Statnett

Q3

Interim Report
03:13

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In short

Highlights

Total operating revenues for the Statnett Group in the third quarter of 2013 amounted to NOK 1 105 million (NOK 1 360 million in the third quarter of 2012). As of the third quarter of 2013, the Group's operating revenues amounted to NOK 3 490 million (NOK 3 993 million in the corresponding period in 2012).

The Group reported a profit after tax of NOK 87 million in the third quarter of 2013 (NOK 270 million). The reduction was due to lower congestion revenues and lower tariff revenues due to planned downward adjustment of tariffs in 2013. This was reflected in the lower revenue which amounted to NOK 218 million in the third quarter of 2013 (higher revenue of NOK 374 million).

At the end of the third quarter of 2013 the profit after tax was NOK 151 million (NOK 722 million). The reduction was due to lower congestion revenues, lower tariff revenues as well as higher operating costs in 2013. This was reflected in the lower revenue which amounted to NOK 620 million at the end of the third quarter of 2013 (higher revenue of NOK 764 million). The lower revenue reduces Statnett's accumulated higher revenue balance as planned, as the higher revenue will be returned to Statnett's customers over time through adjustment of tariffs. Corrected for non-reported higher/lower revenue and estimated interest expenses, the profit after tax would have been NOK 667 million at the end of the third quarter of 2013.

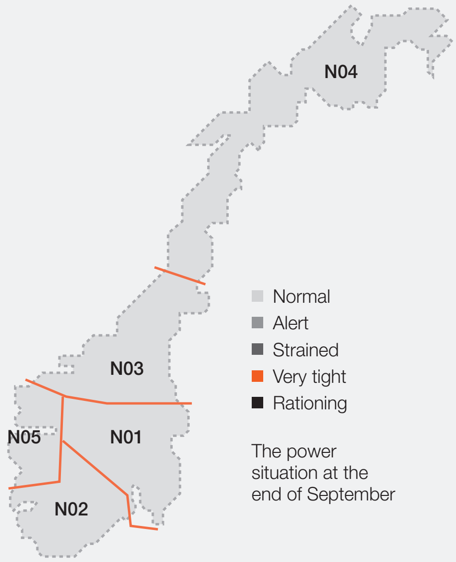
The power situation is still good. Less precipitation than normal resulted in a weakening of the hydrological balance by 2 TWh in the third quarter of 2013, and, compared with normal, there was a hydrological deficit of 7 TWh at the end of the quarter. There was a change in reservoir levels from 2 TWh above median levels at the beginning of the quarter to 8 TWh under the median at the end of the quarter.

In short

Important events

- During the quarter there have been two serious incidents involving personnel; a serious incident in Nesbyen where a personnel lift toppled and a blasting accident at the Ørskog - Sogndal project.
- A new 132 kV power line between Skogfoss and Varangerbotn was completed.
- Two of three cable sets have been laid in Ytre Oslofjord.
- The Ministry of Petroleum and Energy (MPE) has granted Statnett a final licence to build a new 420 kV power line from Ofoten to Balsfjord.
- The MPE has granted Statnett a licence to build a new 420 kV power line from Namsos via Fosen to Trollheim to facilitate development of 3.7 TWh wind power in Fosen and in the Snillfjord area. MPE has decided to make the line part of the main grid.
- Statnett has received a ruling from Fjordane District Court giving Statnett legal access to the transformer site and route in Ålfoten, Bremanger.
- Statnett has submitted an application to the Norwegian Water Resources and Energy Directorate (NVE) for dispensation from the terms and conditions of the licence for use of Statnett›s reserve power plant in Nyhamna. Statnett applies for acceptance to start the reserve power plant as an emergency preparedness to supply Ormen Lange if the 420 kV connector between Viklandet and Fræna should fail. The NVE has submitted a recommendation to the MPE.
- Statnett and Lyse Sentralnett AS have signed an agreement for Statnett›s acquisition of a 50 percent shareholding in Lyse Sentralnett AS from 1 January 2014. Statnett will acquire another 25 percent when a licence is granted for Lysebotn - Støleheia and the remaining 25 percent upon completion of the line.
- Energy exchanges and TSOs in north-western Europe have agreed to implement a common price coupling in the spot market, with the launch scheduled for 26 November 2013. The price coupling will ensure more optimal power flow between the region›s market areas.
- Statnett has adopted the main outline for how pricing of the main grid will be developed in the period 2014-2018.
- The NVE has decided that Statnett will maintain its financial framework conditions compared with the revenue regulation in 2014. This has been decided on the basis of a benchmark carried out for the European TSOs.
- The state budget proposal contains an allocation of NOK 3.25 billion in new equity for Statnett in 2014, as well as reduced dividend up to 2017.
- On 30 August, the independent Latvian TSO Augstsprieguma (AST) became a shareholder in Nord Pool Spot AS after buying a shareholding of 2 percent in the company.
- Statnett has prepared a forecast for a future area structure in Elspot in Norway for the period 2013-2016, where NO5 will be expanded and maintained as a separate area from December 2013.

Directors' report



Security of supply

At the beginning of the third quarter 2013, reservoir levels were 68 percent, 2 percentage points above the median (from the 1993-2012 measuring period). Little snow in the mountains at the beginning of the quarter, as well as less precipitation than normal in the period, resulted in reservoir levels being 77 percent at the end of the period, 10 percentage points below the median.

The hydrological balance fell by 2 TWh in the third quarter of 2013 and, compared with normal, there was a hydrological deficit of 7 TWh at the end of the period. At the end of the third quarter 2012, there was a surplus in the hydrological balance of approximately 7 TWh.

Total power generation and consumption was 29.5 TWh and 25 TWh, respectively, in the third quarter of 2013. This resulted in a net export of 4.5 TWh during the period. Net export was 6 TWh in the corresponding quarter in 2012.

In August and September there was a high upgrade activity in the grid. This resulted in reduced trading capacity out of Norway, in particular from southern Norway.

The secondary reserve market was re-started on 15 September. Norway's share is 35 MW, of a total of 100 MW in the Nordic region.

On Sunday, 4 August, Nord Pool Spot was unable to calculate Elspot prices for the subsequent Monday. Prices and volumes had to be copied from Friday, 2 August in accordance with Nord Pool's regulations. The market for frequency-controlled reserves was set aside and most revisions starting Monday were cancelled. The situation resulted in an increased risk of major imbalance and demanding operations, but had no negative consequences.

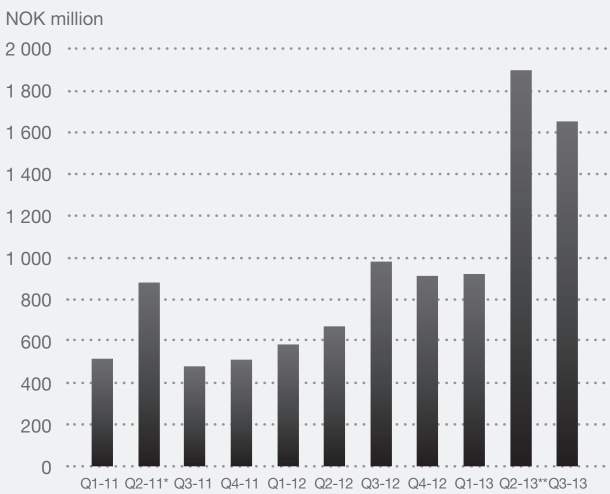
There were few incidents in the third quarter of 2013 which caused disruptions for end-users. Preliminary estimated outage costs for connected end-users (under the KILE (Quality-adjusted revenue cap for energy not supplied) scheme) amounted to NOK 15 million, compared with NOK 3 million in the corresponding period in 2012. Estimated outage costs at the end of September 2013 were NOK 155 million, compared with NOK 20 million in the corresponding period of 2012.

There were few serious operating interruptions in the third quarter of 2013. The most important operational interruptions were:

- A fault in the SF6 facility in Tegneby on 22 July resulted in an outage on the 420 kV line between Tegneby and Hasle. The power limits for the SF6 facility have been reduced until the fault is corrected.
- Major lightning storms between 22 July and 1 August resulted in many outages. The consequences were most serious in eastern Finnmark, where Vardø and Vadsø were without electricity for several hours and a transformer caught fire in Adamselv on 29 July. A new transformer was installed later the same week.
- On 31 July, there was an outage on the Aura - Ranes - Trollheim line as a result of landslides in Todalen. The Ranes - Trollheim line was reconnected the same day, but the Aura - Ranes line was out of operation until 26 August.

In addition, there was an incident on 9 August where the cable between Merkesvik and Kollsneset (BKK) broke down. As a result, supply to Kollsnes will not have full back-up until a new connector is installed.

Investments Statnett Group



* Includes acquisition of assets from Hafslund
** Includes acquisition of Nydalen Allè 33

Investments

Statnett has major development projects under planning and implementation. These plans are presented in Statnett's 2013 grid development plan. The plans are in line with Report to the Storting, No. 14 (2011-2012), the Grid Report.

At the end of the third quarter of 2013 Statnett had invested NOK 4 465 million (NOK 2 238 million), including both commissioned and ongoing investment projects.

Overview of major investment projects are shown in the table below.

Overview of major investement projects

See www.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 - 2 700
Skagerrak 4	Norway/Denmark	1 400 - 1 700 [1)]
Eastern Corridor, voltage upgrade and new power line	Vest-Agder/Telemark	1 300 - 1 600
Ytre Oslofjord	Vestfold/Østfold	1 200 - 1 400
Sima - Samnanger, new 420 kV power line	Hordaland	900 - 1 100
Varangerbotn - Skogfoss, new 132 kV power line	Finnmark	480 - 580
Licences pending or appealed		
Western Corridor, voltage upgrade	Vest-Agder/Rogaland	6 000 - 9 000
Namsos - Trollheim, new 420 kV power line	Trøndelag/Møre og Romsdal	5 400 - 7 700
Balsfjord - Hammerfest, new 420 kV power line	Nordland/Troms/Finnmark	5 000 - 8 000
Ofoten - Balsfjord, new 420 kV power line	Nordland/Troms/Finnmark	3 000 - 4 000
Station investments (Hamang, Salten, transformers Western Norway and others)		1 500 - 2 200
Indre Oslofjord, reinvestments interconnectors		1 150 - 1 650
Voltage upgrade in Central Norway, subsection Klæbu - Namsos	Trøndelag	700 - 1 000
Interconnectors		
Cabel to England		6 000 - 8 000 [1)]
Cabel to Germany		6 000 - 8 000 [1)]
ICT projects		
Renewal of Statnett's central operations system		400 - 500
New Regulation and Market System		200 - 250
Computer network for power system management		200 - 250

1 *Statnett share*

The amounts in the table show an anticipated interval including all costs of the project.
Commissioned and ongoing projects are shown in current value, other projects in 2013 NOK.

Important project events in the third quarter of 2013

- *Ørskog - Sogndal:* The District Court has granted Statnett access to the properties in Bremanger. The property owners have sued the Ministry of the Environment over the dispensation for construction through Sørdalen nature reserve.
- *Ytre Oslofjord:* Three PEX cables and three oil cables have been laid. Protection of the sea cable and installation of cable muffs are ongoing. The emergency cable has been retrieved. The final set of oil cables will be installed in 2014.
- *Sima - Samnanger:* The installation of the line on the last tension section from Fyksesundet to Bjølsegrøvatnet has been completed. Start-up is planned for December 2013.
- *Varangerbotn - Skogfoss:* A new 132 kV power line was put into operation on 3 September 2013. The expansion of Skogfoss station will be completed in 2013, but the rehabilitation will continue in 2014.
- *Western corridor:* Work on the voltage upgrade has been initiated between Kristiansand and Feda. 75 percent of the masts have been reinsulated.
- *Namsos - Trollheim:* Final licence received from the MPE.
- *Ofoten - Balsfjord:* Final licence received from the MPE.

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 (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 2013 totalled NOK 1 105 million (NOK 1 360 million in the third quarter of 2012). Operating revenues from regulated operations totalled NOK 1 064 million (NOK 1 298 million), while other operating revenues amounted to NOK 41 million (NOK 62 million). The reduction was due to lower congestion revenues in 2013, as well as lower tariff revenues due to planned downward adjustment of tariffs for 2013.

At the end of the third quarter of 2013, the Group's total operating revenues amounted to NOK 3 490 million (NOK 3 993 million). Operating revenues from regulated operations totalled NOK 3 362 million (NOK 3 813 million), while other operating revenues amounted to NOK 128 million (NOK 180 million). The reduction was due to lower congestion revenues and tariff revenues in 2013.

Statnett's operating revenues mainly derive from grid operations regulated by the NVE, which stipulates a cap (permitted revenue) for Statnett's revenues. 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 2013, Statnett's lower revenue amounted to NOK 218 million (higher revenue of NOK 374 million). At the end of the third quarter of 2013, the lower revenue totalled NOK 620 million (NOK 764 million). Accumulated higher revenue, including interest, was NOK 2 738 million.

Operating costs

The Group's operating costs totalled NOK 922 million in the third quarter of 2013 (NOK 933 million). Increased transmission costs were offset by lower wage costs and lower costs for purchase of system services.

System services costs were NOK 22 million lower in the third quarter of 2013 compared with the corresponding period in 2012. Costs for special adjustments have been lower, but the introduction of secondary reserve market resulted in increased system services costs.

In the third quarter of 2013, transmission losses were NOK 60 million higher than in the corresponding period in 2012. This was due to higher electricity prices in 2013.

Wage costs were NOK 29 million lower in the third quarter of 2013 compared to the corresponding period in 2012. An increase in staff led to higher costs throughout 2013 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 Notes 1 and 4 for more information.

Depreciation and write-downs in the third quarter of 2013 were NOK 16 million higher than in the corresponding period in 2012. This was due to a net increase in the value of commissioned facilities.

Other operating costs were NOK 36 million lower in the third quarter of 2013 than in the corresponding period in 2012. This was due to costs for project development of interconnectors in 2012.

At the end of the third quarter of 2013, operating costs totalled NOK 3 114 million (NOK 2 787 million). There has been an increase in system services costs of NOK 80 million. The increase is related to primary, secondary and tertiary reserves.

Transmission losses were NOK 115 million higher at the end of the third quarter of 2013 than in the corresponding period in 2012 due to higher energy prices in 2013.

Wage costs as of the third quarter of 2013 were NOK 37 million lower than in the corresponding period of 2012. See the above for a more detailed explanation.

Depreciation and write-downs as of the third quarter of 2013 were NOK 159 million higher than in the corresponding period of 2012. This was due to a net increase in the value of commissioned facilities, as well as extraordinary depreciation and write-downs relating to Statnett's former head office in Oslo and the Sydvestlink project.

At the end of the third quarter of 2013 other operating costs were on par with the corresponding period in 2012. In 2013, there were non-recurring costs related to the head office move, as well as increased maintenance costs. In 2012, costs were incurred in the project development of interconnectors.

Operating profit

The Group's operating profit in the third quarter of 2013 was NOK 183 million (NOK 427 million). At the end of the third quarter of 2013 the Group's operating profit amounted to NOK 376 million (NOK 1 206 million).

Financial items

Net financial items amounted to a loss of NOK 62 million in the third quarter of 2013 (loss of NOK 55 million). At the end of the third quarter of 2013 the Group's net financial items amounted to a loss of NOK 172 million (loss of 207 million).

Net profit/loss

The Group's profit after tax in the third quarter of 2013 was NOK 87 million (NOK 270 million). At the end of the third quarter of 2013 the profit after tax was NOK 151 million (NOK 722 million). The profit after tax at the end of the period, adjusted for changes in higher/ lower revenue and estimated interest costs, was NOK 667 million.

Cash flow and balance sheet

The Group's operating activities generated an accumulated cash flow of NOK 732 million as of the third quarter of 2013. The net cash flow from investment activities totalled NOK -4 449 million. In total, loans were paid down by NOK 2 692 million, and new loans of NOK 6 995 million were raised. At the end of the third quarter of 2013, the Group's liquid assets and market-based securities amounted to NOK 1 783 million (NOK 1 431 million).

At the end of the third quarter of 2013, the Group had total assets of NOK 29 985 million (NOK 24 976 million), and interest-bearing debt amounted to 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 574 million. Interest-bearing debt, corrected for this, totalled NOK 18 040 million.

Subsidiaries and associated companies

Statnett SF owns 100 percent of Statnett Transport AS. At the end of the third quarter of 2013, operating revenues for Statnett Transport amounted to NOK 96 million (NOK 94 million) and the profit before tax was NOK 9 million (NOK 15 million).

On 30 August 2013, the TSO Augstsprieguma tikls (AST) became a shareholder in Nord Pool Spot AS after having bought two percent of the company. As a result, Statnett's shareholding in Nord Pool Spot AS was reduced from 28.8 percent to 28.2 percent. Statnett's share of the result in Nord Pool Spot AS contributed NOK 9 million (NOK 6 million) to the Statnett Group's profit in the first nine months of 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, 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, running until January 2018, 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.

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

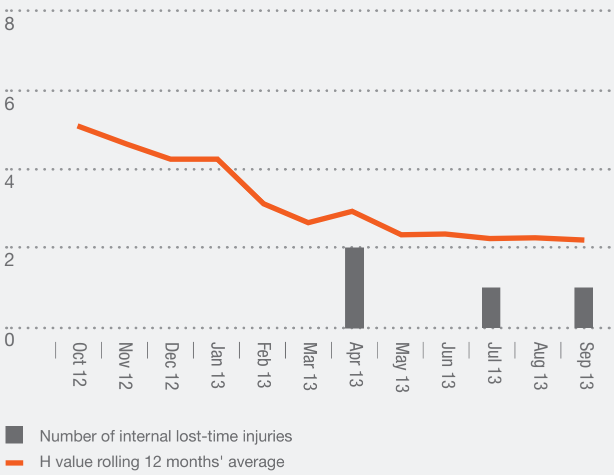
Corporate social responsibility

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. CSR is embedded in the company's continuous corporate governance and anchored in the enterprise's management and organisation. Statnett annually reports on CSR by the international standard Global Reporting Initiative (GRI). See Statnett's annual report 2012 for more information about CSR.

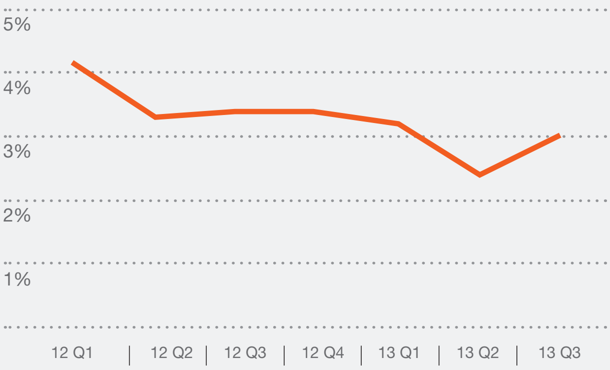
Health, Safety and Environment (HSE)

In total, 12 lost-time injuries were reported in the third quarter; two internal lost-time injuries and ten contractor/supplier lost-time injuries.

H value and lost-time injuries



Absence due to illness



On 25 September, a blasting accident took place at the Ørskog - Sogndal project. One worker was treated for fractures and crushing injuries in the knee/thigh. Statnett has launched an internal investigation of the accident.

In July, a serious incident occurred in Nesbyen where a personnel lift with two employees toppled over during work at a height of 20 metres. The two involved received only minor injuries, and the incident resulted in lost time for one of them. An internal investigation of the incident has been carried out.

In the third quarter, an HSE forum was held for safety delegates, HSE personnel and operational line management.

The Group's overall absence due to illness was 3.0 percent in the third quarter of 2013, compared with 3.2 percent in the corresponding period in 2012.

Outlook

Statnett is in a phase of intense building activity. Several major projects are in their final phase and will be completed by 2013 and 2014. The new facilities will strengthen security of supply towards Bergen, in eastern Finnmark and eastern Norway. Skagerrak 4, new cable to Denmark, will also be commissioned in 2014. The construction activity will remain high for an extended period of time, and multiple projects that are playing a key role in strengthening security of supply will be completed in the years to come.

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

Statnett is working on the construction of interconnectors to Germany and the UK, which are scheduled for completion in 2018 and 2020, respectively. These projects are important for the development of the Northern European power grid and are given a high priority by all parties involved. These projects will among others contribute to 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. In addition, the projects will support the ambitions to increase generation of renewable energy throughout the region and the EU's climate and energy targets. The new interconnectors will strengthen the further integration of the Northern European power market.

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 and quality in its operations and during the development of the next generation main grid.

The Ministry of Petroleum and Energy has issued proposals for 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 must assume ownership and/or operations responsibility for the entire Norwegian main grid.

The effort to prevent serious incidents will be further intensified. The ambition is that Statnett, including external suppliers, will match leading TSOs in Europe over a five-year period. To succeed, Statnett needs to further increase focus on safety and quality of deliveries from external technological environments and suppliers.

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

Statnett has experienced strong growth in recent years. Necessary escalation of capacity, both in own organisation and in cooperation with suppliers, is being implemented to bolster executive capacity. Statnett has initiated measures to increase productivity in the enterprise through handling the planned growth without corresponding increases in the cost base.

In the period up to 2020 there will be significant investments in the main grid and all customer groups must contribute funding. Statnett emphasizes to find a socioeconomic model which balances consideration for different customer groups while meeting the challenges in the investments.

Oslo 7 November 2013

The Board of Directors, Statnett SF

Statement of comprehensive income

Statnett Group

(Amounts in NOK million)	Note	Third quarter 2013	Third quarter 2012	Year to date 2013	Year to date 2012	Year 2012
OPERATING REVENUE						
Operating revenue regulated operations	2	1 064	1 298	3 362	3 813	5 090
Other operating revenue		41	62	128	180	244
Total operating revenue		**1 105**	**1 360**	**3 490**	**3 993**	**5 334**
OPERATING COSTS						
System sevices		131	153	468	388	505
Transmission losses		141	81	526	411	591
Salaries and personnel costs		166	195	554	591	802
Depreciation and write-downs of tangible fixed assets		221	205	747	588	827
Other operating costs		263	299	819	809	1 176
Total operating costs		**922**	**933**	**3 114**	**2 787**	**3 901**
Operating profit		**183**	**427**	**376**	**1 206**	**1 433**
Income from associate		3	2	9	6	9
Financial income		30	37	83	77	95
Financial costs		95	94	264	290	375
Profit before tax		**121**	**372**	**204**	**999**	**1 162**
Tax		34	102	53	277	325
Profit for the period		**87**	**270**	**151**	**722**	**837**
OTHER COMPREHENSIVE INCOME						
Changes in fair value for cash flow hedges		12	-43	40	-49	-58
Tax effect		-3	11	-11	13	16
Other comprehensive income to be reclassified to profit or loss in subsequent periods		9	-32	29	-36	-42
Changes in estimate deviations of pension liabilities	1, 4	59	-	59	-	627
Tax effect	1, 4	-17	-	-17	-	-175
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		42	-	42	-	452
Total other comprehensive income		**51**	**-32**	**71**	**-36**	**410**
Total comprehensive income		**138**	**238**	**222**	**686**	**1 247**

Balance sheet

Statnett Group

(Amounts in NOK million)	Note	30.09.13	30.09.12	31.12.12
ASSETS				
INTANGIBLE FIXED ASSETS				
Goodwill		53	53	53
Other intangible fixed assets		13	13	13
Total intangible fixed assets		**66**	**66**	**66**
FIXED ASSETS				
Tangible fixed assets		18 858	17 290	17 877
Plant under construction		7 001	4 116	4 277
Investment in associate		62	51	54
Financial fixed assets	3	1 259	1 271	1 242
Total fixed assets		**27 180**	**22 728**	**23 450**
CURRENT ASSETS				
Trade accounts recievable and other short-term receivables	3	956	751	976
Market-based securities	3	649	691	668
Liquid assets	3	1 134	740	634
Total current assets		**2 739**	**2 182**	**2 278**
Total assets		**29 985**	**24 976**	**25 794**
EQUITY AND LIABILITIES				
EQUITY				
Contributed capital		2 700	2 700	2 700
Other equity accrued	1	6 257	5 591	6 152
Total equity		**8 957**	**8 291**	**8 852**
LONG-TERM LIABILITIES				
Deferred tax	1, 4	592	247	465
Pension liabilities	1, 4	454	1 142	551
Other liabilities		67	77	75
Long-term interest-bearing debt	3	17 702	12 503	12 484
Total long-term liabilities		**18 815**	**13 969**	**13 575**
CURRENT LIABILITIES				
Short-term interest-bearing debt	3	912	1 104	1 906
Trade account payable and other short-term debt	3	1 270	1 406	1 251
Tax payable		31	206	210
Total current liabilities		**2 213**	**2 716**	**3 367**
Total equity and liabilities		**29 985**	**24 976**	**25 794**

Statement of changes in equity

Statnett Group

(Amounts in NOK million)	Note	Total equity	Other equity accrued	Other items	Contributed capital
Equity as at 1.1.2012		**8 277**	**5 616**	**-39**	**2 700**
Implementation effect of IAS 19R	1	-555	-555	-	-
Equity as at 1.1.2012		**7 722**	**5 061**	**-39**	**2 700**
Profit/loss for the year		837	837	-	-
Other comprehensive income 410 -		410	-	410	-
Dividends declared		-117	-117	-	-
Equity as at 31.12.2012		**8 852**	**5 781**	**371**	**2 700**
Equity as at 1.1.2012		**8 277**	**5 616**	**-39**	**2 700**
Implementation effect of IAS 19R	1	-555	-555	-	-
Equity as at 1.1.2012		**7 722**	**5 061**	**-39**	**2 700**
Profit/loss for the period		722	722	-	-
Other comprehensive income		-36	-	-36	-
Dividends declared		-117	-117		
Equity as at 30.9.2012		**8 291**	**5 666**	**-75**	**2 700**
Equity as at 31.12.2012, in accordance with annual report 2012		**8 955**	**6 336**	**-81**	**2 700**
Implementation effect of IAS 19R	1	-103	-555	452	-
Equity as at 1.1.2013		**8 852**	**5 781**	**371**	**2 700**
Profit/loss for the period		151	151	-	-
Other comprehensive income		71	-	71	-
Dividends declared		-117	-117	-	-
Equity as at 30.9.2013		**8 957**	**5 815**	**442**	**2 700**

Cash flow statement

Statnett Group

(Amounts in NOK million)	**30.09.13**	**30.09.12**	**31.12.12**
Cash flow from operating activities			
Profit before tax	204	999	1 162
Loss/gain(-) on sale of fixed assets	-6	4	3
Ordinary depreciation and write-downs	747	588	827
Paid tax for the period	-210	-271	-271
Interest recognised in the income statement for the period	197	212	273
Interest received for the period	36	34	43
Interest paid for the period, excl. construction interest	-231	-266	-329
Changes in trade accounts receivable/payable	133	142	65
Changes in other accruals	-129	2	-338
Result from companies using equity method	-9	-6	-9
Net cash flow from operating activities	**732**	**1 438**	**1 426**
Cash flow from investing activities			
Proceeds from sale of tangible fixed assets	11	50	52
Purchase of tangible fixed assets and plants under construction	-3 671	-2 160	-3 049
Construction interest paid	-111	-72	-103
Purchase of subsidiary	-491	-	-
Change in long term loan receivables	-191	-	-
Dividend received	4	15	15
Net cash flow from investing activities	**-4 449**	**-2 167**	**-3 085**
Cash flow from financing activities			
Proceeds from new interest-bearing borrowings	6 995	3 603	5 903
Repayment of interest-bearing debt	-2 692	-2 939	-4 439
Proceeds from sale of market-based securities	262	132	220
Purchase of market-based securities	-231	-212	-276
Dividends paid	-117	-117	-117
Net cash-flow from financing activities	**4 217**	**467**	**1 291**
Net cash flow for the period	**500**	**-262**	**-368**
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	1 134	740	634

Restricted bank deposit amounting to NOK 74 million is included in cash and cash equivalents as at September 30, 2013.

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

Payment of construction interest is included in cash flow from investing activities, and is presented on a seperate line from this quarter onwards.

The comparative figures have been adjusted accordingly.

Note 1 - Accounting policies

The interim accounts for the first nine months 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 nine months of 2013 are consistent with the accounting policies that were applied for the consolidated accounts presented on 31 December 2012 with the following exceptions:

Pension

As of 1 January 2013, the Group has implemented the amendments in IAS 19 Employee Benefits (adopted by the EU in June 2012) ("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. According to IAS 19R, the use of the corridor method is no longer permitted, and all actuarial gains and losses must 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 (NOK 144 million as at 1 January 2013). Consequently, pension liabilities increased by NOK 771 million as at 1 January 2012, whereas equity was reduced by NOK 555 million (after tax).

The Group has chosen to present the net interest expenses element as wage and personnel costs and not as net finance costs, as this provides the best information about the Group's pension costs.

Return on pension assets was previously calculated using the long-term projected yield on pension assets. Pursuant to IAS 19R, 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. The difference between actual and recognised return 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. The change in actuarial gains/losses of NOK 627 million was recorded as income in other comprehensive income in the fourth quarter of 2012.

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

(Amounts in NOK million)

Statnett Group	Pension liabilities	Deferred tax	Equity
Estimate deviations as at 1.1.2012	771	216	555
Estimate deviations as at 1.1.2013	144	41	104
Changes in estimate deviations during 2012, included in other comprehensive income	**627**	**175**	**452**

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 were reduced from NOK 3 265 million as of the third quarter of 2012 to NOK 3 129 million in the same period in 2013. Congestion revenues were reduced from NOK 706 million as of the third quarter of 2012 to NOK 461 million in the same period in 2013.

At the end of the third quarter of 2013 lower revenue amounted to NOK 620 million (higher revenue of NOK 764 million). Setting the actuarial gains/losses on pensions to zero as of 1 January 2013 means that NOK 143 million of pension expenses is not included in the revenue cap basis. To compensate for this, the higher revenue balance will be reduced by NOK 143 million. Accumulated higher revenue, including interest and compensation, amounted to NOK 2 738 million at the end of the third quarter of 2013.

(Amounts in NOK million)

Statnett Group	Year to date 2013	Year to date 2012	Year 2012
Tariff revenues	3 129	3 265	4 399
Congestion revenues	461	706	877
Income from other owners in shared grids	-228	-158	-186
Total operating revenues regulated activities	**3 362**	**3 813**	**5 090**
Total permitted revenue	3 982	3 049	4 025
This year's higher/lower (-/+) revenue, excl. interest	**620**	**-764**	**-1 065**
This year's provision for interest higher/lower (-/+) revenue	-46	-36	-45
Higher/lower (-/+) revenue decision	-	-	272
Changes in higher/lower (-/+) revenue regarding pension liabilities as at 1.1.2013	143	-	-
Changed balance for higher/lower (-/+) revenue	**717**	**-800**	**-838**
Balance higher/lower (-/+) revenue, incl. interest as at 1 Jan.	**-3 455**	**-2 617**	**-2 617**
Changed balance for higher/lower (-/+) revenue, incl. interest	717	-800	-838
Balance higher/lower (-/+) revenue, incl. interest year to date	**-2 738**	**-3 417**	**-3 455**

Impact of grid outages on profit

Statnett is in dialogue with the NVE regarding how to handle outages at Nyhamna with regard to system services costs and classification in the KILE scheme. The financial consequences for Statnett of such grid interruptions/outages have therefore not been clarified. A provision has been made in the accounts for the first quarter following the same principle as for previous incidents in connection with the outage on the Viklandet - Fræna power line in March 2013.

Note 3 – Financial items

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 swap 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.

(Amounts in NOK million)

As at 30. september 2013

Statnett Group	Category	Book value	Fair value
Assets			
Long-term receivables	Loans and receivables	125	125
Subord. capital in Statnett SF's pension fund	Fair value through profit/loss	75	75
Financial assets available for sale	Available for sale	8	8
Derivatives	Fair value through profit/loss	1 051	1 051
Total financial fixed assets		**1 259**	**1 259**
Trade accounts receivable	Loans and receivables	39	39
Derivatives	Fair value through profit/loss	27	27
Other short-term receivables	Loans and receivables	890	890
Total trade accounts and other short-term receivables		**956**	**956**
Investment in market-based securities	**Fair value through profit/loss**	**649**	**649**
Liquid assets	**Fair value through profit/loss**	**1 134**	**1 134**
Liabilities			
Long-term interest-bearing debt	Other liabilities	17 165	17 341
Derivatives	Fair value through profit/loss	537	537
Total long-term interest-bearing debt		**17 702**	**17 878**
Short-term interest-bearing debt	Other liabilities	903	908
Derivatives	Fair value through profit/loss	9	9
Total short-term interest-bearing debt		**912**	**917**
Trade accounts payable and other short-term debt	**Other liabilities**	**1 270**	**1 270**

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 of 30. september 2013

Statnett Group	Level 1	Level 2	Level 3	Sum
Assets				
Subord. capital in Statnett SF's pension fund	-	-	75	75
Financial assets available for sale	-	-	8	8
Derivatives	-	1 077	-	**1 077**
Investment in market-based securities	649	-	-	**649**
Liquid assets	1 134	-	-	**1 134**
Total assets	**1 783**	**1 077**	**83**	**2 943**
Liabilities				
Derivatives	-	546	-	**546**
Total liabilities	**-**	**546**	**-**	**546**

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

Reconciliation of level 3 in fair value measurements

Opening balance 1 January 2013	80
Acquired during the period	3
Net unrealized gain/loss for the period	-
Closing balance 30 September 2013	83

Note 4 – Pensions and changes in estimate variances

Statnett has recalculated its pension obligations based on updated assumptions from The Norwegian Accounting Standards Board as at 31 August 2013.

The following financial and actuarial assumptions are used:

Financial/actuarial assumptions	**30.09.2013**	**31.12.2012**
Discount rate corporate covered bonds (OMF)	4,10 %	3,90 %
Discount rate	-	-
Expected return on pension assets	4,40 %	4,00 %
Expected salaries adjustments	3,75 %	3,50 %
Expected pension adjustments	2,75 %	3,25 %
Expected adjustment of basic amount (G)	3,50 %	3,25 %
Expected mortality table adjustment	K2013	K2005

(Amounts in NOK million)

Changes in estimate variances year to date	**30.09.2013**	**31.12.2012**
Discount rate	-73	-626
Rate of return assets	-67	37
Salaries growth	34	-
Adjustment to basic amount (G)	-32	-33
Pension adjustment	-108	-
Mortality table (K2013)	188	-
Total changes in estimate variances year to date	**-58**	**-622**

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