Statnett

Half year report 2019

Table of contents

Highlights

Statnett is the transmission system operator (TSO) of the Norwegian power system. As TSO, Statnett has the principal operational responsibility of the overall power system including coordination of all power production. As owner of the power grid, Statnett is responsible for developing, operating and maintaining the entire transmission grid in a socioeconomically and rational way. Statnett's social mandate is to ensure a secure power supply, contribute to value creation and facilitate further electrification of Norway.

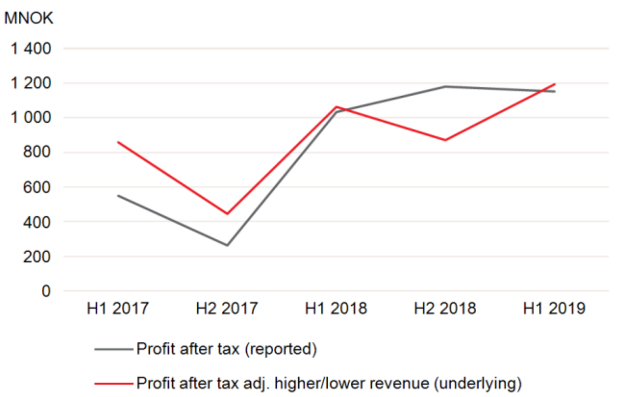
The operational situation was satisfactory throughout the period with stable system -and infrastructure operation. At the same time there has been a number of planned operational outages, including the Western Corridor and Snilldal – Surna projects.

Statnett considered the power situation to be normal throughout the first six months of 2019. At the start of the year, the hydrological balance was in deficit by 17 TWh. Precipitation above normal levels during the first half year, strengthened the hydrological balance, which ended at a deficit of 6 TWh at the end of the period.

Total Norwegian power production and consumption resulted in a net import of 2 TWh, compared with a net export of 3 TWh in the first half of 2018. Trading capacity was lower than normal for the period due to long-term failures and planned operational outages in both Norway and abroad. The capacity reductions resulted in major periodic price differences compared with abroad.

The Statnett Group posted an underlying profit after tax of NOK 1 194 million for the first half of 2019 (NOK 1 063 million). The consolidated reported profit after tax for the period came in at NOK 1 152 million (NOK 1 033 million), including interest. Statnett's higher income balance decreased by NOK 53 million during the first half year (Note 2).

Profit after tax



The increase in the underlying profit is primarily driven by higher permitted revenue in 2019, mainly as a result of increased activity level and higher asset base. The increase in the reported profit was driven by higher tariff income, which was partly offset by higher system operating costs and an increase in salary and personnel costs as a result of higher Group activities.

Other highlights

- The Western Corridor project commissioned several power lines and further strengthened security of supply in the region.
- The new 420 kV Snilldal – Surna power line has been completed. The power line is part of the Namsos – Surna project, which will facilitate Europe's largest onshore wind farm.
- NordLink is entering its final phase with subsea cable, expected completed in the third quarter 2019. The cable is due to enter test operation at the end of 2020. North Sea Link (NSL) has entered the second phase of cable laying and construction of the convertor stations in Kvilldal and Blyth is ongoing.
- The power industry's common data hub (Elhub) for gathering meter data from end consumers was commissioned in February. This is an important step towards complete digitisation of the power industry.
- The back-up power plant at Tjeldbergodden has been sold to Electromechanics Industries Co, a wholly owned state enterprise in Turkey.
- Statnett and Svenska kraftnät approved the investment decision for a new Nordic balancing model (NBM) in June. The new system is required to cater for a power system increasingly characterised by less adjustable electricity production and expanding transfer capacity between the Nordic region and adjoining areas.
- Statnett has started a collaboration with Cognite AS part of the Group's focus on digitization and streamlining of core processes.
- In 2018, Statnett completed a successful efficiency improvement programme designed to facilitate efficiency improvements of 15 per cent in the period 2013–2018. The company is currently establishing a new programme to generate further efficiency gains towards 2022.

Key figures and other performance Measures*

	First half		Year
Highlights profit & loss (amounts in NOK million)	**2019**	**2018**	**2018**
Reported figures			
Operating revenues	4 764	4 472	9 138
Depreciation and amortisation [1)]	-1 118	-929	-1 941
Operating profit	1 729	1 559	3 120
Profit befor the period	1 152	1 033	2 213
Adjustments			
Changes in accumulated higher/lower (+/-) revenue befor tax	53	39	-362
Changes in accumulated higher/lower (+/-) revenue after tax	41	30	-279
Accumulated higher/lower (+/-) revenue	-6	342	-59
Underlying result (adjustet for changes in higher/lower revenue)[2)]			
Underlying operating profit	1 782	1 598	2 758
Underlying profit for the year	1 194	1 063	1 934
Highlights balance sheet			
Investments	4 288	4 593	10 711
Equity adjusted for higher/lower revenue after tax	16 804	15 078	16 149
Total assets	72 765	63 477	70 281
Capital employed [3)]	57 617	51 448	55 507
Equity share, adjusted for higher/lower revenue [4)]	23,1 %	23,8 %	23,0 %
Operational key figures			
Employees, total	1 460	1 436	1 461
Absence due to illness %	2,8 %	3,5 %	3,2 %
Lost-time injuries, own employees	3	4	5
Lost-time injuries, including contractors	15	17	33

[1)] Depreciation, amortization and impairment reported in the financial statements excluding impairments (See note 4 Plants under construction)

[2)] The underlying profit or loss is based on the regulated permitted revenue, whereas the recorded profit or loss will depend on stipulated tariffs and congestion revenues. The difference, referred to as higher or lower revenue (see note 2).

[3)] Capital employed = Tangible fixed assets + Plants under construction + Trade accounts and other short-term receivables - Trade accounts payable and other short-term debt

[4)] Return on equity after tax, adjusted for income surplus/shortfall = Equity adjusted for income surplus/shortfall / Total assets

* To provide a better understanding of Statnett's underlying result we also present a number of other performance measures. Alternative performance measures are defined in ESMA's guidelines as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Statnett's alternative performance measures are adjusted for higher/lower revenue and supplement the figures in the IFRS financial statements. In addition to annual higher/lower revenue, reported accumulated rhigher/lower revenue also include applied interest and any prior-year adjustments.
Changes in selected key financial and operational ratios used by management to monitor alternative performance measures over time are also shown.

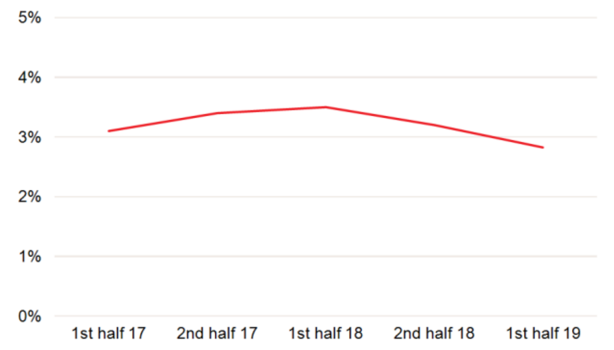
Health, safety and environment (HSE)

The Group has a vision of zero accidents and has set itself the goal of becoming a leading transmission system operator (TSO) in HSE in Europe.

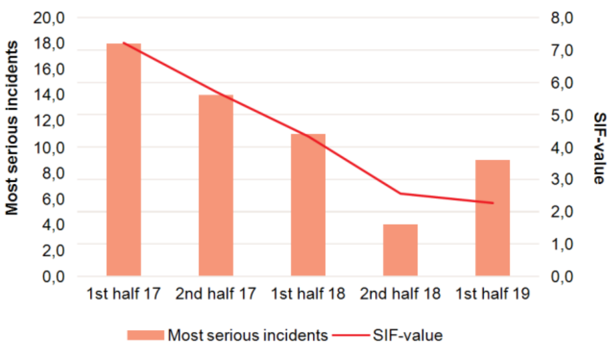
In the first half of 2019, HSE work at Statnett focused on implementing measures from previous strategic initiatives. The initiatives K4 and "Safety programme" have been change processes with positive effects for both HSE culture, and compliance with Statnett's responsibilities. Furthermore, in the first half of the year, improvement initiatives were initiated that address the employer's responsibility for Statnett's maintenance and control of safety-critical work equipment, documentation of training and safety in explosive atmospheres. One of the main tasks within HSE in the future will be to further develop the HSE system and to have all identified improvements well incorporated into operational units internally.

The Group's overall 12-month rolling sickness absence rate for the first half of 2019 closed on 2.8 per cent (3.4 per cent). Sickness absence is low in relation to comparable businesses and the company constantly strives to maintain sickness absence at a low level.

Sickness absence rolling 12-month Group



SIF-value 12 months rolling average Group

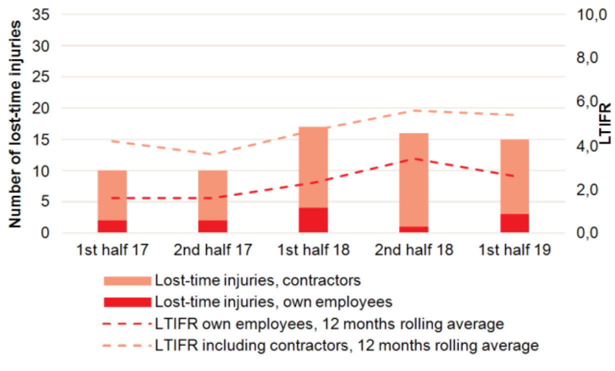


Statnett measures HSE results using "reactive" HSE and "proactive" indicators, where the latter focus more on activities to prevent accidents and injuries. The SIF[1] (serious incident frequency) indicator, which was rolled out across the Group in 2017, has fallen significantly in recent years. Another proactive indicator, safety climate, was implemented in autumn 2017 and the most recent measurement in 2018 showed a positive trend. In the first half of 2019, Statnett concretised several new proactive HSE indicators, including an investigation indicator designed to report how well Statnett examines and learns from serious incidents. Using indicators helps achieve a solid understanding of the status of HSE and reinforces initiatives to implement appropriate HSE measures across the company.

Statnett's scorecard currently contains HSE targets for the LTIF[2], LTIFR[3] and SIF indicators. Statnett aims to achieve a 15 per cent long-term decrease in these indicators. Over the last 12 months, the SIF indicator has fallen by around 50 per cent, while the H1 indicator remained fairly stable during the same period . The H2 indicator, which includes lost-time and non-lost-time injuries, is moving in the right direction, falling by more than 10 per cent in the reporting period.

Overall, Statnett is pleased with the improved results in the first half of the year. It is challenging to measure the effect of indicators implemented in the short term, but Statnett believes thatcontinued efforts on the HSE system and good implementation processes in operational units will further improve results over time.

LTIF-value 12 months and lost-time injuries Group



1 The number of serious (red) incidents involving injuries, near misses, environmental impact and hazardous conditions relating to electrical safety and working at height per million working hours

2 Lost-time injury frequency, number of lost-time injuries per million working hours

3 Injury frequency, number of lost-time and non-lost-time injuries per million working hours

Operation and market information

Statnett considered the power situation to be normal throughout the first half of 2019. At the start of the reporting period, the hydrological balance in Norway was in deficit by 17 TWh (ref. NVE, period 1982–2010). The deficit was attributable to shortfalls in snow and ground and soil water corresponding to 9 TWh and a deficit in the company's reservoirs of 8 TWh. During the first half of 2019, precipitation corresponding to 67.5 TWh was registered, which was 6.3 TWh more than normal. In addition to being unusually wet, the first half of 2019 was mild.

At the start of the reporting period, reservoir levels were at 62.5 per cent, 5.9 percentage points below the median (from recorded data for 1999–2018). At the end of June, reservoir levels were at 68.1 per cent, 5.9 percentage points above the median. The hydrological balance improved by 11 TWh during the first half of the year, closing the period with a deficit of 6 TWh.

Norwegian power production and consumption for the first six months of the year totalled respectively 66 TWh and 68 TWh. This resulted in a net import of 2 TWh, compared with a net export of 3 TWh in the first half of 2018.

Trading capacity was lower than normal for the period due to long-term failures and planned operational outages. In addition, import capacity from Sweden to NO1 was reduced for long periods due to internal bottlenecks in Sweden. The capacity reductions resulted in major periodic price differences compared with abroad.

There were multiple planned operational outages, in particular towards the end of the period, some of which related to the Western Corridor and Snilldal – Surna projects. The Western Corridor project passed a new milestone in April with the completion of a continuous 420 kV connection between Sauda and Kristiansand.

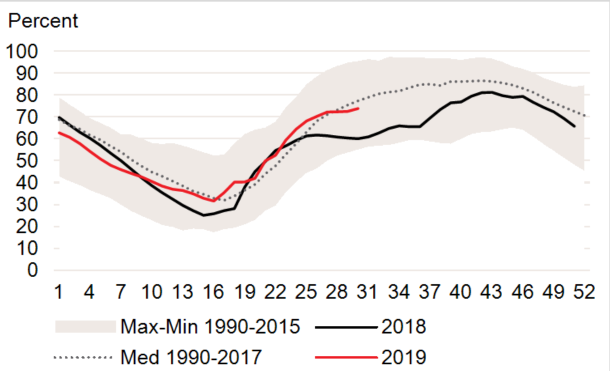
Operating conditions once again proved challenging in Finnmark, with major power surpluses and low grid capacity, partly as a result of high levels of installed wind power. In particular disconnections resulted in redispatching and reduced security of operations, while import capacity from Russia was cut to zero.

On 10 January, the Kobbelv–Ofoten line was out of action due to a tower breakdown following an avalanche. This reduced security of supply north of Ofoten and trading capacity and resulted in high redispatching costs. The line was reconnected on 29 January.

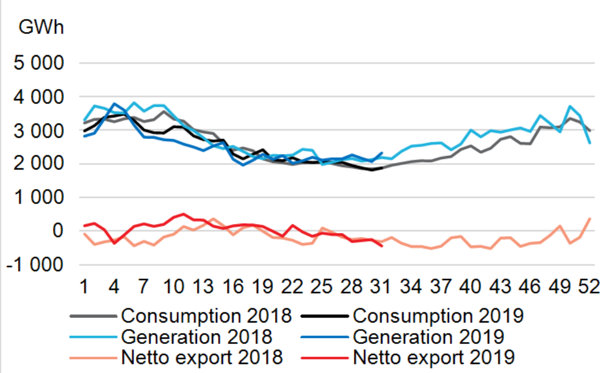
NorNed was unavailable from 13 to 27 February due to faults with an implementation in Feda and from 29 March to 20 May due to a filter fault in Eernshaven.

SK4 was unavailable from 6 February to 6 March as a result of cable faults in Denmark.

Reservoir levels Norway



Production and consumption Norway



	Unit	2019 Target	H1 2019	H1 2018	2018
Non-Delivered Energy (NDE)	MWh	1,250	43	43	772
Frequency variances	Minutes	10,000	5,178	5,954	12,018

Corporate social responsibility

Statnett takes social and environmental considerations into account in developing, operating and maintaining the transmission grid. This is consistent with the UN's sustainability goals and expectations of state-owned enterprises. Companies are also coming under increasing pressure to take greater social responsibility from a number of sources, for example the report from the UN's Nature Panel (IPBES[4]) from May 2019 on the impact of human activity on biodiversity.

To satisfy expectations and help establish trust and acceptance of Statnett's work in this area, in 2019 we implemented specific measures in areas such as environmental and climate work, innovative solutions and employee rights. We have also appointed a Group Corporate Social Responsibility Officer.

Statnett strengthening its environmental and climate initiatives

Climate change and diminishing biodiversity are the two main global challenges underpinning Statnett's environmental and climate work. Statnett is planning and facilitating the power system of the future, where there will be a greater proportion of renewable energy and electricity in new sectors and new solutions. Statnett is also continually improving the Group's own environmental and climate impact. At the start of 2019, Statnett published an environmental and climate strategy, which prioritises measures to reduce the company's own greenhouse gas emissions, and preserve biodiversity and the landscape. This strategy can be viewed on Statnett's website.

In 2019, we improved our routines for avoiding encroachment in vulnerable areas of nature and started mapping black-listed species at the company's sites. Statnett has adopted a group-wide goal of reducing greenhouse gas emissions from the company's own operations, acquisitions and services by 25 per cent by the end of 2025 compared with 2020. We are continuing the initiatives to improve reporting and establish clearer environmental and climate requirements for suppliers that we started in 2018.

United stand against workplace crime

Statnett appreciates a decent working life and has high priority to ethical working practices. Whistleblowing channels and controls have identified several cases of serious workplace crime in Statnett's supplier chain. Statnett is implementing multiple measures to combat unlawful and unethical practices in the workplace.

In March 2019, the company recruited a selection of its major suppliers for a joint initiative to combat crime in the workplace. All parties agreed to Statnett's expectations and requirements, including thoroughly evaluating subcontractors and establishing efficient whistleblowing channels. The company's expectations of suppliers and subcontractors can be downloaded from Statnett's website. Statnett is also developing its own methods and controls as well as subcontractors in order to potentially implement stricter requirements.

Smart solutions making Statnett more efficient

Developing and using smart solutions for technology and forms of collaboration will play a key role in helping Statnett achieve its goal of developing a power system adapted for future needs and requirements. In 2019, we initiated a programme to leverage digitization to streamline asset management and grid planning, partly through digitization.

Smarter infrastructure management will streamline the work of planning and carrying out maintenance and renewals and facilitate better utilization of the plants. Through a risk-based, holistic and reliability-driven approach, Statnett will develop "the right measures at the right time". This requires increased knowledge of the condition, cost and the vulnerability of the infrastructure in the system operation. We plan for gradual development and efficiency so that we reap the rewards and experiences along the way.

Statnett is active in the field of R&D and collaborates closely with external competence resource pools in Norway and the rest of Europe. Digital solutions and continuous knowledge production are two focus areas in this context. It is important to identify and implement best available knowledge to be able to draw up effective environmental and climate measures. Our GRAN project – Greener nature interventions and reducing greenhouse gas emissions in construction work provides one example of our work in this area.

Statnett reports annually on corporate social responsibility in accordance with the international Global Reporting Initiative (GRI). GRI reporting satisfies the requirements of the Norwegian Accounting Act as reporting on corporate social responsibility. For a more detailed report on corporate social responsibility, please refer to the separate report in Statnett's 2018 Annual Report.

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[4] The intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services

Investments and projects

Investments

In the first half of 2019, Statnett made total investments of NOK 4,288 million, compared with NOK 6,259 million in the first six months of 2018. These investments include commissioned grid projects, projects under construction, ICT and other investments, and acquisitions of grid infrastructure from other grid owners. Total investments in 2019 are expected to come in at NOK 11 billion. The largest projects are presented in the table on next page.

Important project related events

Major commissioned projects

- *Western Corridor:* 420 kV Saurdal – Ertsmyra, creating a continuous 420 kV section for the entire Western Corridor, from Kristiansand in the south, to Saurdal in the north. The 420 kV Honna – Arendal, 420 kV Fjotland – Honna and 300 kV Solhom – Fjotland sections were also commissioned.
- *Bjerkreim transformer substation:* The substation and the project was completed in July.
- *Reinvestment Røldal substation:* The substation has been commissioned and the project is completed.
- *Namsos – Åfjord and Snilldal – Surna:* 420 kV power line between Surnadal and Snillfjord, as part of the first construction stage of the Namsos – Surna project. Namsos – Surna is constructed to facilitate Europe's largest onshore wind farm (1000 MW), increase north – south capacity and boost regional security of supply.

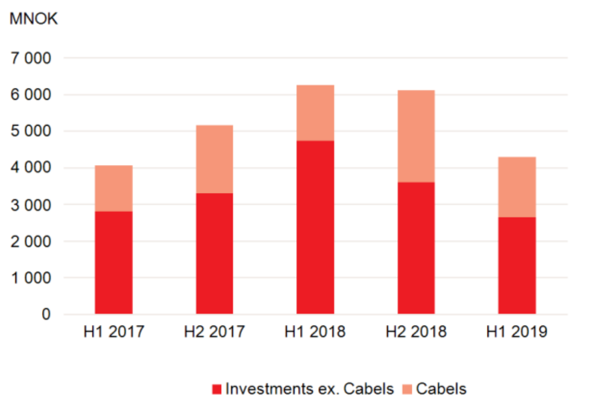
Projects under construction

- *Balsfjord – Skaidi:* is more than 60 per cent complete.
- *North Sea Link (cable to UK):* The 2nd laying phase of the subsea power cable between Norway and the UK has started. Construction work for the convertor stations in Kvilldal and in Blyth orthern England is ongoing. The cable is due to be commissioned in 2021.
- *NordLink (cable to Germany):* Laying of the subsea power cable between Norway and Germany is in the final phase and subsea cable installation is expected to be completed in the third quarter of 2019. Construction of the onshore cable installation in Germany has also commenced. Testing of the convertor stations at Ertsmyra has started and the station is expected to be completed in 2019. The cable is due to enter test operation at the end of 2020.
- *Lyse – Fagrafjell power line and substation:* Final licence expected from both the OED and NVE in autumn 2019.
- *Greater Oslo Grid Plan:*
  - Sogn – Ulven cable installation: Investment decision taken in May.
  - Røykås, transformer: Decision to start up implementation taken and licence granted in March.
- *Substation investments under implementation:* An investment decision has been taken for control gear and switchgear at Rød. An investment decision has also been taken for start-up of SVC infrastructure at Rød, Verdal and Sylling stations, increased transformer capacity at Mauranger, Marka reinvestment 300 kV and a new warehouse at Skien harbour terminal.
- *Nordic balancing model (NBM):* Development and implementation of the new NBM was approved by Statnett's Board in June.

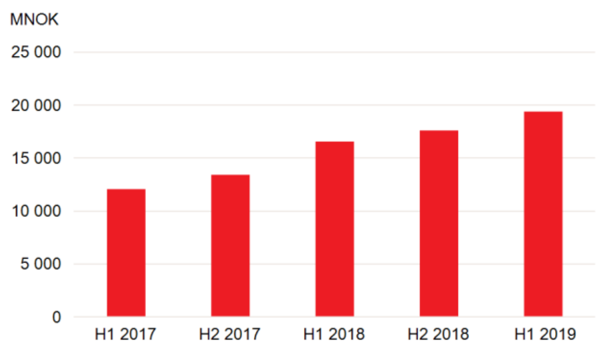
Projects under development

- Licence application submitted for Aurland – Sogndal 420 kV upgrade and control gear and switchgear at Rød.

Development investements



Development plants and construction



	Unit	2019 Target	H1 2019	H1 2018	2018
Power Line Completed	Km	158	76	103	225
Commissioned Switchgears	Number	97	30	24	67

List of major investement projects

See www.statnett.no for more information about the projects.

Project	Location	Expected investment
Commmissioned projects		
Bjerkreim, new transformer substation	South	
Elhub		
Under construction		
Western Corridor, voltage upgrade	Soth	MNOK 6,600 - 6,800
Balsfjord - Skaidi, 420 kV power line	North	MNOK 4,000 - 4,500
Namsos - Åfjord and Snilldal - Surna, 420 kV power line [1)]	Mid	MNOK 2,700 - 2,780
Smestad - Sogn, substation and cabel installation	East	MNOK 1,250 - 1,390
Nedre Røssåga - Namsos, subsection voltage upgrade	North	MNOK 900 - 1,000
Sogn, transformer substation reinvestment	East	MNOK 545 - 580
Sylling, reinvestment	East	MNOK 450 - 490
Interconnectors, under construction		
Cable to England (NSL) [2)]		MEUR 750 - 1,000
Cable to Germany (NordLink) [3)]		MEUR 750 - 1,000
Final licence granted		
Åfjord - Snilldal, new 420 kV power line and cable installation	Mid	MNOK 1,900 - 2,700
Salten, reinvestment / new transformer substation	North	MNOK 520 - 620
Aura/Viklandet - Surna, voltage upgrade	Mid	MNOK 500 - 700
Hamang, new transformer substation	East	MNOK 480 - 700
Planned investments, licences pending or appealed		
Lyse - Fagrafjell, power line and substation	Soth	MNOK 1,800 - 2,100
Sogn - Ulven, new 420 kV cable installation	East	MNOK 1,240 - 1,430
Haugalandet grid reinforcement	West	MNOK 1,150 - 1,350
Aurland - Sogndal, voltage upgrade	West	MNOK 900 - 1,050
Rød control gear and switchgear	East	MNOK 590 - 680
Karmøy reinvestment / new transformer substation	West	MNOK 530 - 640

[1)] The sub-section Åfjord - Snilldal is not included in the estimate, but final licence is granted.

[2)] The estimat is shown as a total estimate for the entire project, both Statnett and Lyse Elnett share.

[3)] Statnett share. Exposure mainly in Euro which corresponds to a span of 7-9 billion NOK per project. Agreements with partners in Germany and England will be in Euro.

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

Cost of Projects under construction are shown in current rates, other projects are shown in 2016 currency, excl. Construction loan interest an exchange rate uncertainty.

Financial performance

Operating revenue

Statnett Group achieved a consolidated operating revenue of NOK 4 764 million (NOK 4 472 million) in the first half of 2019. Operating revenue from regulated activities amounted to NOK 4 490 million (NOK 4 240 million), while other operating revenue totalled NOK 274 million (NOK 232 million).

- Tariff income from fixed tariff components increased as a result of a change in the tariff rate for retail customers following a rise in Statnett's permitted income. This was partly offset by reduced tariff income from energy components due to lower marginal loss-rates from higher imports and lower production.
- Congestion revenues were lower than the same period last year. Congestion revenues within Norway and with Sweden have been at normal levels. Lower congestion revenues at NorNed are attributable to minor price differences, reduced capacities and periods of disconnection.

The Group's operating revenues primarily derive from grid activities, which are regulated through a revenue cap established by NVE. In the first half of 2019, permitted revenue amounted to NOK 4 543 million (NOK 4 276 million). Higher permitted income is attributable to higher activity level, coupled with higher operating costs, depreciation and amortisation compared with the previous year. If recorded revenues from grid activities deviate from permitted revenue in a year, this gives rise to higher or lower revenue.

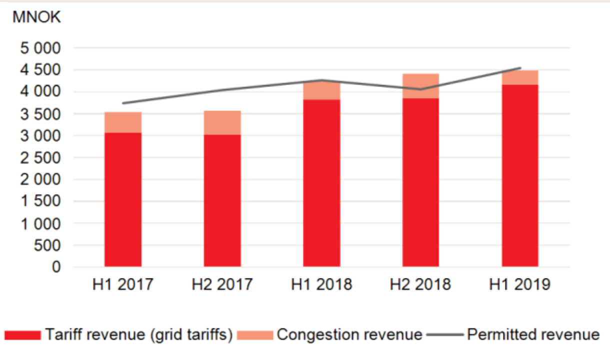
In the first half of 2019, Statnett had lower revenue, excluding interest, of NOK 53 million (NOK 36 million) (Note 2). At the end of first half of 2019, the accumulated higher revenue, including interest, amounted to NOK -6 million. Higher/lower revenues are not recognised in the balance sheet.

Operating expenses

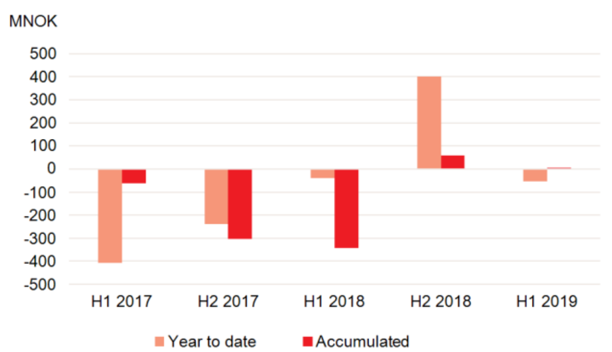
In the first half of 2019, total operating expenses amounted to NOK 3 036 million (NOK 2 913 million).

- Salary and personnel costs increased due to higher staffing levels and general wage increases. The increase was partly offset by increased net hourly sales to the investment projects.
- Reduced costs for system services, which were primarily attributable to lower costs for tertiary reserves and transit costs, were partly offset by higher costs for primary reserves and net regulating- and peak power.
- Transmission losses were on a par with the previous year.
- Total depreciation, amortisation and impairments were up due to a higher asset base including impairment of some assets.
- The reduction in other operating costs is attributable to the efficiency improvement programme, which has resulted in lower costs for materials and subcontractors, and consultancy services.

Revenue development



Higher/ lower revenue development



	First half		Year
Operating costs	**2019**	**2018**	**2018**
System services	254	275	541
Transmission losses	458	466	1 033
Salaries and personnel expenses	519	498	973
Depreciation, amortisation and impairment	1 152	950	1 980
Other operating costs	652	724	1 491
Total operating costs	**3 036**	**2 913**	**6 018**

Profit for the period

In the first half of 2019, the Group had an operating profit of NOK 1 729 million (NOK 1 559 million).

Consolidated net financial items amounted to NOK -250 million (NOK (-230 million).

- The increase in net financial costs is mainly attributable to higher interest costs due to a higher loan balance and reduced interest income as a result of lower average interest rates on deposits.
- The rise was partly offset by a positive change in the value of derivatives, higher financial income from securities and reduced agio costs.
- Net financial items include income received from associates in the reporting period of NOK 12 million (NOK 11 million).

In the first half of the year, the Group had a profit after tax of NOK 1 152 million (NOK 1 033 million). Adjusted for the change in higher/lower revenues not recognised in the balance sheet, the underlying profit after tax amounted to NOK 1 194 million (NOK 1 063 million). The increase in the underlying result is mainly attributable to higher permitted revenue in 2019 on the back of higher activities in the Group.

Cash flow

The net cash flow for the period amounted to NOK 491 million (NOK 1 287 million).

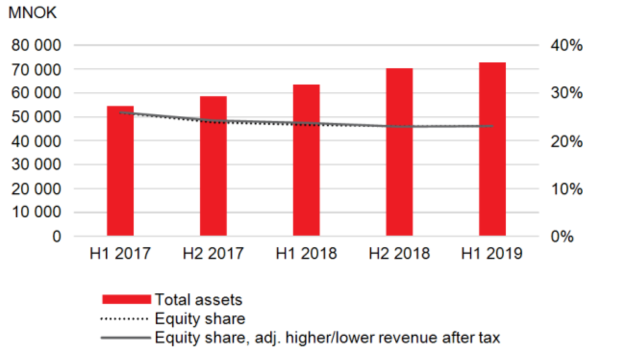
- The consolidated cash flow from operating activities for the first half of the year amounted to NOK 2 433 million (NOK 1 852 million).
- The net cash flow from investing activities was NOK -3 129 million (NOK -2 988 million).
- Total loan repayments of NOK 2 359 million, while new debt amounted to NOK 2 250 million.
- At the end of the first half of the year, consolidated cash and cash equivalents and market-based securities totalled NOK 3 523 million (NOK 3 994 million).
- Total unused credit facilities amounted to NOK 10 100 million.

Balance sheet

At 30th June, the Group had total assets of NOK 72 765 million (NOK 63 477 million).

- Interest-bearing liabilities totalling NOK 46 764 million (NOK 41 641 million) included guarantees under the CSA[6] scheme of NOK 3 719 million (NOK 2 040 million). The market value of interest and currency swaps (fair value hedges) relating to interest-bearing liabilities amounted to NOK 4 139 million. Adjusted for the above, interest-bearing liabilities totalled NOK 42 625 million.

Total assets and equity share



[6] Credit Support Annex

Risk management and internal control

Statnett manages critical infrastructure and this principal responsibility is reflected in the company's risk management procedures.

Statnett's risk management encompasses the entire company's activities – including strategic, marketing, operational and financial matters. Holistic risk management ensures that risks relating to HSE, supply of electrical power, financials and reputation are maintained at an acceptable level.

Health, safety and the environment

There has been a steady decrease in the frequency of serious incidents (SIFs) of around 50 per cent over the last 12 months. The lost-time injuries indicator is stable and consequently measures are taken to reduce the number of injuries. In light of the above, we deem the risk level for personal safety and the working environment to be slightly above the desired level.

Climate

In the first half of the year, the company focused on ways to secure the electricity supply in a future characterised by major climate change and fluctuations. The R&D project ICEBOX is helping provide Statnett with more accurate data on the build-up of ice on power lines. Initiatives to encourage our suppliers to adopt a more climate-friendly approach e.g. through requirements for fossil-free construction sites in several projects. The ultimate goal is to help establish an emission-free construction sector.

Security of operations and supply

It is expected safe and efficient operation in the coming period. However, some geographical areas are still considered particularly vulnerable. This is particularly true for some of the largest cities, including Bergen, Stavanger and Oslo. The most important measures in this context are good and adapted operation and proper maintenance of infrastructure. Important measures that will have a long-term effect are Statnett's investment projects. Weather-related incidents, terrorism against physical facilities and attacks / hacking on operating control systems are other events that pose a risk to security of supply. Risk and vulnerability analysis, contingency plans, exercises and digital security are key measures.

Finance

Statnett's income is dependent on the company's actual cost-efficiency, which the NVE measures by analysing and comparing with other European TSOs. The company has set a goal of becoming one of Europe's most efficient TSOs. In 2018, Through the "15 per cent programme" Statnett improved it's efficiency with 15 per cent for the period 2013-2018. The company has recently launched a new programme to generate further efficiency improvements towards 2021, and has through the first half of 2019 implemented organisational and procedural changes to support this process.

Statnett's finances are also affected by terms and conditions and requirements established for the power grid industry, and developments in the regulation of transmission system operators are important. Statnett is reliant on international loan markets to finance its extensive construction portfolio.

Digital opportunities and digital security

Part of Statnett's social mandate is to develop a future-proof power system. At the same time the company must ensure a secure electricity supply and availability of grid capacity. This has resulted in a significant focus on digital systems for smart grid planning and asset management, along with efficient and more automated market and system solutions. Here, opportunities must be viewed in the context of a holistic risk approach, including digital security.

To successfully fulfill our social mandate in a world of constantly evolving threats and vulnerabilities, Statnett has implemented a number of ongoing and systematic measures relating to information security. The company is also dependent on close collaboration with national authorities and other players in the power industry to implement these measures.

Outlook

Statnett's long-term strategy is to construct a smarter grid, which facilitates increased renewable power production, new power-intensive business activities and electrification in order to reduce CO_2 emissions. Developments over the last year have confirmed the appropriateness and importance of this strategy. Statnett is seeing clear signs of a more ambitious climate policy in both Norway and the rest of Europe. This will reinforce the need for a stronger and smarter grid.

Climate and environmental policy is becoming increasingly important, while the cost of emission-free energy is falling

The most recent report from the UN's International Panel on Climate Change (IPCC[5]) shows that a temperature increase of 2 degrees Celsius would have a significantly greater impact than an increase of 1.5 degrees, and more serious consequences than previously assumed. In addition the report from UN's nature panel illustrates how biodiversity is rapidly being reduced by human activity, including changes in land use, and pollution. Global warming will present increasingly demanding challenges for animal and plant life.

The picture painted in the IPCC and Nature Panel's reports is being reinforced by extreme weather events, including new record temperatures. The company expects growing demands to make quicker and more extensive emission cuts in the future. Several European countries have declared a climate crisis, and most EU countries now support the goal of achieving climate neutrality by 2050.

Technology change is accelerating, and renewable energy is becoming ever cheaper. New wind power is now profitable without subsidies in Norway and Sweden, and costs are expected to fall further in the years to come. The increasing importance of emissions reductions and more cost-effective climate measures suggest that the transformation of the energy system will gather pace.

Norway can become a fully electric society

Although Norway is one of the most electrified countries in the world, more than half the country's energy consumption derives from fossil energy sources. Electricity is one the most efficient energy carriers, and electrification of energy consumption will entail major reductions in greenhouse gas emissions. Norway offers major potential for further electrification, particularly within the transport and industry sector. Electrification is being stimulated by a combination of targeted climate policies, good access to power and increasingly cheaper and better batteries and hydrogen solutions.

With an increasing number of social mandates expected to be met using electricity, demands on the power system will increase. The company expects consumption to increase by 10 per cent by as early as 2025.
When including all projects for which a final investment decision has been granted, Norway will have an annual wind power production of 15 TWh in 2021/22. This provides a solid platform for further electrification.

Statnett is facilitating an electric future through continuous network development. Statnett is building power lines and transformer substations the length and breadth of Norway, along with connections to the UK and Germany.

Over the past couple of years, we have seen a significant increase in the number of connection cases and there is a need to reinvest in existing stations. With an increased focus on electrification of more and more sectors combined with the phasing in of new renewable power generation, this trend is expected to continue. In order to cope with the growth combined with the need for reinvestments, there will be a need for a gradual strengthening and reinvestments of the current transmission grid. These specific actions makes it possible to receive significant quantities of new renewable production and increased consumption while safeguarding security of supply. Smart infrastructure management, introduction of new system and market solutions and a continued commitment to efficiency in the construction phase help Statnett to manage the electric future and create value in a cost-effective way. Long-term investment forecast for net investments up to 2040 is included in the Net Development Plan 2019, which will be published on October 1st.

[5] Intergovernmental Panel on Climate Change

The system operations of the future are being designed now

As transmission system operator, Statnett must ensure instantaneous balance between production and consumption in the Norwegian power system. Since the Nordic region is a synchronous area, the Nordic TSOs must collaborate closely to achieve the required balancing.

Existing manual operating routines will not accommodate the power system of the future, which will be characterised by more variable production and quicker changes in flow. To deal with these challenges, the Nordic TSOs have prepared a Roadmap for the Nordic balancing model. The roadmap provides a platform for further development of system operations, customised for a future in which operators will have to be able to take more and quicker decisions, handle a rapidly expanding volume of data and ensure safe and efficient operations.

Digitisation is a prerequisite for realising the goal of an efficient, smart and safe power system. Better knowledge of the situation in the power system and about the state of individual components makes it possible to make better and more coordinated decisions.

Comprehensive income

		First half		Year
(Amounts in NOK million)	Note	**2019**	**2018**	**2018**
Operating revenue				
Regulated operating revenue	2	4 490	4 240	8 651
Other operating revenue		274	232	488
Total operating revenue		**4 764**	**4 472**	**9 138**
Operating costs				
System services		254	275	541
Transmission losses		458	466	1 033
Salaries and personnel costs		519	498	973
Depreciation, amortisation and impairment		1 152	950	1 980
Other operating costs		652	724	1 491
Total operating costs		**3 036**	**2 913**	**6 018**
Operating profit		**1 729**	**1 559**	**3 120**
Financial income		29	80	59
Financial costs		279	309	478
Net financial items		**-250**	**-230**	**-419**
Profit before tax		**1 479**	**1 329**	**2 701**
Tax		326	297	488
Profit for the year		**1 152**	**1 033**	**2 213**
Other comprehensive income				
Changes in fair value, available-for-sale investments		-	-1	-1
Changes in fair value for cash flow hedges		-68	81	267
Tax effect		15	-19	-62
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**-53**	**62**	**204**
Changes in estimate deviations of pension liabilities		-	-	79
Tax effect		-	-	-20
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**-**	**-**	**59**
Total other comprehensive income		**-53**	**62**	**262**
Total comprehensive income		**1 099**	**1 094**	**2 475**

Balance sheet

(Amounts in NOK million)	Note	**30.6.2019**	**30.6.2018**	**31.12.2018**
Assets				
Fixed assets				
Deferred tax asset		53	9	51
Intangible assets		988	433	1 054
Tangible assets		42 673	37 553	40 948
Plants under construction	4	19 366	16 549	17 581
Investment in jointly controlled company and associates		102	91	111
Pension assets		-	2	-
Other non-current financial assets	3	4 337	2 782	3 863
Total fixed assets		**67 518**	**57 420**	**63 608**
Current assets				
Trade accounts and other short-term receivables	3	1 724	1 771	2 630
Market-based securities	3	1 077	1 388	1 794
Assets held for sale		-	293	293
Cash and cash equivalents	3	2 447	2 606	1 956
Total current assets		**5 247**	**6 058**	**6 673**
Total assets		**72 765**	**63 477**	**70 281**
Equity and liabilities				
Equity				
Contributed capital		5 950	5 950	5 950
Other equity accrued		10 859	8 865	10 244
Total equity		**16 809**	**14 815**	**16 194**
Long-term liabilities				
Deferred tax		2 232	1 471	1 926
Pension liabilities		293	375	313
Other liabilities		514	595	455
Long-term interest-bearing debt	3, 5	40 733	38 173	40 388
Total long-term liabilities		**43 773**	**40 613**	**43 082**
Current liabilities				
Short-term interest-bearing debt	3, 5	6 031	3 469	5 349
Trade accounts payable and other short-term debt	3	6 146	4 425	5 653
Tax payable		7	156	3
Total current liabilities		**12 184**	**8 049**	**11 005**
Total equity and liabilities		**72 765**	**63 477**	**70 281**

Changes in equity

(Amounts in NOK million)	Total equity	Other equity accrued	Other items	Contributed capital
01.01.2018	**14 011**	**8 332**	**-271**	**5 950**
Profit/loss for the year	2 213	2 213	-	-
Other comprehensive income	262	59	204	-
Dividends declared	-326	-326	-	-
Implementation effect IFRS 15	35	35	-	-
31.12.2018	**16 194**	**10 312**	**-68**	**5 950**
01.01.2018	**14 011**	**8 332**	**-271**	**5 950**
Profit/loss for the period	1 033	1 033	-	-
Other comprehensive income	62	-	62	-
Dividends declared	-326	-326	-	-
Implementation effect IFRS 15	35	35	-	-
30.6.2018	**14 815**	**9 075**	**-210**	**5 950**
01.01.2019	**16 194**	**10 312**	**-68**	**5 950**
Profit/loss for the period	1 152	1 152	-	-
Other comprehensive income	-53	-	-53	-
Dividends declared	-484	-484	-	-
30.6.2019	**16 809**	**10 980**	**-121**	**5 950**

Cash flow

		First half		Year
(Amounts in NOK million)	Note	**2019**	**2018**	**2018**
Cash flow from operating activities				
Profit before tax		1 479	1 329	2 701
Loss/gain(-) on sale of fixed assets		-71	-9	-2
Depreciation, amortisation and impairment		1 152	950	1 980
Paid taxes		-2	15	20
Interest recognised in the income statement		250	203	422
Interest received		6	8	17
Interest paid, excl. construction interest		-315	-224	-499
Changes in trade accounts receivable/payable		402	-165	-610
Changes in other accruals		-468	-255	-46
Net cash flow from operating activities		**2 433**	**1 852**	**3 983**
Cash flow from investing activities				
Proceeds from sale of tangible fixed assets		372	52	75
Purchase of tangible and intangible fixed assets and plants under construction	4	-3 341	-2 914	-8 175
Construction interest paid	4	-184	-135	-312
Changes in investment in joint ventures, associates and other companies		4	-	-6
Changes in long term loan receivables	3	7	-	17
Dividend received		13	9	9
Net cash flow from investing activities		**-3 129**	**-2 988**	**-8 392**
Cash flow from financing activities				
Proceeds from new interest-bearing debt	3	2 250	6 990	9 862
Repayment of interest-bearing debt	3	-2 359	-3 289	-4 355
Changes in collateral under CSA (Credit Support Annex) agreements		600	-986	569
Proceeds from sale of market-based securities	3	796	316	372
Purchase of market-based securities	3	-100	-608	-1 076
Dividend paid		-	-	-326
Net cash flow from financing activities		**1 187**	**2 423**	**5 046**
Net cash flow for the period		491	1 287	637
Cash and cash equivalents at the start of the period		1 956	1 319	1 319
Cash and cash equivalents at the close of the period		**2 447**	**2 606**	**1 956**

Selected notes

Note 1 – Accounting policies

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) including 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 2018 annual accounts. The interim accounts are unaudited.

The accounting principles applied for the interim accounts are consistent with the accounting principles that were applied for the 2018 annual accounts.

The Group has implemented one new IFRS standard from 1 January 2019:

IFRS 16 Leases
Statnett is lessor in leases qualifying for recognition under IFRS 16 Leases. At initial recognition of such leases, lease liabilities are recognized at the present value of the lease payments that are not paid at that date. Such payments include fixed payments and qualifying variable lease payments. Payments related to expected termination penalties, exercise of payment options and residual value guarantees are included if considered applicable. Under leases that include options to extend or terminate the lease, the lease term is determined on the basis of reasonably certain exercises of such options. Payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. Otherwise are payments discounted using Statnett's incremental borrowing rate estimated on the basis of market interest rates and a Statnett credit spread taking into consideration duration, currency and loan-to-value. At initial recognition of leases, right-of-use assets are measured at cost comprising the amount of initial measurement of the lease liability, initial direct costs incurred by Statnett and an estimate of costs to be incurred by Statnett in restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are reduced by any lease incentives received.

After the commencement date the lease liabilities will be increased by interest accrued in accordance with the applied discount interest rates and reduced by lease payments made. The lease liabilities are adjusted by changes in expected lease payments resulting from changes in indices determining variable lease payments, changes in lease terms or changes in the assessment or exercise of options. During changes in indices, other than those resulting from changes in interest rates, lease payments are discounted applying the lease's original discount rate. For changes in lease term, changes in assessment or exercise of options and for index-adjustments of variable lease payments resulting from a change in interest rates, Statnett applies a revised discount rate.

After the commencement date right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciations are linear unless another allocation better reflects how Statnett obtains the benefits from the asset during the lease term. The cost of right-of-use assets are adjusted to reflect any changes resulting from reassessments of the lease liabilities.

Statnett has elected to apply the standard's recognition exemptions for short-term leases and for leases for which the underlying asset is of low value. Statnett does not recognize right-of-use assets and lease liabilities for intangible assets other when required by the standard. For leases containing non-lease components, Statnett accounts for any such non-lease components separately from the leases. Statnett is not lessor in any leases under IFRS 16, neither as head lessor nor as intermediate lessor.

Note 5 Implementation of IFRS 16 *Leases* describes applied principles, options used and financial effects resulting from the transition from IAS 17 *Leases* to IFRS 16 *Leases*.

Note 2 – Operating revenues

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. In the first half year, Statnett had a lower revenue of NOK 53 million (NOK 36 million in first half of 2018). Higher/lower revenue is not accounted for, however it is reported as part of underlying results (an alternative performance measure).

	Year to date		**Year**
(Amounts in NOK mill)	**2019**	**2018**	**2018**
Tariff revenues	4 284	3 961	7 936
Congestion revenues	320	406	961
Income from other owners in shared grids	-114	-127	-246
Total operating revenues regulated activities	**4 490**	**4 240**	**8 651**
This period's unrecorded higher/lower revenue (-/+)	53	36	-328
Total permitted revenue	**4 543**	**4 276**	**8 323**
Change in higher/lower revenue (-/+), incl. interest			
This period's unrecorded higher/lower revenue (-/+)	53	36	-328
This period's unrecorded provision for interest higher/lower revenue (-/+)	-	2	2
Higher/lower revenue unrecorded adjustment for prior periods (-/+)	-	-	-36
This period's change in balance for higher/lower revenue (-/+)	**53**	**39**	**-362**
Balance higher/lower (-/+) revenue, incl. interest as at 1 Jan.	**-59**	**303**	**303**
Changed balance for higher/lower revenue (-/+), incl. interest	53	39	-362
Balance higher/lower revenue (-/+), incl. interest year to date	**-6**	**342**	**-59**

Note 3 – Overview of financial instruments

This note gives an overview of carrying value and fair value of financial instruments, including accounting treatment. The table also shows at which level in the valuation hierarchy the different measurement methods for the Group's financial instruments measured at fair value are classified, compared to how objective the measurement method is.

(Amounts in NOK million) **Assets**	**Classification under IFRS 9**	**Measure-ment level**	**30.06.2019 Carrying value**	**30.06.2018 Carrying value**
Fixed assets				
Long-term receivables	Amortised cost	-	36	67
Subord. capital in Statnett SF's pension fund	Amortised cost	3	75	75
Financial assets available for sale	Fair value through P/L	3	3	3
Derivatives	Fair value through P/L	2	4 223	2 637
Derivatives, non-interest bearing	Fair value through P/L	2	1	2
Total financial fixed assets			**4 337**	**2 782**
Current assets				
Trade accounts receivable	Amortised cost	-	138	156
Derivatives	Fair value through P/L	2	6	3
Derivatives, non-interest-bearing	Fair value through P/L	2	17	30
Other short-term receivables	Amortised cost	-	1 562	1 582
Total trade accounts and other short-term receivables			**1 723**	**1 771**
Market-based securities	Fair value through P/L	1	1 077	1 388
Liquid assets	Fair value through P/L	-	2 447	2 606
Other liabilities				
Derivatives, non-interest-bearing	Fair value through P/L	2	2	1
Other liabilities	Amortised cost	-	512	594
Total other liabilities			**514**	**595**
Liabilities				
Other long-term interest-bearing debt	Amortised cost	2	40 244	37 402
Lease liability	Amortised cost	2	213	-
Derivatives	Fair value through P/L	2	276	771
Total long-term interest-bearing debt			**40 733**	**38 173**
Other short-term interest-bearing debt	Amortised cost	2	6 000	3 469
Lease liability	Amortised cost	2	31	-
Total short-term interest-bearing debt			**6 031**	**3 469**
Trade accounts payable and other short term debt				
Trade accounts payable and other short term debt	Amortised cost	-	6 162	4 352
Derivatives, non-interest-bearing	Fair value through P/L	2	-16	73
Total trade accounts payable and other short-term debt			**6 146**	**4 425**

Fair value of Other interest bearing debt recognised at amortised cost	**30.06.2019**	**30.06.2018**
	Fair value	**Fair value**
Other long-term interest-bearing debt	40 536	37 926
Other short-term interest-bearing debt	6 000	3 569
Total Other interest bearing debt	**46 536**	**41 495**

	30.06.2019	**30.06.2018**
Total measurement levels	**Carrying value**	**Carrying value**
Level 1	1 077	1 388
Level 2	-42 503	-39 044
Level 3	78	78

There has not been any transfers between the measurement levels during the period.

Fair value

The fair value of forward exchange contracts is determined by applying the forward exchange rate on the balance sheet date. The fair value of currency swaps and interest rate swap is calculated as the present value of future cash flows. Fair value is mainly confirmed by the financial institutions Statnett has contracts with.

The fair value of financial assets, trade accounts payable and other short-term debt and interest bearing liabilities recognised at amortised cost has been calculated by using the effective interest method.

In the case of financial instruments such as financial assets available for sale, trade account receivables and other short-term receivables, liquid assets, trade accounts payable and other current liabilities, it is assumed that the carrying value is the best estimate for fair value, due to the short-term nature of the items.

Measurement of financial instruments

The Group uses the following measuring hierarchy to measure and present the fair value of financial instruments:

Level 1: Fair value is measured using listed 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 used at level 1, either directly (prices) or indirectly (derived from prices).

Level 3: Fair value is measured using input that is not based on observable market data.

Listed shares, bonds and certificates are considered level 1 because the securities are listed on the stock exchange and freely negotiable, and measured at the most current market price. Shares and ownership interests that are not listed on the stock exchange are assessed based on corporate accounts and are consequently considered to be at level 3.

Derivatives are considered level 2. The currency element of currency futures contracts is measured at observable market prices applying Norges Bank rates. Different maturity dates mean that an interest rate element is added which provides a calculation of the fair value of currency futures contracts.

Note 4 Plants under construction

(Amounts in NOK million)	**2019**	**2018**
Acquisition cost at 1 January	17 657	13 472
Additions	4 105	4 458
Capitalised construction interest	183	135
Transferred to tangible and other intangible fixed assets	-2 540	-1 535
Write-offs	-34	-22
Acquisition cost at 30 June	**19 371**	**16 509**
Hedge accounting effects	-5	40
Plants under construction at 30 June	**19 366**	**16 549**

Contractual obligations as at 30 June 2019
Contractual obligations as at 30 June 2019 amount to NOK 7.3 billion. The reported obligations include investment projects where future contractual obligations exceed NOK 50 million.

Effective from 1 January 2018, Statnett purchased the 300 kV grid for the stretch Fana-Kollsnes-Mongstad from BKK Nett AS. In connection with the transfer, the grid facilities were re-classified to transmission grid by the Norwegian Water Resources and Energy Directorate (NVE), effective from the same date as the transfer. For the stretch Mongstad – Modalen, an agreement was signed 11 August 2017 granting BKK Nett AS the right to transfer the facilities when completed in 2019. Estimated purchase price is NOK 2.0 billion.

Note 5 – Transition to IFRS 16 Leases

Transition method and use of practical expedients during transition

At transition to IFRS 16 as at 1 January 2019 Statnett has applied the modified retrospective approach measuring the right-of-use assets equal to the amount of lease liabilities recognized in the statement of financial position immediately before the date of initial application. The comparable numbers of previous periods are therefore not restated as if IFRS 16 was applied also in such previous periods. The cumulative effect of applying the standard has had no net effect of the Group's retained earnings.

For leases previously classified as operating leases applying IAS 17 *Leases*, Statnett has recognized lease liabilities equal to the present value of the remaining lease payments, discounted using Statnett's incremental borrowing rate at the date of initial application. For leases previously classified as finance leases applying IAS 17 *Leases*, Statnett has applied the transition clause stating that right-of-use assets and lease liabilities under such leases at initial application should be measured at the carrying amount of the lease assets and the lease liabilities immediately before the transition date.

As per initial application of IFRS 16 Statnett has no leases being impaired in accordance with IAS 36 *Impairment of Assets*, nor any leases being onerous under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

As per transition Statnett has also applied some other practical expedients described in the standard. This includes the option to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application. Furthermore is a single discount rate to portfolios of leases with reasonably similar characteristics. Statnett has also applied the practical expedient to use hindsight in determining the lease term in relation to options to extend or cancel leases. The practical expedient of not recognizing lease liabilities and right-of-use-assets for leases having a remaining lease term of less than 12 months at the date of initial application has also been applied.

The portfolio of contracts falling in scope of IFRS 16 is the same as that of IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease.

Note 3 of the Annual Report 2018 describes Statnett's accounting estimates and assumptions. In addition to the elements described there, Statnett now has introduced estimates in relation to determining discount rates and the lease terms based on the judgement of options to extend and terminate leases.

Please also see Note 1 Accounting Principles for a description of general principles on how IFRS 16 will be applied after the transition date.

(Amounts in NOK million)	**31.12.2018**	**IFRS 16 effects**	**01.01.2019**
Assets			
Tangible assets			
Tangible assets exclusive of right-of-use assets	40 948	-168	40 780
Right-of-use assets, buildings and land	-	238	238
Right-of-use assets, fiber	-	190	190
Total tangible assets	**40 948**	**260**	**41 208**
Liabilities			
Short-term interest-bearing debt	5 349	31	5 380
Long-term interest-bearing debt	40 388	229	40 617
Total interest-bearing debt	**45 737**	**260**	**45 997**

Reclassification of leases classified as financial leases applaying IAS 17 Leases

The balance of tangible assets 31 December 2018 includes an amount of NOK 168 million of fiber assets being finance leases under IAS 17 Leases, as per 1 January 2019 being classified into right-of-use assets under IFRS 16. All lease payments under these agreements are pre-paid in full and there are hence no lease liabilities associated with these leases.

The incremental borrowing rates

The incremental borrowing rates applied to lease liabilites at det date of inital recognition are in the interval 2.2 - 3.3 percent.

Specifications of financial effects from IFRS 16 during the period

(Amounts in NOK million)	**30.06.2019**
Effects on Comprehensive income	
Depreciation	23
Financial costs (interest expense)	4
Total	**27**

The effects presented above are the total effects on Comprehensive income resulting from IFRS 16 contracts, including thos effects stemming from contracts previously being classified as finance leases under IAS 17 Leases.

Effects on Balance sheet

(Amounts in NOK million)	**Assets**	**Liabilities**
Transition effects from leases being operational leases under IFRS 17	260	260
Transition effects from leases being finance leases under IFRS 17	168	-
Total right-of-use assets/lease liabilities 1 January 2019	**428**	**260**
Lease payments	-	19
Interest	-	4
Depreciation	23	
Additions	6	-
Total right-of-use assets/lease liabilities 30 June 2019	**411**	**245**

Total lease liabilities	
Short-term interest-bearing debt	31
Long-term interest-bearing debt	214
Total lease liabilities 30 June 2019	**245**

Declaration from the board and CEO

We confirm, to the best of our knowledge, that the interim financial statements for the period 1 January to 30 June 2019 have been prepared in accordance with IFRSs and that the note disclosures in the financial statements fairly present the company's and the Group's assets, liabilities financial position and performance as a whole. We further declare, to the best of our knowledge, that the information contained in the Interim Report from the Board of Directors for the first six months of 2019 fairly presents the performance, results and position of the company and the Group, together with a description of the key risk and uncertainty factors facing the company.

Oslo, 22 August 2019
Statnett's Board of Directors

Jan Fredrik Baksaas Chairman	Ole Bjørn Kirstihagen Board member	Maria Sandsmark Board member	Egil Gjesteland Board member
Tove Pettersen Board member	Pernille Dørstad Board member	Steinar Jøråndstad Board member	Einar Anders Strømsvåg Board member
		Auke Lont President and CEO	

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