	Trøndelag	1 400 - 2 100
Voltage upgrade in Central Norway		
Subsection Klæbu - Namsos	Trøndelag	700 - 1 000
Reinvestments Indre Oslofjord - interconnectors		670 - 870
<b>Interconnectors</b>		
Cabel to England		6 000 - 8 000 <sup>1</sup>
Cabel to Germany		6 000 - 8 000 <sup>1</sup>
<b>ICT projects</b>		
Renewal of Statnett's central operations system		400 - 500
New Regulation and Market System		200 - 250
Computer network for power system management		200 - 250

<sup>1</sup> Statnett share

The amounts in the table show the anticipated interval including all project costs. Ongoing projects are shown in current NOK, other projects in 2013 NOK.

## Important project events in the first quarter of 2013

- *Voltage upgrades Eastern Corridor Kristiansand - Rød:* Statnett has been granted a final licence for the entire section and Statnett's Board of Directors has made an investment decision for the whole project.
- *Ytre Oslofjord:* The production of the oil cables has started. Quality testing of the PEX cables is ongoing.
- *Ofoten - Balsfjord - Hammerfest:* Statnett's Board of Directors has made an investment decision in principle for the Ofoten - Balsfjord section and a request for power lines and substations is currently being drafted for this section. The Directorate for Cultural Heritage has granted Statnett a dispensation, releasing cultural heritage sites along the entire Ofoten - Hammerfest section.
- *Voltage upgrade Western Corridor:* A licence application has been submitted for 80 percent of the section. The Norwegian Water Resources and Energy Directorate (NVE) has granted a licence for the Kristiansand - Feda section. Statnett's Board of Directors has made an investment decision in principle for the part of the project requiring insulation.
- *Kvam transformer station:* The NVE has rejected Statnett's licence application. The decision was not appealed and is therefore final.
- *Ørskog - Sogndal:* There are unresolved issues that prevent the construction of some sections in Bremanger and Flora. Statnett has appealed the County's refusal of the application for dispensation regarding Sordalen, and has asked the bailiff clarify whether Statnett will accede to the relevant properties.

## Financial results

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 (IAS) and interim reports (IAS34) have been adhered to. The accounting policies and calculation methods used in the interim financial statements are the same as in the most recent annual financial statement.

## Operating revenues

The Group's operating revenues in the first quarter of 2013 totalled NOK 1 261 million (NOK 1 395 million in the first quarter of 2012). Operating revenues from regulated operations totalled NOK 1 211 million (NOK 1 344 million), while other operating revenues amounted to NOK 50 million (NOK 51 million). The reduction was mainly due to lower tariff revenues due to planned downward adjustment of tariffs as well as lower congestion revenues in 2013, partially offset by an increase in revenues from the energy element as a result of higher electricity prices in 2013. Dry and cold weather increased power prices in Norway in the first quarter of 2013 and resulted in lower price differences compared with the Netherlands, Sweden and Denmark.

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, higher or lower revenue will occur. Higher/lower revenue will level out over time through adjustment of future grid tariffs. In the first quarter of 2013, Statnett's lower revenue amounted to NOK 158 million (higher revenue of NOK 201 million). Accumulated higher revenue including interest was NOK 3 170 million at the end of the first quarter of 2013.

## Operating costs

The Group's operating costs totalled NOK 1 089 million in the first quarter of 2013 (NOK 959 million). The increase was mainly due to increased system services costs as well as an increase in other operating costs in 2013, partly based on non-recurring items.

System services costs were NOK 42 million higher in the first quarter of 2013 than in the corresponding period in 2012, primarily due to higher costs related to purchase of secondary and tertiary reserves. The Nordic market for

secondary reserves was launched in Norway in December 2012. The introduction of secondary reserves has had a positive impact on the grid frequency, and has resulted in increased system services costs. Due to cold weather in the first quarter of 2013, the volume and market prices in the regulating power market have been higher than normal, which resulted in higher tertiary reserves cost.

In the first quarter of 2013, transmission losses were on a par with the corresponding period in 2012.

Wage costs for the first quarter of 2013 were on par with the corresponding period in 2012. An increase in staff led to higher costs throughout 2012 due to increased construction, operation and maintenance activities. This was offset by lower pension costs following implementation of the revised accounting standard for calculation of pension costs (IAS 19R) including changes in actuarial assumptions applied to pension calculations. See Note 1 for further information.

Depreciation and write-downs were up NOK 16 million in the first quarter of 2013 compared with the corresponding period in 2012. This was due to commissioning of several facilities in 2012.

Other operating costs were NOK 55 million higher in the first quarter of 2013 than in the corresponding period in 2012. This was primarily due to non-recurring costs related to the head office move, as well as increased maintenance costs in 2013.

#### **Operating profit**

The Group's profit after tax in the first quarter of 2013 was NOK 172 million (NOK 436 million).

#### **Financial items**

Net financial items amounted to a loss of NOK 60 million in the first quarter of 2013 (loss of NOK 75 million).

#### **Net profit**

The Group's profit after tax in the first quarter of 2013 was

NOK 84 million (NOK 265 million). The profit after tax for the first quarter, adjusted for changes in higher/lower revenue including estimated interest expenses, was NOK 289 million.

#### **Cash flow and balance sheet**

The Group's operating activities generated an accumulated cash flow of NOK 251 million in the first quarter of 2013. The net cash flow from investment activities totalled a loss of NOK 918 million. In total, loans were paid down by NOK 1 700 million, and new loans of NOK 2 785 million were raised. At the end of the first quarter of 2013, the Group's liquid assets and market-based securities amounted to NOK 1 727 million (NOK 1 778 million).

At the end of the first quarter of 2013, the Group had total assets of NOK 26 595 million (NOK 24 137 million), and interest-bearing debt amounted to NOK 15 307 million. The market value of recognised interest swap and currency swap agreements (fair value hedges) related to interest-bearing debt was NOK 836 million. Net interest-bearing debt, corrected for this, totalled NOK 14 471 million.

#### **Subsidiaries and associated companies**

Statnett SF owns Statnett Transport AS a 100 percent. In the first quarter of 2013, operating revenues for Statnett Transport amounted to NOK 23 million (NOK 19 million) and the loss before tax was NOK 3 million (loss of NOK 4 million).

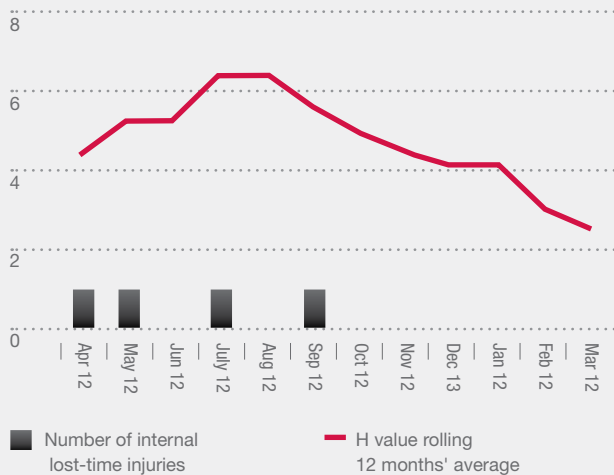
At the end of the first quarter of 2013, Statnett SF had an ownership interest of 28.8 percent in Nord Pool Spot AS. Statnett's share of the result in Nord Pool ASA contributed NOK 4 million (NOK 3 million) to the Statnett Group's profit in 2013.

#### **Risk**

Statnett practises unified risk management which reflects that the enterprise manages critical infrastructure in a vulnerable society, and that the enterprise is in a growth phase with a significant project volume. Statnett's tolerance for risks with a potential impact on HSE and supply of electrical power is low. A secure power supply in general forms the basis for a stable supply of electricity to the end-users,



### H value and lost-time injuries



value creation and realisation of climate-friendly solutions. Important activities for managing risk in connection with supply of electrical power include:

- Asset management including new investments and reinvestments, maintenance and security measures
- Exercising Statnett's system responsibility
- Preparedness

Statnett's risk management covers the enterprise's entire perspective, including strategic, commercial, operational and financial aspects. Statnett's risk management is an integrated part of the company's activities, coordinated across divisions by means of a common methodical foundation and framework. There is focus on risks with a potential impact on HSE, power supply, financial aspects, reputation or compliance. Consequences at enterprise level will take priority.

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

Statnett has established a financial policy and framework for financial management, including limits in connection with credit risk, settlement risk and counterparty risk, as well as instructions for implementation of financial transactions. Control procedures have been established which are carried out independently.

The enterprise has a credit facility totalling NOK 3.5 billion with a five-year term to support an ability to fund at least 12 months' 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.

Please see Statnett's annual report 2012 for more information about risk.

### Absence due to illness



## Corporate social responsibility

Corporate social responsibility (CSR) is an integrated part of Statnett's fundamental values, being the core of the management system and contains the tools needed to conduct activities in the right way. CSR in Statnett is about understanding the expectations of the community, and handling these expectations in a manner which generates mutual respect. The key elements are embedded in Statnett's objectives, which stipulate that Statnett will maintain security of supply through a grid with sufficient capacity and high quality, that Statnett's services will generate value for the customers and society at large, and that Statnett will pave the way for realisation of Norway's climate objectives. CSR in Statnett entails integration of social and environmental considerations in the company's daily operations and that CSR is embedded in the company's continuous corporate governance and anchored in the enterprise's management and organisation. See Statnett's annual report 2012 for more information about CSR.

## Health, Safety and Environment (HSE)

On 3 January an accident occurred during rebuilding of a power line at Kristiansand transformer station, where one contractor employee lost his life. Both Scanpower and the Norwegian Labour Inspection Authority concluded that the direct cause of the accident was a faulty hydraulic hose. The Norwegian Labour Inspection Authority has concluded its report on the accident and did not identify any nonconformities in relation to Statnett as the builder. The accident is still being investigated by the police.

Including the fatal accident, Statnett's suppliers/subcontractors reported 14 lost-time injuries in the first quarter. In addition to the fatal accident another serious accident occurred, where one person who was preparing a mobile crane was hit across the face by a wire, suffering cuts and dental injuries.

There were no internal lost-time injuries in the first quarter of 2013.

The Group's overall absence due to illness was 3.1 percent in the first quarter of 2013, compared with 3.6 percent in the corresponding period in 2012.



## Outlook

Statnett is in a phase of intense building activity and several projects will be completed in 2013 and in the next few years. The Sima-Samnanger and Ørskog-Sogndal projects are important power lines to secure supply to the Bergen area and central Norway, respectively. Statnett is also focusing on completing the Eastern Corridor and the cable projects Ytre Oslofjord and Skagerrak 4.

There will be intense building activity in this period. 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 strengthening operative preparedness to improve its ability to handle any unforeseen and critical incidents.

Statnett is working on the construction of interconnectors to Germany and the UK, which are scheduled for completion in 2018 and 2020, respectively. These projects are important for the development of the Northern European power grid and are a top priority for all parties involved. These projects will help ensure security of supply during cold and dry spells and contribute to 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. Furthermore, the new interconnectors will contribute to the further integration of the Northern European power market.

Statnett currently holds a final licence for 19 percent of the project portfolio. To be able to implement the planned development projects according to schedule, Statnett is dependent on an efficient licensing process and an external supplier market that can offer sufficient capacity in the years to come. Statnett is eager to further improve collaboration with all involved parties to secure important input to the planning and realisation of new power lines. In this regard, initiatives have been taken in relation to local and regional authorities as well as other stakeholders. Among other initiatives, Statnett has strengthened cooperation with regional grid companies to ensure the best possible knowledge of local conditions.

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

Statnett is involved in international cooperation both at a European and Nordic level. This work is important as many of the framework conditions are stipulated by the EU and 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 hydropower system differs from the European system it is essential that the framework conditions are formulated to secure Norwegian security of supply and help promote value creation. The Nordic TSOs cooperate on many key issues at the European level.

Statnett has experienced strong growth in recent years. Statnett is currently implementing a necessary restructuring of its organisation to increase the company's implementation ability. Most of this work is expected to be completed in 2013. Concurrently, Statnett is faced with a demand from customers and the authorities for a high degree of cost efficiency. In order to realise the benefits of our resource development, ongoing improvement work and improved use of the supplier market, the Group management and the Board of Directors have established a necessary goal which involves increasing productivity in the enterprise before the end of 2016.

The increased investments will result in higher tariffs in the years to come. Statnett has a balance for higher revenue which will be partly returned to Statnett's customers through reduced tariffs in 2013. This will also curb the increase in tariffs somewhat in the coming years.

**Oslo, 15 May 2013**

The Board of Directors, Statnett SF

# Statement of comprehensive income

Statnett Group

<i>(Amounts in NOK million)</i>	<i>Note</i>	First quarter		Year 2012
		2013	2012	
<b>Operating revenue</b>				
Operating revenue regulated operations		1 211	1 344	5 090
Other operating revenue		50	51	244
<b>Total operating revenue</b>		<b>1 261</b>	<b>1 395</b>	<b>5 334</b>
<b>Operating costs</b>				
System services		180	138	505
Transmission losses		228	220	591
Salaries and personnel costs		207	198	802
Depreciation and write-downs of tangible fixed assets		208	192	827
Other operating costs		266	211	1 176
<b>Total operating costs</b>		<b>1 089</b>	<b>959</b>	<b>3 901</b>
<b>Operating profit</b>		<b>172</b>	<b>436</b>	<b>1 433</b>
Income from associate		4	3	9
Financial income		18	24	95
Financial costs		78	99	375
<b>Profit before tax</b>		<b>116</b>	<b>364</b>	<b>1 162</b>
Tax		32	99	325
<b>Profit for the period</b>		<b>84</b>	<b>265</b>	<b>837</b>
<b>Other comprehensive income</b>				
Changes in estimate deviations of pension liabilities	1	-	-	627
Changes in fair value for cash flow hedges		4	5	-58
Tax related to other comprehensive income	1	-1	-1	-159
<b>Other comprehensive income</b>		<b>3</b>	<b>4</b>	<b>410</b>
<b>Total comprehensive income</b>		<b>87</b>	<b>269</b>	<b>1 247</b>

# Balance sheet

Statnett Group

<i>(Amounts in NOK million)</i>	<i>Note</i>	<b>31.03.13</b>	<b>31.03.12</b>	<b>31.12.12</b>
<b>ASSETS</b>				
<b>Intangible fixed assets</b>				
Goodwill		53	53	53
Other intangible fixed assets		13	13	13
<b>Total intangible fixed assets</b>		<b>66</b>	<b>66</b>	<b>66</b>
<b>Fixed assets</b>				
Tangible fixed assets		17 733	17 345	17 877
Plant under construction		5 100	2 832	4 277
Investment in associate		58	57	54
Financial fixed assets		1 153	971	1 242
<b>Total fixed assets</b>		<b>24 044</b>	<b>21 205</b>	<b>23 450</b>
<b>Current assets</b>				
Trade accounts receivable and other short-term receivables		758	1 088	976
Market-based securities		652	670	668
Liquid assets		1 075	1 108	634
<b>Total current assets</b>		<b>2 485</b>	<b>2 866</b>	<b>2 278</b>
<b>Total current assets</b>		<b>26 595</b>	<b>24 137</b>	<b>25 794</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Contributed capital		2 700	2 700	2 700
Other equity accrued	1	6 239	5 291	6 152
<b>Total equity</b>		<b>8 939</b>	<b>7 991</b>	<b>8 852</b>
<b>Long-term liabilities</b>				
Deferred tax	1	477	213	465
Pension liabilities	1	424	1 024	551
Other liabilities		67	66	75
Long-term interest-bearing debt		14 249	11 754	12 484
<b>Total long-term liabilities</b>		<b>15 217</b>	<b>13 057</b>	<b>13 575</b>
<b>Current liabilities</b>				
Short-term interest-bearing debt		1 058	1 781	1 906
Trade account payable and other short-term debt		1 284	1 076	1 251
Tax payable		97	232	210
<b>Total current liabilities</b>		<b>2 439</b>	<b>3 089</b>	<b>3 367</b>
<b>Total equity and liabilities</b>		<b>26 595</b>	<b>24 137</b>	<b>25 794</b>

# Statement of changes in equity

Statnett Group

<i>(Amounts in NOK million)</i>	<i>Note</i>	<b>Total equity</b>	<b>Other equity accrued</b>	<b>Other items</b>	<b>Contributed capital</b>
<b>Equity as at 1.1.2012</b>		<b>8 277</b>	<b>5 616</b>	<b>-39</b>	<b>2 700</b>
Implementation effect of IAS 19R	1	-555	-555	-	-
<b>Equity as at 1.1.2012</b>		<b>7 722</b>	<b>5 061</b>	<b>-39</b>	<b>2 700</b>
Profit/loss for the year		837	837	-	-
Other comprehensive income		410	-	410	-
Dividends declared		-117	-117	-	-
<b>Equity as at 31.12.2012</b>		<b>8 852</b>	<b>5 781</b>	<b>371</b>	<b>2 700</b>
<b>Equity as at 1.1.2012</b>		<b>8 277</b>	<b>5 616</b>	<b>-39</b>	<b>2 700</b>
Implementation effect of IAS 19R	1	-555	-555	-	-
<b>Equity as at 1.1.2012</b>		<b>7 722</b>	<b>5 061</b>	<b>-39</b>	<b>2 700</b>
Profit/loss for the period		265	265	-	-
Other comprehensive income		4	-	4	-
<b>Equity as at 31.3.2012</b>		<b>7 991</b>	<b>5 326</b>	<b>-35</b>	<b>2 700</b>
<b>Equity as at 31.12.2012, in accordance with annual report 2012</b>		<b>8 955</b>	<b>6 336</b>	<b>-81</b>	<b>2 700</b>
Implementation effect of IAS 19R	1	-103	-555	452	-
<b>Equity as at 1.1.2013</b>		<b>8 852</b>	<b>5 781</b>	<b>371</b>	<b>2 700</b>
Profit/loss for the period		84	84	-	-
Other comprehensive income		3	-	3	-
<b>Equity as at 31.3.2013</b>		<b>8 939</b>	<b>5 865</b>	<b>374</b>	<b>2 700</b>

# Cash flow statement

Statnett Group

<i>(Amounts in NOK million)</i>	<b>31.03.13</b>	<b>31.03.12</b>	<b>31.12.12</b>
<b>Cash flow from operating activities</b>			
Profit before tax	116	364	1 162
Loss/gain(-) on sale of fixed assets	-	1	3
Ordinary depreciation and write-downs	208	192	827
Paid tax for the period	-136	-116	-271
Interest recognised in the income statement for the period	91	96	376
Interest received for the period	8	13	43
Interest paid for the period	-59	-96	-432
Changes in trade accounts receivable/payable	-100	-343	65
Changes in other accruals	127	143	-338
Result from companies using equity method	-4	-3	-9
<b>Net cash flow from operating activities</b>	<b>251</b>	<b>251</b>	<b>1 426</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of tangible fixed assets	1	4	52
Purchase of tangible fixed assets and plants under construction	-919	-585	-3 152
Dividend received	-	-	15
<b>Net cash flow from investing activities</b>	<b>-918</b>	<b>-581</b>	<b>-3 085</b>
<b>Cash flow from financing activities</b>			
Proceeds from new interest-bearing borrowings	2 785	1 500	5 903
Repayment of interest-bearing debt	-1 700	-999	-4 439
Proceeds from sale of market-based securities	77	22	220
Purchase of market-based securities	-54	-87	-276
Dividends paid	-	-	-117
<b>Net cash-flow from financing activities</b>	<b>1 108</b>	<b>436</b>	<b>1 291</b>
<b>Net cash flow for the period</b>	<b>441</b>	<b>106</b>	<b>-368</b>
Cash and cash equivalents at the start of the period	634	1 002	1 002
Cash and cash equivalents at the close of the period	1 075	1 108	634

Restricted bank deposit amounting to NOK 83 million is included in cash and cash equivalents as at March 31, 2013.

Unused credit facilities of NOK 3 500 million are not included in cash and cash equivalents.

# Notes

## Note 1 – Accounting policies

The interim accounts for the first quarter of 2013 have been presented in accordance with IAS 34. The interim accounts do not contain all the additional information required in the annual accounts, and should therefore be read in the context of the consolidated accounts presented on 31 December 2012.

The accounting policies that have been applied for the interim accounts for the first quarter of 2013 are consistent with the accounting policies that were applied for the consolidated accounts presented on 31 December 2012 with the following exception:

### Pension

As of 1 January 2013, the Group has implemented IAS 19 Employee Benefits (June 2011) ("IAS 19R") and changed its basis for calculation of pension liabilities and pension costs. The Group previously applied the corridor method for recognition of unamortised actuarial gains and losses. The use of the corridor method is no longer permitted, and all actuarial gains and losses must according to IAS 19R be recognised under other comprehensive income in the income statement. Actuarial gains and losses as at 1 January 2012 amounting to NOK 771 million have been set at zero. The corresponding figure at 1 January 2013 was NOK 145 million. Pension liabilities increased by NOK 771 million as at 1 January 2012, whereas equity was reduced by NOK 555 million (after tax).

In accordance with the option to choose financial reporting presentation pursuant to IAS 19R, the Group has decided to present interest expenses under salaries and personnel costs instead of net financial costs.

Return on pension assets was previously calculated using the long-term projected yield on pension assets. Following implementation of IAS 19R, net interest expenses for the period are now calculated by applying the discount rate at the beginning of the period to the net liability. Consequently, net interest expenses associated with the pension scheme consist of interest on the liability less the return on the assets, both calculated using the discount rate. Changes to net pension liabilities as a result of premium payments and disbursement of pensions have been taken into account. The difference between actual and recognised returns on pension assets is recognised consecutively in other comprehensive income.

The change in recognition principle for unamortised actuarial gains and losses has resulted in virtually unchanged recognised pension costs in 2012. Actuarial gains/losses of NOK 626 million were recorded in other comprehensive income. Pension liabilities as at 31 March 2012 increased to NOK 1 024 million. IAS 19 R has been applied retrospectively, and the comparative figures have been changed.

Below follows an overview of the effects on the accounts as a result of the change:

<i>(Amounts in NOK million)</i>	<b>Pension liabilities</b>	<b>Deferred tax</b>	<b>Equity</b>
<b>Statnett Group</b>			
Estimate deviations as at 1.1.2012	-771	216	555
Estimate deviations as at 1.1.2013	-145	41	104
<b>Changes in estimate deviations during 2012, included in other comprehensive income</b>	<b>626</b>	<b>-175</b>	<b>-451</b>

# Notes

## 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, higher or lower revenue will occur. Higher/lower revenue will level out over time through adjustment of future grid tariffs.

Lower revenue in the first quarter of 2013 amounted to NOK 158 million (higher revenue of NOK 201 million) for the period. 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 amounted to NOK 3 170 million at the end of the first quarter of 2013.

<i>(Amounts in NOK million)</i>	Year to date		
	2013	2012	År 2012
<b>Statnett Group</b>			
Tariff revenues	1 148	1 215	4 399
Congestion revenues	127	185	877
Income from other owners in shared grids	-63	-56	-186
<b>Total operating revenues regulated activities</b>	<b>1 212</b>	<b>1 344</b>	<b>5 090</b>
Total permitted revenue	1 370	1 143	4 025
<b>This year's higher/lower (-/+)-revenue, excl. interest</b>	<b>158</b>	<b>-201</b>	<b>-1 065</b>
This year's provision for interest higher/lower (-/+)-revenue	-16	-13	-45
Higher/lower (-/+)-revenue decision	-	-	272
Changes in higher/lower (-/+)-revenue regarding pension liabilities as at 1.1.2013	143	-	-
<b>Changed balance for higher/lower (-/+)-revenue</b>	<b>285</b>	<b>-214</b>	<b>-838</b>
<b>Balance higher/lower (-/+)-revenue, incl. interest as at 1 Jan.</b>	<b>-3 455</b>	<b>-2 617</b>	<b>-2 617</b>
Changed balance for higher/lower (-/+)-revenue, incl. interest	285	-214	-838
<b>Balance higher/lower (-/+)-revenue, incl. interest year to date</b>	<b>-3 170</b>	<b>-2 831</b>	<b>-3 455</b>

### Impact of grid outages on profit

On Saturday 2 March, an outage occurred on the 420 kV interconnector between Viklandet and Fræna. This resulted in a 120 MW loss of load to Ormen Lange. General consumption was not affected. Due to adverse weather in Nordmøre, the Sunndalsøra power line crew could not ascend the mountain to repair the fault until 5 March. Statnett entered into a dialogue with the NVE prior to the incident to ascertain how to deal with outages in Nyhamna in terms of the KILE (Quality-adjusted revenue cap for energy not supplied) scheme and system operation costs. The financial consequences for Statnett as a result of the outage have therefore not yet been clarified. In the accounts there has been made a provision for the first quarter following the same principle as for previous incidents.



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