

Statnett

Q4



Interim Report

04:13

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# In short

## Highlights

Total operating revenues for the Statnett Group in the fourth quarter of 2013 amounted to NOK 1 071 million (NOK 1 341 million in the fourth quarter of 2012). For the year 2013, the Group's operating revenues amounted to NOK 4 561 million (NOK 5 334 million in 2012).

The Group reported a loss after tax of NOK 69 million in the fourth quarter of 2013 (profit of NOK 115 million). The reduction is mainly due to lower congestion revenues and lower tariff revenues due to planned downward adjustment of tariffs for 2013. This is reflected in the lower revenue which totalled NOK 338 million in the fourth quarter (higher revenue NOK 301 million)

In 2013, the Group's profit after tax totalled NOK 82 million (NOK 837 million). The reduction is due to lower congestion revenues, lower tariff revenues and higher expenses for transmission losses and depreciations in 2013. This is reflected in lower revenue which totalled NOK 958 million in 2013 (higher revenue NOK 1 065 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. At the end of 2013 the profit after tax, adjusted for changes in higher/ lower revenue and estimated interest costs, was NOK 832 million.

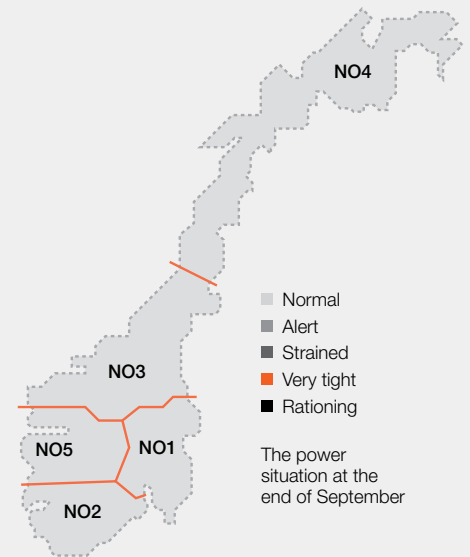
The power situation is still good, after a quarter characterised by high precipitation and high temperatures for the season. The hydrological balance strengthened by 10 TWh in the fourth quarter of 2013 and, compared with normal, there was a hydrological surplus of 3 TWh at the end of the quarter. There was a change in reservoir levels from 9 TWh below median levels at the beginning of the quarter to 1 TWh under the median at the end of the quarter.

# In short

## Important events

- Statnett has put a new 420 kV power line into operation on the Sima - Samnanger section and a new 132 power line between Varangerbotn and Skogfoss, as well as six of nine new cables in Ytre Oslofjord.
- In November, the concept choice assessment was presented for a new main grid solution in Oslo and Akershus. The conclusion was that the power grid in the Greater Oslo Area must be upgraded due to the grid's age and expected power consumption in the region.
- The interconnector between Norway and the Netherlands was out of service between 28 October and 18 December as a result of weather damage in the Netherlands.
- Statnett has been granted a dispensation from the terms and conditions of the licence for use of Statnett's back-up power plant in Nyhamna, as an emergency preparedness measure to ensure a reliable power supply to the Ormen Lange facility in the event of an outage on the Viklandet - Fræna power line.
- The price coupling of the spot markets in North West Europe was implemented on 4 February 2014. This marks an important milestone towards an inner EU market for energy.
- The Nordic transmission system operators Fingrid, Svenska Kraftnät and Statnett have established a common service provider for balance settlement services for market players in Finland, Sweden and Norway, scheduled to be launched in the second half of 2015. The new company, eSett OY, will be based in Helsinki.
- On 2 January 2014, Statnett received new equity of NOK 3,25 billion, as assumed in the 2014 Fiscal Budget and decided at the extraordinary general meeting on 17 December. According to the Fiscal Budget, no dividend will be paid in 2014.
- On 3 February 2014, Statnett acquired an ownership interest of 50 percent in Lyse Sentralnett AS. Statnett has full control of the company.
- The Statnett Group is reorganising to be better prepared for the great tasks ahead. In this connection, two new Executive Vice Presidents have been appointed, Elisabeth Vike and Bente Monica Haaland. Executive Vice President Bente Hagem will lead the efforts relating to European affairs. Executive Vice President Gunnar Løvås has taken up the position as Deputy Director General of the Norwegian National Rail Administration. For further information see [www.statnett.no](http://www.statnett.no).

# Directors' report



## Security of supply

At the beginning of the fourth quarter of 2013, reservoir levels were 77 percent, 10 percentage points above the median (from the 1993-2012 measuring period). The quarter was characterised by high precipitation and high temperatures for the season. The December precipitation for the whole country measured 180 percent of normal, the second wettest December since 1900. The reservoir levels were 68 percent at the end of the quarter, 2 percentage points below the median.

The hydrological balance strengthened by 10 TWh during the fourth quarter of 2013 and, compared with normal, there was a hydrological surplus of 3 TWh at the end of the period.

Total power generation and consumption was 36 TWh and 35 TWh, respectively, in the fourth quarter of 2013. This resulted in a net export of 1 TWh during the period. Net export was 2 TWh in the corresponding quarter in 2012. For the year the net export was 5 TWh, compared to a net export of 17 TWh the year before.

The 420 kV interconnector between Rød and Hasle returned to operation on 10 November after having been out of service since 19 August. The interconnector has two new set of cables, which has increased the capacity between NO2 and NO1.

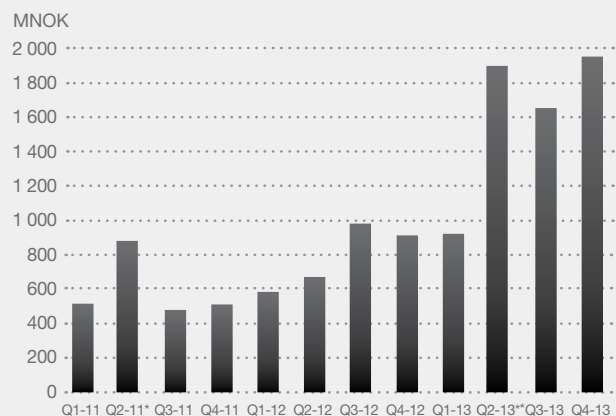
The spot market limit between NO5 and NO1 was changed as of 2 December in connection with the commissioning of the new 420 kV power line between Sima and Samnanger.

The quarter has been characterised by stormy weather, outages and in some cases major imbalances. A storm on 5 December caused record-breaking imbalances in the Nordic region. As a result of, among other factors, an interruption in the supply of Danish wind power and a breakdown in the Baltic Cable and the Ringhals plant, generation had to be increased by as much as 4 500 MW in total. Approximately 2 600 MW of this was generated in Norway.

Other major operational disturbances in the fourth quarter were:

- The NorNed cable was out of operation from 28 October to 18 December due to severe weather in the Netherlands. The storm also hit Denmark and Germany and resulted in interruption of wind power and power line outages. The imbalances were to a large degree transferred to the Nordic region and regulated in Norway.
- On 23 October, a breakdown occurred in one of Hafslund's substations at Ulven causing a blackout of 134 MW of consumption in some parts of Oslo. The supply was restored after approximately half an hour.
- Stormy weather in north-western Norway resulted in a number of breakdowns in late November/beginning of December, mainly caused by strong winds. An outage in the Leirdøla - Fortun power line caused blackouts in Indre Sogn lasting for about half an hour.
- The Rana - Svartisen and Kobbelv - Ofoten power lines were down on 3 December due to wind and snow. This resulted in a separate area in Salten with a short-term frequency above 52 Hz. The Kobbelv - Ofoten power line was soon back in service, but the Rana - Svartisen power line was out of operation for six hours.
- On 12 December, the storm "Ivar" hit Central Norway with severe consequences. At the 420 kV-level the Nea - Klæbu power line was out of operation for about half an hour. In Trøndelag, supply was interrupted for extended periods, mainly due to outages at lower voltage levels.

## Investments Statnett Group



\* Includes acquisition of assets from Hafslund

\*\* Includes acquisition of Nydalen Allé 33

- On 15 December, an outage occurred on the Halden - Skogssåter power line due to a switchgear explosion on the Swedish side. This resulted in production shedding of 90 MW at Vinje in Telemark, reduced capacity in NO1-SE3 and countertrade until the power line was reconnected the following day.

2013 grid development plan. The plans are in line with White Paper, No. 14 (2011-2012), the Grid Report.

In 2012 Statnett invested NOK 6 415 million (NOK 3 152 million), which is the sum of commissioned and ongoing investment projects.

## Investments

Statnett has major development projects under planning and implementation. These plans are presented in Statnett's

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

## 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>Completed projects</b>		
Sima - Samnanger, new 420 kV power line	Hordaland	920
Varangerbotn - Skogfoss, new 132 kV power line	Finnmark	540
Investments in substations		575
<b>Under implementation</b>		
Ørskog - Sogndal, new 420 kV power line	Møre og Romsdal/Sogn og Fjordane	4 600 - 5 600
Ofoten - Balsfjord, new 420 kV power line	Nordland/Troms	3 000 - 4 000
Station investments (transformer capacity Eastern Norway, reactors for power reduction, spare transformers, Feda, Frogner and others)		1 600 - 2 000
Skagerrak 4	Norge/Danmark	1 400 - 1 700 <sup>1)</sup>
Eastern Corridor, voltage upgrade and new power line	Vest-Agder/Telemark	1 300 - 1 600
Ytre Oslofjord	Vestfold/Østfold	1 200 - 1 400
<b>Licences pending or appealed</b>		
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	Troms/Finnmark	5 000 - 8 000
Stasjon investments (Hamang, Salten, Westen Norway and others)		1 500 - 2 200
Indre Oslofjord, reinvestments interconnectors	Akershus/Buskerud	1 150 - 1 650
Klæbu - Namsos, voltage upgrade	Trøndelag	700 - 1 000
<b>Interconnectors</b>		
Cable to the UK		6 000 - 8 000 <sup>1)</sup>
Cable 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) Statnett share</sup>

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 fourth quarter of 2013

- *Sima - Samnanger*: A new 420 kV power line was put into operation on 9 December 2013.
- *Varangerbotn - Skogfoss*: A new 132 kV power line and modification of high voltage installations in the Varangerbotn and Skogfoss substations were completed. Some construction work on the substations remains to be completed in 2014.
- *Ørskog - Sogndal*: The Ministry of the Environment's dispensation decision for the construction of seven pylons through Sørvalen nature reserve was approved by the Oslo District Court in December. The decision was appealed by property owners in January 2014.
- *Ytre Oslofjord*: The facility came online in November 2013 with six of nine new cables in operation. The last three oil cables will be installed in 2014.
- *Western Corridor*: The work to upgrade the voltage between Kristiansand and Fedal has started and is scheduled to be completed in the first quarter of 2014. In December 2013, the Norwegian Water Resources and Energy Directorate (NVE) granted Statnett a licence for voltage upgrades on the sections Solhom - Arendal and Fedal - Tonstad.
- *Cable to Germany*: In December 2013, the Norwegian Water Resources and Energy Directorate (NVE) submitted its final assessment of the impact on the power system, environment, natural resources and society from the planned cable between Norway and Germany. The assessment will form the basis for the MPE's consideration of the licence application. An agreement has also been entered into with the German authorities in Schleswig-Holstein relating to a progress plan for the licensing process for a converter facility, subterranean cable and a cable to the 12-mile boundary on the German side.
- *Cable to the UK*: In December 2013, Statnett was granted construction for a cable interconnector to the UK. The planned international interconnector has a capacity of 1 400 MW and will be installed between Kvilldal in Suldal Municipality and Blyth in the UK.

## 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 fourth quarter of 2013 totalled NOK 1 071 million (NOK 1 341 million in the fourth quarter of 2012). Operating revenues from regulated operations totalled NOK 1 041 million (NOK 1 277 million), while other operating revenues amounted to NOK 30 million (NOK 64 million).

The Group's total operating revenues for 2013 amounted to NOK 4 561 million (NOK 5 334 million). Operating revenues from regulated operations totalled NOK 4 403 million (NOK 5 090 million), while other operating revenues amounted to NOK 158 million (NOK 244 million). The reduction was due to lower congestion revenues and lower revenues, due to planned downward adjustment of tariffs.

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 4 025 million in 2012 to 5 362 million in 2013, largely due to higher allowed return on net assets and increased assets. 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). 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 2013, Statnett's lower revenue amounted to NOK 338 million (higher revenue NOK 301 million). In 2013, the lower revenue totalled NOK 958 million (higher revenue

NOK 1 065 million). Accumulated higher revenue including interest was NOK 2 413 million at the end of 2013.

### **Operating costs**

The Group's operating costs totalled NOK 1 101 million in the fourth quarter of 2013 (NOK 1 114 million). Lower system services costs and other operating costs were offset by increased depreciation. At the end of 2013, operating costs totalled NOK 4 215 million (NOK 3 901 million). The increase is mainly related to transmission loss and depreciation.

System services costs amounted to NOK 101 million in the fourth quarter of 2013, down NOK 16 million compared with the corresponding period in 2012. Lower transit costs and costs relating to special adjustments as a result of reduced import and export capacity out of South Norway were offset by an increase in the costs of primary reserves as a result of mild weather and low production throughout the quarter. System services costs amounted to NOK 569 million in 2013, up NOK 64 million compared with the corresponding period in 2012. The increase was mainly due to the launch of the secondary reserves market.

In the fourth quarter of 2013, transmission losses were NOK 172 million, NOK 8 million lower than in the corresponding period in 2012. The reduction was due to lower loss volume, somewhat offset by higher prices. For 2013, transmission losses amounted to NOK 698 million, up NOK 107 million compared with 2012. The increase was due to higher prices, somewhat offset by lower loss volume.

Wage costs for the fourth quarter of 2013 totalled NOK 225 million, up NOK 14 million compared with the corresponding period in 2012. The increase is due to escalation of activity in construction, operation and maintenance. Wage costs for 2013 totalled NOK 779 million, down NOK 23 million from 2012. The reduction was due to increased activation of own hours and lower pension costs following actuarial assumptions relating to the discount rate. This was offset by an increase in wage costs as a result of higher construction, operation and maintenance activity. Please see Notes 1 and 4 in the accounts for more information about pensions.

Depreciation and write-downs for the fourth quarter of 2013 totalled NOK 301 million, up NOK 62 million compared with the corresponding period in 2012. This was due to a net increase in the value of commissioned facilities. In 2013, depreciation and write-downs amounted to NOK 1 048 million, up NOK 221 million compared with 2012. This was due to an increase in new facilities, as well as extraordinary depreciation and write-downs relating to Statnett's former main office and the SydVest Link project.

Other operating costs were NOK 302 million in the fourth quarter of 2013, down NOK 65 million compared with the corresponding period in 2012. In 2013, other operating costs amounted to NOK 1 121 million, NOK 55 million lower than in 2012. The reduction was due to the costs for project development of international interconnectors in 2012.

### **Operating profit**

In the fourth quarter of 2013 the Group had an operating loss of NOK 30 million (profit of NOK 227 million). For the year the Group operating profit was NOK 346 million (NOK 1 433 million).

### **Financial items**

Net financial items amounted to a loss of NOK 86 million in the fourth quarter of 2013 (loss of NOK 67 million). For the year net financial items amounted to a loss of NOK 267 million (loss of NOK 280 million).

### **Net profit/loss**

In the fourth quarter of 2013 the Group had a loss after tax of NOK 69 million (profit NOK 115 million). For the year, the profit after tax totalled NOK 82 million (NOK 837 million). Adjusted for changes in higher/lower revenue the profit after tax and estimated interest costs for the year amounted to NOK 832 million (NOK 234 million).

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

The Group's operating activities generated an accumulated cash flow of NOK 1 304 million in 2013 (NOK 1 426 million). The net cash flow from investment activities totalled NOK -6 197 million. In total, loans were repaid by NOK



2 883 million, and new loans recorded/raised at NOK 8 195 million. At the end of 2013, the Group's liquid assets and market-based securities amounted to NOK 1 610 million (NOK 1 302 million).

At the end of 2013, the Group had total assets of NOK 34 897 million (NOK 25 794 million), and interest-bearing debt amounted to NOK 19 909 million. The market value of recognised interest swap and currency swap agreements (fair value hedges) related to interest-bearing debt was NOK 554 million. Interest-bearing debt, corrected for this, totalled NOK 19 355 million.

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

Statnett Transport AS is a fully owned subsidiary of Statnett SF. In 2013, operating revenues for Statnett Transport amounted to NOK 147 million (NOK 137 million) and the profit before tax was NOK 22 million (NOK 18 million).

At the end of 2013, Statnett SF had a 28.2 percent ownership interest in Nord Pool Spot AS. Statnett's share of the result in Nord Pool ASA contributed NOK 10 million (NOK 9 million) to the Statnett Group's profit in 2013.

In 2013 the Nordic power system operators Fingrid, Svenska Kraftnät and Statnett established the company eSett OY, where Statnett owns 33.3 percent. The company will supply balance settlement services in Finland, Sweden and Norway from the second half of 2015, and will be based in Helsinki.

### **Corporate social responsibility**

Corporate social responsibility (CSR) is an integrated part of our fundamental values. It is at the very core of the management system and contains the tools needed to help conduct company activities in the right way. Corporate social responsibility in Statnett is all 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 according to the international standard Global Reporting Initiative (GRI). For more information about CSR see Statnett's annual report 2013, which will be published in March.

### **Health, Safety and Environment (HSE)**

In total, 6 lost-time injuries were reported in the fourth quarter: 1 internal lost-time injury and 5 contractor/supplier lost-time injuries. The most serious was an employee of a supplier who fell from a height of one meter and suffered a broken arm. In December, there were no lost-time injuries.

The Group has implemented mandatory safety training for all employees and contractors in key positions.

For the Group the absence due to illness was 3.6 percent in the fourth quarter of 2013, compared with 3.4 percent for the same period in 2012. In 2013 absence due to illness totalled 3.1 percent.

### **Risk**

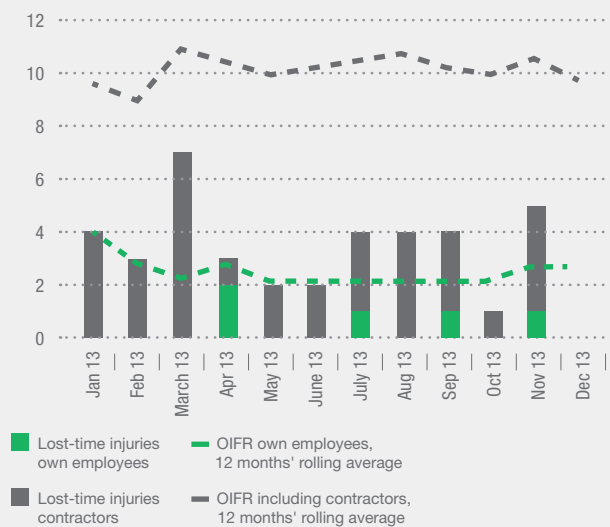
Statnett's risk management focuses on risk with potential consequences for HSE, security of supply, finance and compliance<sup>1</sup>.

The energy situation is normal in all areas and there is a low risk of a strained power situation nationally and regionally in the coming winter. This also applies in the event of low inflow in the time ahead. An extended period with low nuclear power production combined with low inflow may lead to a very strained power situation (SAKS) in some areas. The likelihood of such a situation is very low.

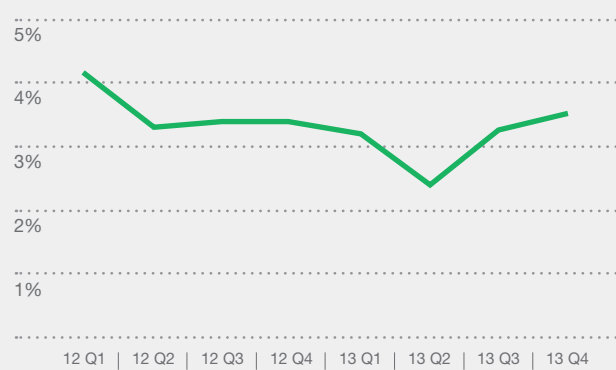
An important risk factor for security of supply is the extent of N-0 operation. This means that a single fault in a grid facility

<sup>1</sup> See Statnett's 2012 Annual Report for a more detailed description of Statnett's risk management framework.

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



**Absence due to illness**



can cause a power outage for end-users. The main grid is mainly planned and operated based on the N-1 principle. However, some geographical areas have N-0 supply for parts of the year, such as Stavanger, northern Norway north of Ofoten, Lofoten/Vesterålen, Sunnmøre and parts of eastern Norway. The number of hours with N-0 operation depends on the level of consumption as well as the extent of any grid outages due to faults, maintenance and modifications. Commissioning of Sima - Samnanger in December 2013 reduced N-0 operations into Bergen and the BKK area, and the risk of outages has been significantly reduced.

Statnett is exposed to HSE risks mainly in connection with implementation of development projects as well as operation and maintenance of existing facilities. The historical injury frequency is above the desired level and a comprehensive improvement programme has been initiated. The objective is to have an injury frequency which will match leading TSOs in Europe by the end of 2017. This objective has been incorporated into the organisation's plans for the future.

The financial risk has been reduced as a result of added equity. The enterprise has a credit facility totalling NOK 3 500 million with a duration until January 2018 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 phase of intense building activity, which will persist for several years. Major projects are in their final phase and will be completed in 2014. The new facilities will strengthen security of supply towards Bergen, in eastern Finnmark and eastern Norway. Skagerrak 4, a 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, including comprehensive planning of disconnections. 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. Potential implementation by the Ministry of Petroleum and Energy, is expected to be completed over the next couple of years. This will increase Statnett's asset base by approx. 15 percent and lead to an increased need for investment and staffing.

The effort to prevent serious incidents will be further intensified. The ambition is that Statnett, including external suppliers, will be at the level of the petroleum industry, and among the leading TSOs in Europe over a five-year period. To succeed, Statnett needs to further increase its 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, including the establishment of eSett OY and price coupling of spot markets in North West Europe.

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 emphasises finding a socioeconomic model which balances consideration for different customer groups while meeting the investment challenges. In 2013, in cooperation with around 20 European regulators, the Norwegian Water Resources and Energy Directorate (NVE) conducted a cost-efficiency comparison among the respective TSOs. In this comparison Statnett was one of the most cost effective in Europe. Statnett is concerned with maintaining this position through the strong growth phase, and has an ambition to increase efficiency by 15 percent by the end of 2016.

**Oslo 27 February 2014**

The Board of Directors, Statnett SF

# Statement of comprehensive income

Statnett Group

<i>(Amounts in NOK million)</i>	Note	Fourth quarter		Year	
		2013	2012	2013	2012
<b>OPERATING REVENUE</b>					
Operating revenue regulated operations	2	1 041	1 277	4 403	5 090
Other operating revenue		30	64	158	244
<b>Total operating revenue</b>		<b>1 071</b>	<b>1 341</b>	<b>4 561</b>	<b>5 334</b>
<b>OPERATING COSTS</b>					
System services		101	117	569	505
Transmission losses		172	180	698	591
Salaries and personnel costs		225	211	779	802
Depreciation and write-downs of tangible fixed assets		301	239	1 048	827
Other operating costs		302	367	1 121	1 176
<b>Total operating costs</b>		<b>1 101</b>	<b>1 114</b>	<b>4 215</b>	<b>3 901</b>
<b>Operating profit</b>		<b>-30</b>	<b>227</b>	<b>346</b>	<b>1 433</b>
Income from associate		1	3	10	9
Financial income		43	18	126	95
Financial costs		129	85	393	375
<b>Profit before tax</b>		<b>-115</b>	<b>163</b>	<b>89</b>	<b>1 162</b>
Tax		-46	48	7	325
<b>Profit for the period</b>		<b>-69</b>	<b>115</b>	<b>82</b>	<b>837</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Changes in fair value, held-for-sale investments		1	-	1	-
Changes in fair value for cash flow hedges		-7	-9	33	-58
Tax effect		1	3	-10	16
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		-5	-6	24	-42
Changes in estimate deviations of pension liabilities	1, 4	1	627	60	627
Tax effect	1, 4	1	-175	-16	-175
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>		2	452	44	452
<b>Total other comprehensive income</b>		<b>-3</b>	<b>446</b>	<b>68</b>	<b>410</b>
<b>Total comprehensive income</b>		<b>-72</b>	<b>561</b>	<b>150</b>	<b>1 247</b>

# Balance sheet

Statnett Group

(Amounts in NOK million)

	Note	31.12.13	30.09.13	31.12.12
<b>ASSETS</b>				
<b>INTANGIBLE FIXED ASSETS</b>				
Goodwill		53	53	53
Other intangible fixed assets		170	31	85
<b>Total intangible fixed assets</b>		<b>223</b>	<b>84</b>	<b>138</b>
<b>FIXED ASSETS</b>				
Tangible fixed assets		21 472	18 840	17 805
Plant under construction	6	6 020	7 001	4 277
Investment in associate		81	62	54
Financial fixed assets	3	1 161	1 259	1 242
<b>Total fixed assets</b>		<b>28 734</b>	<b>27 162</b>	<b>23 378</b>
<b>CURRENT ASSETS</b>				
Trade accounts receivable and other short-term receivables	3	1 080	956	976
Claim upon decided, non-registered contributed capital	7	3 250	-	-
Market-based securities	3	640	649	668
Liquid assets	3	970	1 134	634
<b>Total current assets</b>		<b>5 940</b>	<b>2 739</b>	<b>2 278</b>
<b>Total assets</b>		<b>34 897</b>	<b>29 985</b>	<b>25 794</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Contributed capital		2 700	2 700	2 700
Decided, non-registered contributed capital	7	3 250	-	-
Other equity accrued	1	6 185	6 257	6 152
<b>Total equity</b>		<b>12 135</b>	<b>8 957</b>	<b>8 852</b>
<b>LONG-TERM LIABILITIES</b>				
Deferred tax	1,4	557	592	465
Pension liabilities	1,4	486	454	551
Other liabilities		255	67	75
Long-term interest-bearing debt	3	17 441	17 702	12 484
<b>Total long-term liabilities</b>		<b>18 739</b>	<b>18 815</b>	<b>13 575</b>
<b>CURRENT LIABILITIES</b>				
Short-term interest-bearing debt	3	2 468	912	1 906
Trade account payable and other short-term debt	3	1 555	1 270	1 251
Tax payable		-	31	210
<b>Total current liabilities</b>		<b>4 023</b>	<b>2 213</b>	<b>3 367</b>
<b>Total equity and liabilities</b>		<b>34 897</b>	<b>29 985</b>	<b>25 794</b>

# Statement of changes in equity

Statnett Group

<i>(Amounts in NOK million)</i>	Note	Total equity	Other equity accrued	Other items	Decided, non-registered contributed capital	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	452	-42	-	-
Dividends declared		-117	-117	-	-	-
Equity as at 31.12.2012		8 852	6 233	-81	-	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	-103	-	-	-
Equity as at 1.1.2013		8 852	6 233	-81	-	2 700
Profit/loss for the period		82	82	-	-	-
Other comprehensive income		68	44	24	-	-
Dividends declared		-117	-117	-	-	-
Decided, non-registered contributed capital	7	3 250	-	-	3 250	-
Equity as at 31.12.2013		12 135	6 242	-57	3 250	2 700

# Cash flow statement

Statnett Group

<i>(Amounts in NOK million)</i>	Year	
	2013	2012
<b>Cash flow from operating activities</b>		
Profit before tax	89	1 162
Loss/gain(-) on sale of fixed assets	-3	3
Ordinary depreciation and write-downs	1 048	827
Paid tax for the period	-210	-271
Interest recognised in the income statement for the period	268	273
Interest received for the period	45	43
Interest paid for the period, excl. construction interest	-257	-329
Changes in trade accounts receivable/payable	144	65
Changes in other accruals	190	-338
Result from companies using equity method	-10	-9
<b>Net cash flow from operating activities</b>	<b>1 304</b>	<b>1 426</b>
<b>Cash flow from investing activities</b>		
Proceeds from sale of tangible fixed assets	14	52
Purchase of tangible fixed assets and plants under construction	-5 546	-3 049
Construction interest paid	-158	-103
Purchase of subsidiary	-491	-
Change in long term loan receivables	-20	-
Dividend received	4	15
<b>Net cash flow from investing activities</b>	<b>-6 197</b>	<b>-3 085</b>
<b>Cash flow from financing activities</b>		
Proceeds from new interest-bearing borrowings	8 195	5 903
Repayment of interest-bearing debt	-2 883	-4 439
Proceeds from sale of market-based securities	310	220
Purchase of market-based securities	-276	-276
Dividends paid	-117	-117
<b>Net cash-flow from financing activities</b>	<b>5 229</b>	<b>1 291</b>
<b>Net cash flow for the period</b>	<b>336</b>	<b>-368</b>
Cash and cash equivalents at the start of the period	634	1 002
Cash and cash equivalents at the close of the period	970	634

Restricted bank deposit amounting to NOK 104 million is included in cash and cash equivalents as at 31 December 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 separate line from this quarter onwards.

The comparative figures have been adjusted accordingly.

## Note 1 – Accounting Principles

The interim accounts for the fourth 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 principles applied for the interim accounts for the fourth quarter of 2013 are consistent with the accounting principles that were applied for the consolidated accounts presented on 31 December 2012.

### 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 to 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 is an overview of the effects on the accounts as a result of the implementation:

*(Amounts in NOK million)*

<b>Statnett Group</b>	<b>Pension liabilities</b>	<b>Deferred tax</b>	<b>Equity</b>
Estimate deviations as at 1.1.2012	771	216	555
Estimate deviations as at 1.1.2013	144	41	103
<b>Changes in estimate deviations during 2012, included in other comprehensive income</b>	<b>627</b>	<b>175</b>	<b>452</b>

## Note 2 – Operating revenue 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 4 399 million in 2012 to NOK 4 150 million in 2013. Congestion revenues were reduced from NOK 877 million in 2012 to NOK 577 million in the same period in 2013.

2013 lower revenue amounted to NOK 958 million (higher revenue of NOK 1 065 million in the same period in 2012). 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 2 413 million at the end of 2013.



(Amounts in NOK million)

Statnett Group	Year	
	2013	2012
Tariff revenues	4 150	4 399
Congestion revenues	577	877
Income from other owners in shared grids	-324	-186
<b>Total operating revenues regulated activities</b>	<b>4 403</b>	<b>5 090</b>
Total permitted revenue	5 362	4 025
<b>This year's higher/lower (-/+) revenue, excl. interest</b>	<b>958</b>	<b>-1 065</b>
This year's provision for interest higher/lower (-/+) revenue	-59	-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>1 042</b>	<b>-838</b>
<b>Balance higher/lower (-/+) revenue, incl. interest as at 1 Jan.</b>	<b>-3 455</b>	<b>-2 617</b>
Changed balance for higher/lower (-/+) revenue, incl. interest	1 042	-838
<b>Balance higher/lower (-/+) revenue, incl. interest year to date</b>	<b>-2 413</b>	<b>-3 455</b>

#### Impact of grid outages on profit

Following the outages at Nyhamna, for the period up to 2012, Statnett is in dialogue with NVE regarding the treatment of system services costs and classification in the KILE scheme related to this incident. The financial consequences for Statnett of such a grid outage have therefore not been clarified. As a result of the March 2013 outage on the Viklandet - Fræna power line, provision have been made in the accounts following the same principle as for past events.

### Note 3 – Financial instruments

#### Real values

##### Financial assets and liabilities

The fair value of forward exchange contracts is determined by applying the forward exchange rate on the balance sheet date. The fair value of currency 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 of 31 December 2013

Statnett Group	Category	Book value	Fair value
<b>Assets</b>			
Long-term receivables	Loans and receivables	18	18
Subord. capital in Statnett SF's pension fund	Fair value through profit/loss	75	75
Financial assets available for sale	Available for sale	9	9
Derivatives	Fair value through profit/loss	1 076	1 076
<b>Total financial fixed assets</b>		<b>1 178</b>	<b>1 178</b>
<b>Liabilities</b>			
Trade accounts receivable	Loans and receivables	144	144
Derivatives	Fair value through profit/loss	40	40
Other short-term receivables	Loans and receivables	896	896
<b>Total trade accounts and other short-term receivables</b>		<b>1 080</b>	<b>1 080</b>
<b>Investment in market-based securities</b>	<b>Fair value through profit/loss</b>	<b>640</b>	<b>640</b>
<b>Liquid assets</b>	<b>Fair value through profit/loss</b>	<b>970</b>	<b>970</b>
<b>Liabilities</b>			
Long-term interest-bearing debt	Other liabilities	16 855	16 985
Derivatives	Fair value through profit/loss	586	586
<b>Total long-term interest-bearing debt</b>		<b>17 441</b>	<b>17 571</b>
Short-term interest-bearing debt	Other liabilities	2 460	2 473
Derivatives	Fair value through profit/loss	8	8
<b>Total short-term interest-bearing debt</b>		<b>2 468</b>	<b>2 481</b>
<b>Trade accounts payable and other short-term debt</b>	<b>Other liabilities</b>	<b>1 555</b>	<b>1 555</b>

#### 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.

(Amounts in NOK million)

As of 31 December 2013

Statnett Group	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Subord. capital in Statnett SF's pension fund	-	-	75	75
Financial assets available for sale	-	-	9	9
Derivatives	-	1 115	-	1 115
Investment in market-based securities	640	-	-	640
Liquid assets	970	-	-	970
<b>Total assets</b>	<b>1 610</b>	<b>1 115</b>	<b>84</b>	<b>2 810</b>

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

#### Liabilities

Derivates	-	595	-	595
<b>Total liabilities</b>	<b>-</b>	<b>595</b>	<b>-</b>	<b>595</b>

#### Reconciliation of level 3 in fair value measurements

Opening balance 1 January 2013	80
Net unrealised gain/loss for the period	1
Acquired during the period	3
<b>Closing balance 31 December 2013</b>	<b>84</b>

## Note 4 - Pensions and changes in estimate variances

Statnett has recalculated its pension obligations based on The Norwegian Accounting Standards Board requirements.

The following assumptions are used:

Financial/actuarial assumptions	31.12.2013	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	2013	2012
Discount rate	-73	-626
Rate of return assets	-76	37
Salaries growth	33	-
Adjustment to basic amount (G)	-32	-33
Pension adjustment	-108	-
Mortality table (K2013)	188	-
Service cost	8	-
<b>Total changes in estimate variances year to date</b>	<b>-60</b>	<b>-622</b>

## Note 5 - Purchase of subsidiary

On 22 May 2013, Statnett SF purchased all shares in Nydalshøyden Bygg C AS, owner of Nydalen Allé 33. Nydalshøyden Bygg C AS owns Statnett's head office and has no other business activities.

The acquisition is regarded as an asset purchase, and all identified excess value has been allocated to the building.

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

*(Amounts in NOK million)*

<b>Items</b>	<b>Fair value on the acquisition date</b>
<b>Assets</b>	
Tangible fixed assets	774
Trade accounts receivable and other short-term receivables	16
<b>Liabilities</b>	
Deferred tax	80
Long-term interest-bearing debt	191
Trade account payable and other short-term debt	28
<b>Property value</b>	<b>491</b>

## Note 6 - Plants under construction

*(Amounts in NOK million)*

<b>Statnett Group</b>	<b>2013</b>	<b>2012</b>
Acquisition cost at 1 January	4 233	2 429
Additions during the year	6 413	3 152
Transferred to tangible fixed assets	(4 543)	(1 339)
Write-offs	(18)	(9)
<b>Acquisition cost at 31 December</b>	<b>6 085</b>	<b>4 233</b>
Accumulated write-downs	(2)	(2)
Effect, hedged forward exchange contracts	(63)	46
<b>Balance sheet value at 31 December</b>	<b>6 020</b>	<b>4 277</b>

### Major contractual obligations, projects as at 31 December 2013

The selection only includes future contractual obligations exceeding NOK 50 million.

<i>(Amounts in NOK million)</i>	<b>Future contractual obligations</b>	<b>Accrued costs</b>
<b>Project</b>		
Ørskog - Sogndal, new 420 kV power line	1 100	2 565
Eastern Corridor, voltage upgrade and new power line	422	598
Skagerrak 4	388	990
Transformer capacity Eastern Norway	170	232
Power capacitor, Fedra	156	80
Ytre Oslofjord	124	111
Cable(s) for emergency repair North-Norway	104	15
Upgrading of Statnett's central operations system	90	244
Ofoten - Balsfjord - Hammerfest, new 420 kV power line	58	270
Reactors for power reduction	56	122
Renewal Lakselv station	51	50
<b>Total</b>	<b>2 719</b>	<b>5 277</b>
Others		743
<b>Total Plants under construction</b>		<b>6 020</b>

### Note 7 - Decided, non-registered contributed capital

On 17 December 2013, Statnett held an extraordinary enterprise general meeting where it was decided to increase Statnett's equity by NOK 3 250 million, and the entity's articles of association was changed accordingly. The change of capital were registered in the Register of Business Enterprises on 18 January 2014.

### Note 8 - Disputes

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

### Declaration from the Board of Directors and President and CEO

We confirm that the financial statements for the period 1 January to 31 December 2013, 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 27 February 2014

#### 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*

Børge Aanes  
*Deputy Board Member,  
employee representative*

Karianne Burhol  
*Deputy Board Member,  
employee representative*

Kjerstin Bakke  
*Board Member,  
employee representative*

Auke Lont  
*President and CEO*

# Statnett

## **Statnett SF**

Mail adresse:

PO Box 4904 Nydalen

0423 Oslo

Adresse:

Nydalen Allé 33

0484 Oslo

Tel: +47 23 90 30 00

Fax: +47 23 90 30 01

E-post: [firmapost@statnett.no](mailto:firmapost@statnett.no)

**[www.statnett.no](http://www.statnett.no)**