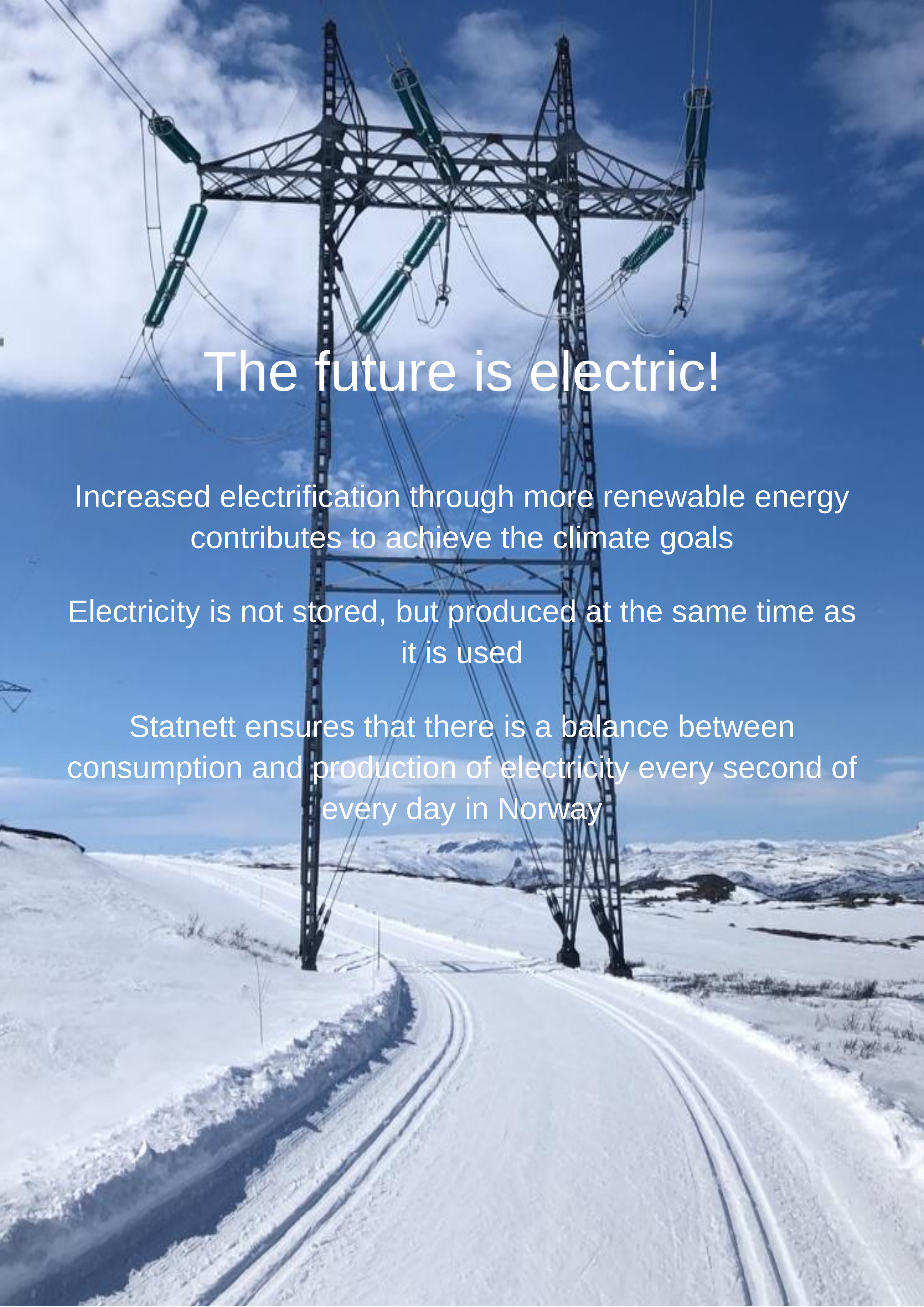
Statnett

Annual Report 2019

The future is electric

Content



The future is electric!

Increased electrification through more renewable energy contributes to achieve the climate goals

Electricity is not stored, but produced at the same time as it is used

Statnett ensures that there is a balance between consumption and production of electricity every second of every day in Norway

This is Statnett

Statnett has helped make Norway one of the world's most electrified societies. Statnett facilitating further decarbonisation in Norway and at our trading partners. In Norway, Statnett is responsible for operating the transmission grid, i.e. the network that links producers, consumers and the underlying grids in a nationwide system.

Statnett is the transmission system operator in Norway

Statnett is operator of the transmission network and system operator in the Norwegian power system (Transmission System Operator, TSO). Statnett is responsible for developing, operating and maintaining the transmission grid in a socio-economically optimal manner. Our activities affect users of the transmission grid and a wide variety of stakeholders in all areas of society.

Statnett's mandate is operationalised through three integrated primary roles:

- **System manager**
  Responsible for safeguarding delivery quality and ensuring instantaneous balance between power production and consumption at all times.
- **Grid owner**
  Owner of the Norwegian transmission grid and connections with other countries' power systems.
- **Power system planning**
  Planning of the transmission grid in the Norwegian power system, including interconnectors abroad.

The roles of power system planner and system manager require neutrality, transparency and trust. These tasks impact all players in the power market. The role of owner of the transmission grid also requires Statnett to work closely with the authorities and other stakeholders in planning the power system to ensure that the right capacity is available at the right time.

Socio-economic development of the power grid

The Norwegian Energy Act and Statnett's Articles of Association require the power grid to be developed in a socio-economically optimal manner. This applies both to decisions made by Statnett and decisions made by the authorities when issuing necessary permits for projects. Socio-economic analyses ensure that decision-makers receive expertly prepared documentation and comparable decision-making criteria. Based on this, Statnett focuses on commercial profitability and cost-effective solutions.

Access to the power grid is part of the climate solution

To achieve our climate goals, it is important to ensure both that new renewable power production can be connected to the power grid and that consumption that has previously used, or still uses, electricity from fossil sources is electrified. Statnett is obliged to ensure operationally viable connection of new or increased consumption or production for the grid while maintaining the power system's security of supply. If connection to the existing grid is not operationally viable, Statnett shall investigate and make the necessary investments in the transmission grid in accordance with prevailing laws and regulations.

Statnett's customers

Everyone who is connected to the transmission grid is a customer of Statnett. This means power producers, power consumers and regional grid owners. In most cases, Statnett's customers are connected to regional grids and enter into a connection agreement with transmission system operators other than Statnett. However, in such cases local transmission system operators must clarify with

Statnett is owned by the Norwegian state

Statnett is a state-owned enterprise established in accordance with the Act relating to state-owned enterprises and is owned by the state through the Ministry of Petroleum and Energy (OED). The Norwegian Water Resources and Energy Directorate (NVE) is responsible for supervision in accordance with watercourse and energy legislation. Since 1 November 2019, the Norwegian Energy Regulatory Authority (RME) has been appointed to act as an independent regulatory authority. RME's mandate is to ensure that operators comply with the regulations intended to ensure competitive conditions in the power market and an efficiently run power grid.

In Norway, power transmission is a monopoly franchise. State-ownership of Statnett is intended to contribute to rational socio-economic operation and development of the transmission grid. Statnett is responsible for critical infrastructure and performs assignments of major importance for civil security. State ownership helps ensure neutrality. Our revenues are regulated by RME, which sets an upper limit for how much we can charge for our services. This regulation is based on the premise that over time, Statnett's income will cover its costs and provide a reasonable return on invested capital assuming efficient operations, utilisation and development of the grid.

Statnett whether there is sufficient capacity in the transmission grid

Statnett is facilitating an electric future

Statnett's strategy is to develop a future-proof and efficient power system that facilitates increased renewable power production, new power-intensive business activities and electrification in order to reduce CO2 emissions. The company shall help satisfy customers' needs for green power and ensure good delivery quality and high available grid capacity.

Statnett shall be efficient, smart and secure. This includes:

- **Developing a more cost-effective system**
  This will help ensure that customers do not pay more than necessary for a secure power supply. Together, digitalisation, efficient markets and cost reductions must provide maximum security of supply for the money.

- **Choosing smart and secure solutions**
  Everyone who works at or for Statnett should arrive home from work safely each day. Statnett adopts a zero-tolerance approach to accidents and has set itself a target of becoming a leader in HSE among European TSOs and a leader in digital security.

  We are also implementing extensive digitalisation measures to be able to develop, operate and maintain the grid more cost-effectively and extend the service life of existing infrastructure. New, smart solutions can also help us to utilise the power system more efficiently while maintaining security of supply.

Statnett is a sustainable and socially and ethically responsible company

Statnett exercises its corporate social responsibility by taking account of social, environmental and ethical considerations in fulfilling its social mandate. Global challenges such as climate change, social dumping, corruption and loss of biodiversity require an active and targeted effort from all areas of business. Statnett is also dependent on the acceptance and trust of local communities throughout Norway, which makes credibility and local presence important.

In 2019, Statnett implemented multiple measures to coordinate and intensify work on corporate social responsibility. We have identified the UN's sustainability goals of most relevance to our business and we will continue to integrate these goals into our activities. For a more detailed report on corporate social responsibility, please refer to the corporate social responsibility report.

Reports and investigations are available

To satisfy society's needs, Statnett performs a number of analyses and investigations to provide a basis for potential further measures. These may include choice-of-concept studies, analyses related to specific projects, or background work. Statnett also prepares a Grid Development Plan and Power System Assessment every other year.

Published reports can be viewed at www.statnett.no.

Financial key figures	2019	2018	2017	2016	2015
Investments	9 618	12 377	9 235	7 695	5 820
Equity	17 783	16 194	14 011	13 867	13 605
Total assets	76 323	70 281	58 721	50 743	45 547
Operating revenues	9 641	9 138	7 401	6 678	5 906
Profit after tax	1 906	2 213	813	645	1 103

Operates the power system comprising 11,000 km of power lines

Statnett operates around 11,000 km of high-voltage power lines, 170 transformer substations and 1,600 km of subsea and land cables across the country. The power system is developed and managed by Statnett's nationwide organisation, which is also responsible for emergency preparedness. The grid is monitored by Statnett's control centres. Statnett is also responsible for interconnectors with Sweden, Denmark, Finland, the Netherlands and Russia.

Statnett primarily uses a nationwide communications network, based on 10,000 km of optical fibre, to monitor and control its facilities. Electricity delivery reliability in Norway from power supply infrastructure 33–420 kV is 99.98 per cent.

Major construction activity in the transmission grid

Statnett engages in multiple construction activities and has many ongoing projects throughout Norway. Since 2009, Statnett has constructed and upgraded more than 2,000 km of power lines and more than 80 new and remodeled substations. Statnett is also setting up interconnectors to both the United Kingdom and Germany.

Operational key figures

Power lines divided into voltage level[1)]

Voltage level	Unit	2019	2018	2017	2016	2015
AC 132	km	2 409	2 411	2 411	2 468	2 686
AC 300	km	4 043	4 180	4 387	4 601	4 595
AC 420	km	4 492	4 132	3 803	3 276	3 138

[1)] Statnett also operated power lines at following voltage level: 22 kV, 152 kV, 220 kV, 250 kV, 350 kV.

Transmission lines and cables in operation[2)]	Unit	2019	2018	2017	2016	2015
Power lines in operation	km	11 076	10 947	10 855	10 600	10 295
Underground cables and subsea cables in operation[1)]	km	1 616	1 423	1 287	1 282	1 268
Power lines comissioned	km	156	225	232	157	137
Upgraded exisisting power lines	km	106	119	155	0	0
New operational power lines	km	201	141	189	149	162
Demolished facilities	km	61	50	54	25	80
Number of comissioned field circuit breaker	Number	94	67	50	61	63

[2)] The principles for reporting were amended in 2016. Values have been updated for all years. The figures show installed running metres of cable, not route kilometres.

Statnett contributes within important areas such as security of supply, value creation and electrification

Security of supply: Statnett, as the Norwegian TSO, carries the main responsibility regarding the security of electricity supply in Norway. Security of supply refers to the ability of the power transmission network to uninterruptedly provide electric power at a specific quality of supply to the end user. To ensure security of supply, Statnett provides the proper voltage across the grid and minimises power outages. Moreover, as a measure of security, Statnett is prepared for and has back-up plans for a wide range of sudden failures. Grid maintenance, power station and system scaling alongside ICT infrastructure also fall within the TSO task responsibility of Statnett.

Value creation: Statnett's business creates value for society and customers, both directly and indirectly. Direct value creation is reflected in the Group's financial statements and distributed to the owner, authorities, employees and lenders as shown in the table below. Indirect value creation takes place through Statnett expanding the power grid and facilitating the production, transport and consumption of power – which all form the basis for value creation on the part of manufacturers, consumers and suppliers.

Electrification: Statnett shall facilitate electrification of new areas and renewable development to enable Norway to achieve its climate goals. Through cable connections, the company also contributes to security of supply and a climate-friendly European energy system.

There must always be a balance between production and consumption

In Norway, Statnett has the task of coordinating power production and consumption so that the power system is always in balance. This is called instantaneous balance. The power trading market determines how much power will be produced and at which price. This market brings together power producers and power suppliers (who purchase power on behalf of electricity customers). However, buyers and sellers never produce and use the exact volumes agreed upon in advance. Statnett is responsible for ensuring that the load on the grid is kept within acceptable limits.

Please visit www.statnett.no for further information about Statnett.

Grid levels in the power market

In Norway, the transmission grid and the distribution grid are administered separately.

The transmission grid links major producers and consumers in a nationwide system, which also includes interconnectors abroad. The transmission grid is high voltage, normally 300 kV or 420 kV, though in some areas of Norway it can be 132 kV. Statnett operates the transmission grid in Norway.

The distribution grid comprises the local power grids that normally distribute power to smaller end users. The distribution grid has voltages up to 132 kV.

Security of supply	**Unit**	**2019**	**2018**	**2017**	**2016**	**2015**
Frequency variances	Minutes	9 971	11 471	12 018	13 647	10 616
Non-Delivered Energy (NDE)	MWh	783	49	772	823	1 279
Reliability of supply	Prosent	99,9991	99,9999	-	-	-

Distribution of value creation	**Unit**	**2019**	**2018**	**2017**	**2016**	**2015**
Employees – Salary and social benefits [1]	MNOK	0	1 598	1 521	1 364	1 011
State and municipal taxes and fees [2]	MNOK	0	959	620	548	707
Interest expenses	MNOK	0	772	616	527	514
Owner – dividends [3]	MNOK	0	484	326	350	357
The company – Retained equity	MNOK	0	1 683	402	264	940

[1] Payroll costs (excl. employer's national insurance contributions).

[2] Tax expense, property tax and employer's national insurance contributions.

[3] Proposed dividends for 2018.

[4] Profit for the year less proposed dividends

Highlights in 2019

Secure power supply for Norwegian consumers

As a year, 2019 was both warmer and wetter than normally, with a good power situation. The operational situation has been good with stable system and infrastructure operation. High construction activities in the grid have resulted in challenges and multiple planned operational stoppages, which in turn reduced trading capacity; however, these have been effectively managed. Security of supply has been satisfactory with few incidents that have resulted in outages for end users, even though it is defined as vulnerable in some areas.

Rational and balanced development of the grid

Maintaining a secure power supply while facilitating value creation and good climate solutions through the electrification of new renewable power production is fundamental to the development of the power system. This must be performed in a cost-effective way, taking into account other important considerations as nature and the environment. Statnett is strengthening the grid in several regions and around larger conurbations. The power system is being developed with a focus on automated and digitalised solutions, at a national, Nordic and European level.

Commissioning of sections in the Western Corridor

The Western Corridor is the term used for the transmission grid in South-West Norway, which is currently being upgraded to 420 kV. The corridor stretches from Kristiansand in the south to Sauda in the north. During 2019, the project commissioned several sections and passed a major milestone in October with the commissioning of the power line between Saurdal and Ertsmyra as three new lines, Saurdal–Lyse, Lyse–Tjørhom and Tjørhom–Ertsmyra, respectively. This has resulted in a significant and important capacity increase in the Western Corridor and facilitated secure operations and high utilisation of the interconnectors. The Western Corridor is due to be completed in 2021.

Commissioning of first section of the Namsos–Surna power line

The 420 kV power line between Namsos and Surna is being implemented in two stages. The first construction stage consisting of the Snilldal–Surna and Namsos–Åfjord sections was commissioned in August. In accordance with the licence conditions, the final stage is due to be completed no later than 2028. The Namsos to Surna section is being built to facilitate wind power development, increase the grid's north–south capacity through Central Norway and improve the region's security of supply.

Interconnector with Germany (NordLink)

The subsea power cable between Norway and Germany, and the converter station on the Norwegian side, were tested and prepared for use in 2019. The overhead line between the converter station at Ertsmyra and cable landing point in Vollesfjord in Flekkefjord municipality was completed in 2019 and will be commissioned during 2020. In Germany laying of land cable is ongoing. The cable is due to enter test operation at the end of 2020. The exchange capacity will boost value creation and security of supply and will aid the transition to a more climate-friendly European energy system, at same time as security of supply is strengthened.

Interconnector with the UK (North Sea Link)

In 2019, work to lay the subsea power cable between Norway and the United Kingdom continued, and the second of four laying seasons is now close to completion. Construction work for the converter stations in Kvilldal and in Blyth in northern England is ongoing. The cable is due to be commissioned in 2021. The exchange capacity will help boost value creation and security of supply and will aid the transition to a more climate-friendly European energy system.

Grid Plan for the Oslo area

Work to renew the main power grid in and around Oslo continued in 2019. One of the largest projects include tunnelling excavations between the transformer substations Smestad and Sogn , where work has been ongoing throughout the year. Furthermore it has been dealt with construction plans for the tunnel between the transformer substations Sogn and Ulven , and on the renewal of the connection between the transformer substations Hamang, Bærum and Smestad. All projects in grid plan for the Oslo area are a part of a major common initiative to maintain a secure future power supply.

Sale of back-up power plant

The back-up power plant at Tjeldbergodden was sold in March to a Turkish company. The back-up power plant was installed in 2006 and installed as a consequence of a drastically increased energy deficit in Central Norway. The commissioning of the Ørskog–Sogndal section in December 2016 resulted in the normalisation of security of supply in Central Norway and meant there was no longer a need for the back-up power plant.

Transfer of the Mongstad–Modalen connection

In 2017, Statnett SF and BKK Nett signed an options contract to allow BKK Nett AS to complete the construction of a 420 kV connection between Mongstad and Modalen, in return for BKK Nett receiving the right to sell the infrastructure to Statnett SF on completion. BKK Nett AS has completed the construction of the infrastructure. The transfer agreement has been signed and Statnett has taken over ownership effective December.

The grid infrastructure is classified as part of the transmission grid and was commissioned in December. The Mongstad–Modalen section establishes a bilateral supply for industrial consumption along the Norwegian coast, where the resulting capacity increase has strengthened security of supply.

Commissioning of Elhub

Elhub, the energy industry's common data hub for handling customer meter readings, was commissioned in February. In 2013, Statnett was tasked by NVE to create a shared data hub for the energy industry. This followed on from NVE's decision in 2011 that AMS Smart Meters should be installed in all households. This has enabled the power industry to take an important step in digitization.

Nordic Balancing Model

In June, Statnett and Svenska kraftnät approved the investment decision for implementation of a new Nordic balancing model (NBM). This was necessary to cater for the growing share of less controllable renewable electricity production in the power system, at the same time as increasing transfer capacity between the Nordic region and adjoining areas. The concept is intended to satisfy the growing need for flexibility and ensure better control of imbalances.

Nordic solution for notification of unavailable market capacity

Together with Svenska kraftnät, Fingrid and Energinet, Statnett has launched a publication solution, NUCS (Nordic Unavailability Collection System), to notify unavailable capacity in the power market. The solution has been designed to both collect Nordic data for a common European transparency platform and to publish them. NUCS provides power market players with a general overview of unavailable capacity in the Nordic power system.

Statnett Transport transferred to Statnett SF

In November, Statnett's Board of Directors resolved to transfer Statnett Transport AS's business to Statnett SF. Statnett Transport looks after Statnett's commitments within heavy transport contingency as established in the Emergency Preparedness Regulation. The transfer will take place in 2020.

Statnett has reduced its ownership in Nord Pool

In December, Statnett and the other transmission system operators in the Nordic and Baltic regions agreed to sell 66 per cent of the shares in the Nordic power exchange Nord Pool to Euronet, which also owns Oslo Stock Exchange. The agreement is effective as of January 2020.

Collaboration on data security

Statnett and the Norwegian University of Science and Technology (NTNU) have signed a five-year collaboration agreement on cyber security. The aim is to secure an increasingly digitalised power sector moving forward. Statnett previously entered into a collaboration agreement with NTNU on machine learning and blockchain.

Statnett subject to the Norwegian Security Act

In November, the Ministry of Petroleum and Energy (OED) ruled that Statnett should be subject to the Norwegian Security Act. Statnett has been, and still is, subject to the Safety regulations related to the security when operating in electrical installations (FSE). The Security Act is in essence a state security act aimed at preventing espionage, sabotage and terrorism. The national power supply has been identified as a basic national function under the Security Act, which imposes additional requirements on Statnett.

New loan facility

In 2019, an amount of EUR 100 million was invested from an initial loan facility of EUR 300 million from the European Investment Bank (EIB). By the end of 2019, the available loan facilities read EUR 100 million. Several current loans were also taken out in the certificate market, of which NOK 3 billion was outstanding at the end of 2019.

Financial framework conditions

Revenues and results

Changes in revenues and results over the last five years are primarily attributable to on the one hand higher grid capital due to an increase in the number of facilities that have been put into operation, and on the other hand to a slightly lower NVE interest rate during the period. In recent years, Statnett has had considerable higher/lower revenues, which are due largely to major fluctuations in congestion revenues. This has resulted in major fluctuations in recognised operating revenues and operating profits. Revenues and profits adjusted for higher/lower revenues show that underlying activities are more stable than is reflected in the recognised figures.

Statnett's formulated strategy includes instructions for establishing the annual tariff for the transmission grid. Statnett attaches importance to the maintenance of stable, predictable tariffs over time, this affects higher or lower revenue. At the reporting date, Statnett's accumulated lower revenue amounted to NOK 732 million.

The investment level affects revenues and the balance sheet

Only completed investments are included in the basis for Statnett's regulated income. In the financial statements, Statnett's equity is not adjusted for higher/lower revenues. Statnett's actual equity is established after adjusting for accumulated higher/lower revenues after tax.

Net interest-bearing liabilities have risen in line with investment levels. In 2014, Statnett received an equity injection of NOK 3.25 billion, with the aim of securing a minimum 25 per cent equity ratio. Equity ratio at the end of 2019 totalled 23.3 per cent. Adjusted for higher/lower revenues, the equity ratio for 2019 equalled 24 per cent.

Operating revenues regulated activities

In its financial statements, Statnett's revenues comprise grid rental from customers in the transmission grid, the fee for its balancing and settlement services, and congestion revenues. Congestion revenues arise when power is transmitted from areas with a low power price to areas with a high power price in the Nordic region, and between Norway and the Netherlands. The grid rental (tariff) is established ahead of each calendar year.

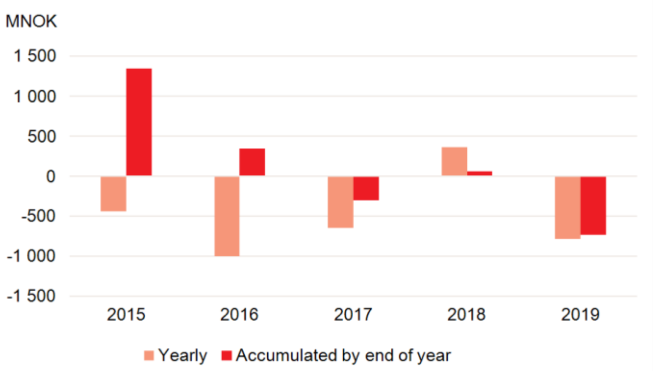
Permitted income, regulated activities

Since grid activities are a natural monopoly, Statnett's revenues are regulated and controlled by the Norwegian Energy Regulatory Authority (RME), which establishes an annual revenue cap (permitted income). Permitted income is intended to cover the cost of developing and maintaining the grid, and provide a reasonable return on investments, provided the transmission grid is planned, constructed, operated, utilised and maintained in a cost-effective manner. In addition, Statnett also receives revenues from fees it charges as the balancing and settlement coordinator within the Norwegian power system and as operator of the data hub Elhub.

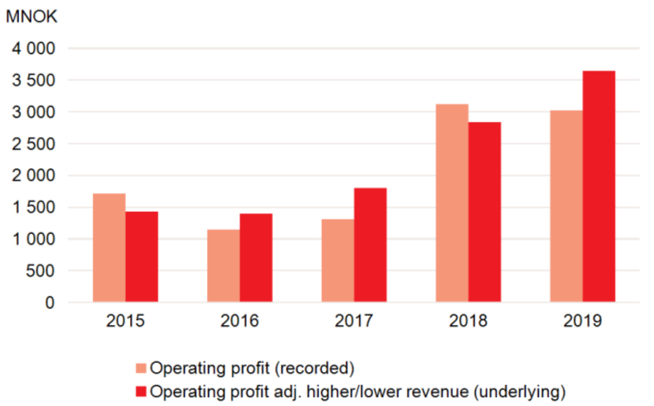
Higher/lower revenue

The actual income from regulated activities that is recognised in the financial statements in each financial year will differ from the final permitted income, which the RME establishes after the end of the year. These differences are known as higher or lower revenue, which in accordance with NVE regulations are equalised over time through adjustment of future grid rental charges. Consequently, higher/lower revenues represent temporary amounts in Statnett's financial statements, which in accordance with IFRSs are not recognised in the balance sheet.

Development higher/lower revenue, Group



Operating profit, Group



Key Figures and Alternative Performance Measures*

Key figures *(MNOK)*	**2019**	**2018**	**2017**	**2016**	**2015**
Accounting result					
Operating revenues	9 641	9 138	7 401	6 678	5 906
Depreciation and amortisation [1)]	-2 339	-1 941	-2 273	-2 120	-1 516
Driftsresultat før avskrivninger og amortisering (EBITDA)	5 366	5 062	3 585	3 272	3 230
EBIT	3 027	3 120	1 312	1 152	1 714
Profit before tax	2 440	2 701	976	783	1 410
Profit for period [2)]	1 906	2 213	813	645	1 103
Adjustments					
Change in accumulated higher/lower revenue (+/-) before tax	-791	362	-646	-1 003	-444
Change in accumulated higher/lower revenue (+/-) after tax	-617	279	-491	-752	-324
Accumulated higher/lower revenue (+/-) befor tax	-732	59	-303	343	1 346
Underlying result (adjusted for change in higher/lower revenue) [2)]					
Operating revenues	10 432	8 776	8 047	7 681	6 350
EBITDA	6 157	4 699	4 231	4 275	3 784
Underlying operating profit (EBIT)	3 818	2 758	1 958	2 155	2 158
Profit before tax	3 231	2 339	1 622	1 786	1 854
Underlying profit for the year	2 523	1 934	1 304	1 398	1 427
Key figures balance sheet					
Investments (additions, facilities under construction including interest on construction loans)	9 618	12 377	9 235	7 695	5 820
Property, plant and equipment	54 637	40 948	35 653	33 861	30 215
Long-term and current interest-bearing liabilities including hedging effect	50 199	45 737	39 189	32 633	28 289
Market value interest and currency swaps relating to loans	4 569	3 451	2 701	2 844	4 833
Interest-bearing liabilities adjusted for effect of interest and currency hedging	45 630	42 286	36 488	29 789	23 257
Equity	17 783	16 194	14 011	13 867	13 605
Equity adjusted for higher/lower revenue after tax	18 354	16 149	14 241	13 610	12 622
Total assets	76 323	70 281	58 721	50 743	45 547
Capital employed [3)]	62 705	55 507	49 299	41 322	35 859
Key financial ratios					
Return on capital employed before tax, adjusted for higher/lower revenue [4)]	6,5 %	5,3 %	4,3 %	5,6 %	6,4 %
Return on equity after tax [5)]	11,2 %	14,7 %	5,8 %	4,7 %	8,4 %
Equity ratio	23,3 %	23,0 %	23,9 %	27,3 %	29,9 %
Equity ratio after tax, adjusted for higher/lower revenue	24,0 %	23,0 %	24,3 %	26,8 %	27,7 %

[1)] Depreciation, amortisation and impairments per statement of total comprehensive income less impairments disclosed in Note 9 plants under construction.

[2)] The underlying result is based on regulated permitted revenue, while the accounting result will vary depending on established tariffs and congestion revenues. The difference is known as higher/lower revenue (see Note 2).

[3)] Capital employed = Property, plant and equipment + Facilities under construction + Trade and other current receivables + Trade and other current payables.

[4)] Return on capital employed before tax, adjusted for higher/lower revenue = EBIT, adjusted for higher/lower revenue / Average capital employed last two years.

[5)] Return on equity after tax =Net result for the year / Average equity last two years.

* To provide a better understanding of Statnett's underlying result we also present a number of alternative 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.

A Word from the CEO

We are about to enter a decade of electrification

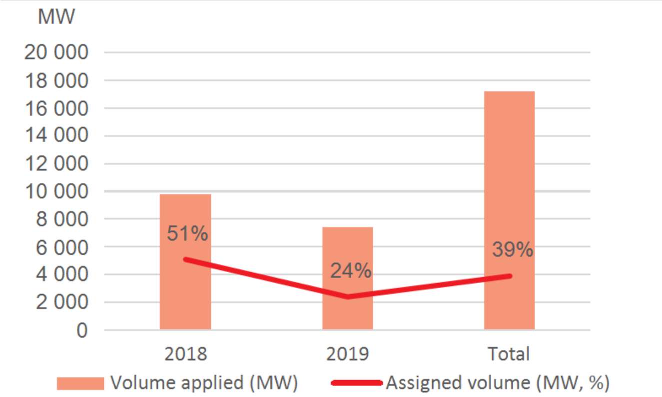
In 2010, Statnett started developing the next generation power grid. We did this because the future is electric. Now, at the start of the 2020s, the signs are clear: We are seeing rapid electrification, increaced trade and a significant increase in renewable power production in Norway and our neighbouring countries. The grid is becoming more important than ever, for value creation, secure power supply and sustainable development.

"The grid is becoming more important than ever"

Climate policies are a central driver of a transitioning energy system, and European climate targets are becoming increasingly ambitious. The EU is likely to adopt emissions cuts of at least 50 per cent by 2030 and require zero net emissions by 2050. We have seen plans for a European Green Deal, and we can expect higher carbon prices and carbon tax on imports from countries without a carbon price. Several of our neighbouring countries have set more ambitious targets than the EU.

In December, Norwegian Prime Minister Erna Solberg asked the Ministry of Energy and Petroleum to investigate electrification of petroleum facilities on land. In early January, Equinor, the Norwegian Confederation of Trade Unions (LO) and the Confederation of Norwegian Enterprise (NHO) announced plans for extensive offshore electrification. Statnett has worked on facilitating this development in collaboration with Equinor and Gassco throughout 2019. Offshore electrification can provide up to 12 TWh in increased power withdrawals from the grid. In recent years, Statnett has encountered much greater demand for connection of new or increased consumption. Much of this is being driven by electrification. The development trends we are witnessing could also trigger more general industry growth, since Norway is well placed to deliver emission-free and cheap power. Production of hydrogen for different industry processes and heavier transport can also lead to increased consumption.

Connection issues, applied and assigned volume



While Norway currently enjoys a comfortable power surplus, major growth in consumption will require increased power production. We are also experiencing strong demand for connection of new power production, in particular wind power, due to the fact that wind power is now also competitive in many places without subsidies. Good wind conditions and flexible hydropower make wind power particularly suited to the Nordic region. In addition, wind power costs are falling and therefore boosting profitability.

A combination of a more ambitious climate policy and cheaper renewable energy will provide extra momentum for the energy transition across the whole of Europe. One promising example is fixed offshore wind power. Costs have fallen rapidly, and the need for subsidies has decreased. Given the major need for emission-free electricity in Europe and lower costs for offshore wind, power production in the Norh Sea could significantly exceed onshore power production in Norway in the period leading up to 2030. Major growth in wind power in Northern Europe will through trading have a significant impact on the Norwegian power system.

Thanks to the grid reinforcements we have already made and have scheduled for future years, Norway is well

”Thanks to the grid reinforcements we have already made and have scheduled for future years, Norway is well prepared for an electric future”

prepared for an electric future. For Statnett, 2019 has been a year of successful project execution, stable operations and high security of supply. Important power line sections in the Western Corridor and the future connection between Namsos and Surna have been commissioned. We have also made satisfactory progress with our work on cables to Germany and the UK, both 1,400 MW. These will be commissioned during the next two years.

Major new consumption and new power production often require new grid investments close to the connection points, but with relatively balanced growth in consumption and production, the most important product will be better grid utilisation, and more to share the costs.

Statnett is systematically working with cost efficient solutions, at the same time as reinforcing and renewing the grid. Digitalisation plays a key role in this context. New ICT solutions, including the use of sensors and drones, will make it easier to control construction costs, monitor and maintain the grid more effectively, extend the service life of infrastructure and, above all, achieve better grid utilisation.

Statnett is the system transmission operator in the Norwegian power system. This means we coordinate power production in Norway and ensure there is an instantaneous balance between production and consumption, and ensure that the load on the grid is kept within acceptable limits. New digital solutions are important for securing the ongoing balance in the grid at a time when production, consumption and power flow are becoming more variable than in the past. Extensive development work has started to develop a new “balancing concept”, together with our Nordic sister companies. Important areas of system tasks are to be automated, and Statnett aims to leverage the opportunities offered by new technology. An extensive portfolio of R&D activities are focusing on the same challenges. We will also contribute to closer collaboration with the regional transmission system operators in Norway. Together, we will develop new and more effective solutions to maintain security of supply and create value for our customers.

The outbreak of COVID-19 (the coronavirus) affecting our society so far in 2020 will also affect Statnett’s operations. Statnett has clear priorities in dealing with the pandemic. Our social mandate is to secure the power supply at all times and in any situation. At the same time, we must contribute to community efforts to limit the spread of the virus and protect vulnerable groups – including those among our own employees.

” We decided early on to instruct all employees who can work from home to do so”

This priority provides clear guidelines for the company’s actions. We decided early on to instruct all employees who can work from home to do so. At the same time, we put in place clear measures to protect our control centres, first-line personnel and other critical functions. We have done this by implementing organisational measures and limiting contact across tasks and groups.

Currently, it is too early to say what the pandemic will mean for society and for Statnett. Our emergency plans are robust and we have confidence that we will be able to carry out our core tasks and ensure the operation of the power system and the company.

Auke Lont

Group management

From the left: Knut Hundhammer, Håkon Borgen, Elisabeth Vike Vardheim, Auke Lont, Peer Olav Østli, Beate Sander Krogstad and Gunnar G. Løvås. Please visit www.statnett.no for further information about Group management.

Auke Lont

President and CEO

Employed in 2009
Education/qualifications: Master's in Econometrics from Vrije University in Amsterdam
Previous experience: CEO of ECON and Naturkraft, and various management positions at Statoil
Directorships: Director at Spektør

Elisabeth Vike Vardheim

Executive Vice President Construction

Employed in 2007 and a member of Group management since 2014
Education/qualifications: Master's in Engineering from NTNU, Degree in Business Administration, Master's in Board Governance from the Norwegian Business School (BI)
Previous experience: Several management positions at Statnett, public sector, construction projects/organisation
Directorships: Chair of Statnett Transport AS

Peer Olav Østli

Executive Vice President Grid Operations

Employed and a member of Group management since 2007
Education/qualifications: Master's in Computer Science and postgraduate studies in management from Henley Business School in the UK
Previous experience: Management positions at Telenor, Schibsted Nett and Scandinavia Online AB, Head of Technology at NRK, Executive Vice President ICT until 2019

Gunnar G. Løvås

Executive Vice President Market and System Operation

Employed and a member of Group management since 2019
Education/qualifications: Master's in Engineering from the Norwegian University of Science and Technology (NTNU) and a doctorate in mathematical statistics from the University of Oslo
Previous experience: Several management positions at Statnett until 2014, and member of Group management 2007–2014, Deputy Director General at the Norwegian National Railway Administration, independent consultant
Directorships: Chair of Elhub AS, Director of Fifty AS and NordLink Norge AS

Håkon Borgen

Executive Vice President Technology and Development

Employed in 1995 and a member of Group management since 2004
Education/qualifications: Master's in Engineering from the Norwegian University of Science and Technology (NTNU) and Technische Hochschule Darmstadt (THD) in Germany, postgraduate studies in management from the International Institute for Management Development (IMD)
Previous experience: Several management positions at Statnett and BKK in power supply, planning and construction
Directorships: Chair of NordLink Norge AS, Chair of ENTSOE Research Development and Innovation Committee (RDIC)

Knut Hundhammer

Executive Vice President CFO Corporate and Public Relations

Employed and a member of Group management since 2011
Education/qualifications: Norwegian Military Academy and MBA from Wharton School of Business in the USA
Previous experience: Company Commander in the Norwegian Armed Forces, Consultant at McKinsey & Co, SVP Leif Høegh & Co, CFO of Finansbanken ASA, President of Klavenes Commercial Management and President of the Norwegian Defence and Security Industries Association

Beate Sander Krogstad

Executive Vice President IT

Employed in 2009 and a member of Group management since 2019
Education/qualifications: Master's in Engineering from the Norwegian University of Science and Technology (NTNU) and postgraduate studies in international management from the FGV Foundation in Rio de Janeiro, Brazil
Previous experience: Manager at Accenture, several management roles at Statnett
Directorships: Director of Fifty AS, Elhub AS, DIGITALNORWAY – Toppindustrisenteret AS and Western Norway Regional Health Authority

Organisational structure

Statnett is headquartered in Oslo and has administrative offices in Alta, Trondheim, Sandnes and Sunndalsøra. The Group's activities are organised into six divisions.

In 2019, a series of organisational changes were implemented intended to improve flexibility and utilisation of resources, at the same time as reinforcing our expertise resource pools and interdisciplinary competence development. This has provided Statnett with an efficient and flexible organisational structure.

Please visit www.statnett.no for further information about Statnett's organisation.

Subsidiaries, jointly controlled companies and associates

The emphasis of the Group's activity is in the parent company Statnett SF. The business in subsidiaries, joint owned companies and associates are described below.

Statnett Transport AS

Statnett SF is required to provide heavy transport preparedness for the Norwegian power supply. The wholly owned subsidiary Statnett Transport AS is responsible for ensuring that these obligations are fulfilled in an efficient and competitive manner. In 2019, the decision was taken to wind up the company, and the business will be incorporated into Statnett SF during 2020.

NordLink AS

The wholly owned subsidiary NordLink Norge AS is responsible for construction and operation of Statnett's share of NordLink, an interconnector between Norway and Germany.

Elhub AS

The wholly owned subsidiary Elhub AS is responsible for development, and operation of a central data hub for meter values and market processes in the Norwegian power market (Elhub). NVE has assigned this task to Statnett under the Energy Settlement Licence

Fifty AS

Fifty AS is a jointly controlled company with Svenska kraftnät. Fifty AS's object is to develop and operate the regulatory and market systems to balance the Nordic power system.

eSett OY

Statnett SF owns a 25 per cent stake in eSett OY. The company delivers balance settlement services to market players in Finland, Sweden, Denmark and Norway.

KraftCERT AS

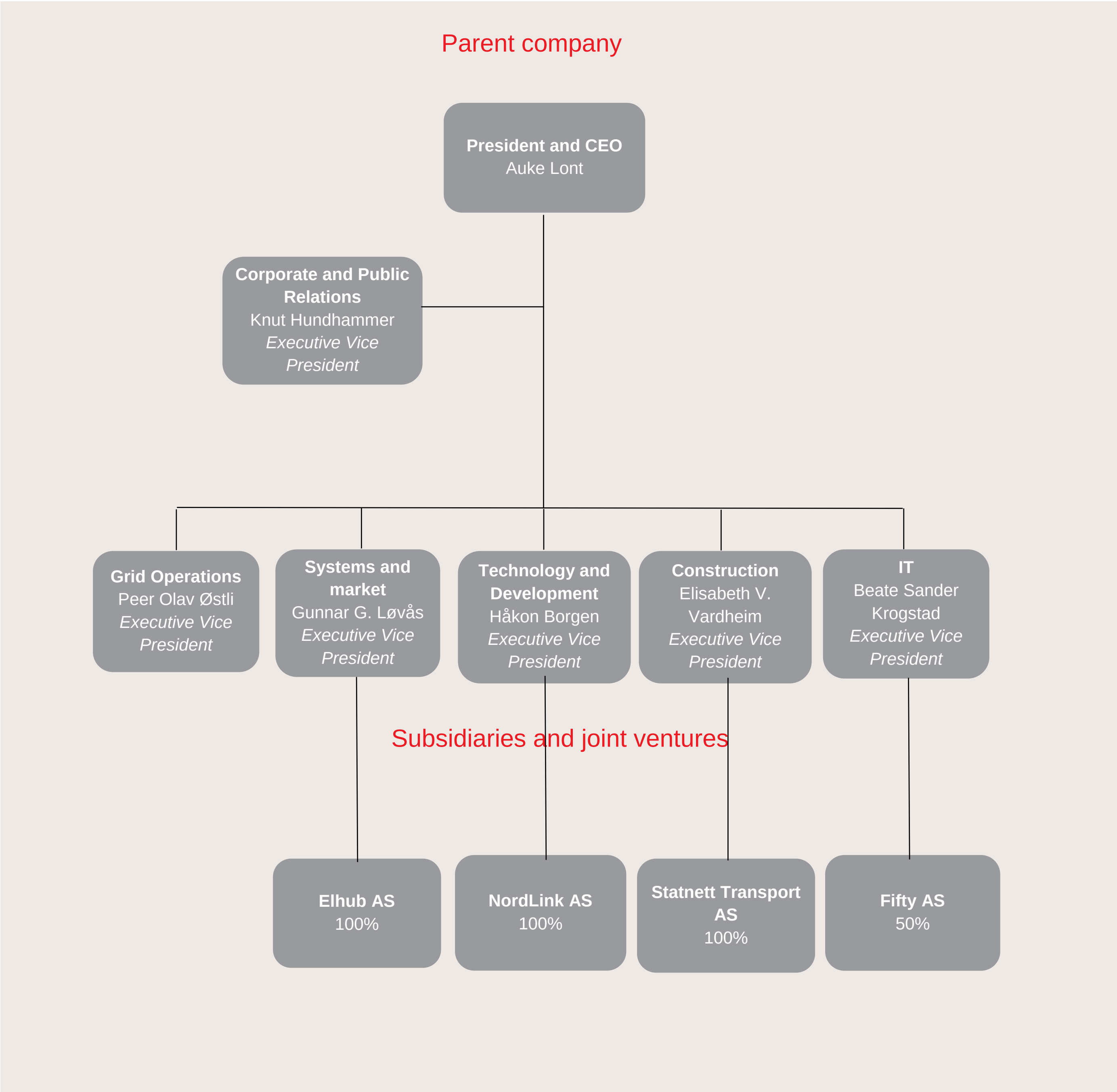
Statnett SF also holds a 33.3 per cent stake in KraftCERT AS, which monitors energy companies' IT systems and handles undesired IT security incidents. The company also assists other organisations in the power industry in Norway in managing and preventing attacks on ICT systems.

Nord Pool

At the end of 2019, Statnett had a 28.2 percent ownership interest in Nord Pool Holding AS. In 2020, Euronext purchased 66 per cent of the shares in Nord Pool, and Statnett and the other TSOs are now restructuring their shareholdings through the company TSO Holding AS.

For further information see notes 20 and 22.

Operational key figures Group	2019	2018	2017	2016	2015
Number of full-time equivalents	1 493	1 461	1 415	1 326	1 226
Absence due to illness %	2,9	3,2	3,4	3,2	3,3
LTIFR, own employees	2,3	1,9	1,6	3,6	4,9
LTIFR, including contractors	4,2	5,6	3,6	5,6	6,4


Parent company
President and CEO
Auke Lont
Corporate and Public Relations
Knut Hundhammer
Executive Vice President
Grid Operations
Peer Olav Østli
Executive Vice President
Systems and market
Gunnar G. Løvås
Executive Vice President
Technology and Development
Håkon Borgen
Executive Vice President
Construction
Elisabeth V. Vardheim
Executive Vice President
IT
Beate Sander Krogstad
Executive Vice President
Subsidiaries and joint ventures
Elhub AS
100%
NordLink AS
100%
Statnett Transport AS
100%
Fifty AS
50%

Statnett’s values

Long-term perspective
Respect
Community

Statnett’s set of values establishes a framework for expected behaviours based on teamwork, dialogue and transparency

Risk management and internal control

Statnett is a transmission system operator (TSO) that owns and operates critical infrastructure . The company's risk management reflects its important role in society.

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

Good HSE performance – reinforcement of internal control and training are ongoing

Every day, Statnett performs operations that involve a high level of risk. Examples include the use of helicopters, working at height and work in the vicinity of high voltage installations. An important risk-reducing measure is adapted training respectively of own employees and temporary contract staff, as well as those employed by general and trade contractors, who will undertake hazardous work. Activities are underway in various parts of Statnett's operations to further raise risk awareness in connection with hazardous work.

The development of standards and training schemes has been reorganised and reinforced in the area of electrical safety. In 2019, Statnett's HSE efforts have focused on the further development and restructuring of the management system. The objective is to strengthen the company's internal control in the HSE area.

The number of lost-time injuries among Statnett's own workforce is low. The number of injuries incurred by employees of Statnett's contractors and those on temporary contracts was almost halved from 2018 to 2019.

The environmental risks relating to the company's facilities and projects were systematically mapped in 2019. In addition, the reporting system that safeguards the quality and accessibility of environmental and climate data was improved. Furthermore, an internal control system was established pursuant to a new regulatory requirement relating to the environment and landscape.

Statnett delivers on security of supply and facilitation of value creation

Statnett safeguards the supply of electrical power to customers, and ensures the transmission grid has the available capacity required to meet the market's needs. This in turn demands a proper understanding of risk factors, continuous monitoring and thorough risk assessments of both system and infrastructure operations. The risk picture is followed up through the company's strategic management, a number of different investment projects and daily operation of systems and installations.

Normally the grid operates at an N-1 level of security. This means that failure of a single individual component will not result in a power outage. In situations of normal operational security, supply may be interrupted if several faults occur at the same time, or where Statnett operates at N-0 level of security. Some regions are still deemed to be particularly vulnerable. Weather-related incidents and extreme weather events, equipment failures, attacks on or hacking of operational control systems and acts of terrorism against physical installations are events that constitute a risk to the security of supply.

In short term the most important risk-reducing measures are good operational planning, correct maintenance of physical installations and effective data-protection measures. Efficient contingency planning reduces the consequences of faults and errors. Important measures that will boost security of supply in the longer term include Statnett's ongoing and planned investment projects for the renewal of its physical infrastructure and necessary increases in capacity.

New transnational interconnectors will boost value creation, but are also expected to make operations more challenging. Statnett is actively involved in Nordic and European efforts within market and system development, and undertakes significant IT projects to handle future operations. Statnett is also strongly involved in efforts to influence European regulations in order to make them appropriate for Nordic conditions.

Statnett's grid infrastructure and IT systems investment projects entail various implementation-related risks, which are dealt with as and when they arise.

Risk related to digital security is becoming increasingly important.

Some of Statnett's digital systems are critical for society, and could be subject to attack. In 2019, the power sector was once again highlighted by the Norwegian National Security Agency (NSM) and the Norwegian Police Security Service (PST) as an area where a digital attack could have wide-reaching consequences, and where it must be expected that state actors are actively engaged. Statnett takes digital risk extremely seriously, and has implemented several measures to protect critical infrastructures. For success of these effortsit is important to cooperate within the sector and with the national authorities.

Increased focus on the climate and electrification throws up new challenges

The European power system is undergoing a transformation, driven by climate policies, the market and new technologies. Both extreme weather events and a greater focus on climate policy, with a consequent tightening up of statutory requirements in Europe and Norway, have prompted Statnett to initiate several risk-reducing measures.

For example, the company carries out regular risk assessments of physical damage to installations that could affect security of supply. Statnett's environment and climate strategy sets out the company's overarching ambitions and priorities to meet environmental and climate-related challenges.

Statnett is also a key facilitator of electrification in Norway. The company's risk relates to the management of increased consumption and a lot of new electricity production.

Future revenue depends on Statnett's cost-effectiveness

Statnett's revenues are exposed to risk through the RME's imposition of a revenue cap. Results from TSO benchmarking are used as a basis for assessing Statnett's efficiency. The RME's efficiency assessment could result in a reduction in the revenue cap. Cost-cutting measures are important to reduce Statnett's risk relating to future revenues.

Other factors affecting permitted income include the reference rate for the regulated return on investment, delayed commissioning of facilities under construction and the way system operation costs are included in the revenue cap. In addition, interruptions in the supply of electricity can reduce permitted income, regulated via the KILE scheme, which imposes a quality-adjusted revenue cap in the event of non-delivered energy.

Statnett's exposure to risk in the finance market

Interest and liquidity risk

The Group is exposed to interest rate risk through its loan portfolio, liquidity portfolio and financial hedging activities. Statnett reduces interest rate risk and fluctuations in profits by entering into interest swaps for associated liabilities. The residual interest rate risk in the loan portfolio is reduced by the revenue is affected by market rates through the reference rate in the income regulation.

Statnett has access to multiple loan markets and has a diversified loan maturity structure. Access to loans is supported by a credit rating for long-term loan of A+ and A2 from Standard & Poor's and Moody's Investor Service, respectively. Statnett's available liquidity is intended to secure the financing of operations and investments on a 12-month rolling basis, even without new loan. Available liquidity facilities include a drawdown facility of NOK 8 billion maturing in January 2024. This reduces the risk of Statnett being unable to refinance its borrowings in periods when the supply of capital is scarce.

Currency risk

Statnett's revenues are mainly denominated in NOK, while some of the Group's costs are incurred in foreign currency. Foreign exchange risk is minimised by hedging exposure related to major procurements in investment projects using forward currency contracts or similar, and through the company's revenue regulation. All Statnett's foreign-currency borrowings are converted to NOK using currency swaps.

Credit risk

Statnett is exposed to credit risk through investment of surplus liquidity in banks and interest funds. The Group has frameworks establishing requirements for counterparty creditworthiness and maximum exposure for each individual placement of surplus liquidity. Statnett also assumes credit risk through its role as Settlement Officer in the regulated power market. This risk is managed by means of established routines for pledging of security for participants in this market.

Counterparty risk

Statnett is exposed to counterparty risk through its derivatives counterparties. Statnett enters into CSA agreements to reduce this risk.

Financial risk framework

The Board has drawn up principles for financial risk management through the company's established finance policy. The finance policy establishes specific frameworks for financial management, including for credit risk, settlement risk and counterparty risk. Internal control routines are established and performed by an independentparty.

Dialogue with stakeholders is an important aspect of the company's risk management.

Statnett's operations are critical to society and affect a great many people. This applies to both the company's day-to-day operation of the grid and overall power system, and its construction activities. This requires a regular, close and fruitful dialogue with a wide range of actors and stakeholders.

Through a variety of forums and communications initiatives, Statnett strives to provide good information and build an understanding for its mission. This is particularly important when it receives many requests for the connection of new consumption and new production, as well as in connection with the construction of new facilities.

The various risks associated with the company's operations also require a good dialogue with various parties. In recent years, this has become clear in the wake of breaches of the rules governing pay and working conditions at some of Statnett's suppliers/contractors. Measures have been implemented, and remain in place, to deal with this and similar risks.

The risk management framework has been reinforced

In 2019, the company harmonised its performance and risk management, thus paving the way for better and more effective corporate governance. This effort has involved the development and implementation of shared IT tools, as well as harmonising processes relating to performance and risk management at the company level. Statnett has, moreover, continued to implement a standardised, risk-based internal control system.

The implementation of risk assessments and key controls for vital processes in the finance and accounting area was completed in 2019. This means that the accounts-closing process is documented from when the accounts are closed until the quarterly and annual financial statements are reported to the Board of Directors.

Key controls have also been implemented in the project process. This includes the follow-up of licensing decisions and contracts when projects are undertaken.

The grid settlement processes' maturity with respect to internal control is maintained at a high level.

To ensure the internal control system uses those digital opportunities for the automation that exist, the company last year engaged in a project to establish continuous monitoring of selected "red flags" that indicate a risk of fraud.

In 2020, the company will continue working on plans to implement the standardised internal control framework. In addition, already implemented areas will be reviewed to ensure that key roles function as intended and that individual process risks have been kept at an acceptable level.

The COVID-19 pandemic will affect our work in 2020

The COVID-19 pandemic will affect the risk situation and our work on risk management and internal control in 2020. Statnett's main priorities are to safeguard society's power supply and to participate in the national efforts to limit the spread of infection. The company's comprehensive risk management and emergency plans for extensive outbreaks of infection will facilitate a structured approach and ensure that necessary measures are put in place. See the Board of Directors report for more information.

Statnett's Board of Directors

From the left: Maria Sandsmark, Egil Gjesteland, Einar Anders Strømsvåg, Tove Elisabeth Pettersen, Jon Fredrik Baksaas, Steinar Jøråndstad, Synne Larsen Homble, Ole Bjørn Kirstihagen and Pernille Dørstad. Please visit www.statnett.no for further information.

Jon Fredrik Baksaas

Board member since 2018, Chair since 2018
Directorships: LM Ericsson AB, Handelsbanken AB, Cloudberry Partners AS og DnVGL
Previous experience: International telecoms adviser and adviser for technology start-ups in Norway, CEO of Telenor 2002–2015, various key positions at Telenor since 1989, other work experience from Aker, Stolt-Nielsen Seaway and Det norske Veritas

Synne Larsen Homble*

Board member since 2013, Deputy Chair since 2015
Chair of the Compensation Committee
Previous experience: Executive Vice President of VY Group, Executive Vice President of Cermag Group AS/Cermaq ASA, attorney in the law firm Wikborg Rein and member of the Norwegian National Contact Point for the OECD

Einar Anders Strømsvåg

Board member since 2015
Chair of the Audit Committee
Directorships: Chair of Western Norway Regional Health Authority
Previous experience: Senior Advisor and several management positions at Equinor, including Director of Refineries, Offshore Wind and Internal Audit

Pernille Dørstad

Employee-elected Board member since 2018, employee since 2014
Member of the Audit Committee
Directorships: Statnett SF's Pension Fund, private sector and other organisations
Previous experience: Senior Engineer Buildings and Construction, various positions in construction projects at Equinor, Project Manager at Kværner, Chief Employee Representative and Chair at Tekna Statnett industry group

Tove Elisabeth Pettersen

Board member since 2018, Deputy Chair since july 2019
Member of the Audit Committee and Chair of the Compensation Committee from autumn 2019
Previous experience: Chief Corporate Affairs Officer at Bane NOR SF and Senior Vice President at Hafslund ASA

Maria Sandsmark

Board member since 2013
Member of the Compensation Committee and the Project Committee
Previous experience: Researcher at Møreforskning Molde AS, Associate Professor at Molde University College and Consultant at ECON Analyse

Egil Gjesteland

Board member since 2012
Chair of the Project Committee
Directorships: Egypt Solar BV and South Africa Solar BV
Previous experience: Owner of Gjesteland Consulting, IT Director and Project Director for a number of Equinor's oil and gas projects

Ole Bjørn Kirstihagen

Employee-elected Board member 2018, employee since 1986
Member of the Compensation Committee
Previous experience: Procurement and operations for Statnett's operating centres, Operator at Norsk Hydro's operating centre, Chief Employee Representative and Chair of NITO Statnett

Corporate social responsibility

Responsible business

Corporate social responsibility at Statnett is about adopting a responsible approach with respect to people, society and the environment. Just as important as doing what's right is doing it in the right way. This means that we must fulfil our tasks in a way that is sustainable and socially and ethically responsible.

Global challenges and sustainable solutions

Climate change is one of the biggest challenges of our time. Electrification is vital in order to replace fossil energy with renewable, zero-emissions energy. The power system and the grid therefore have an extremely important role to play in cutting greenhouse gas emissions.

Statnett is contributing to electrification in Norway and our neighbour countries by strengthening and renewing the transmission grid. Although 98 per cent of Norwegian power production is renewable and Norway is one of the world's most electrified countries, around half of the energy used by society still comes from fossil sources. There is enormous potential for further electrification, in particular in transport and industry.

By means of our activity, we enable Norway and our neighbour countries to increase the proportion of renewable energy and reduce greenhouse gas emissions. This activity therefore contributes to several of the UN Sustainable Development Goals. At the same time, we must take responsibility for ensuring that climate, the environment, society and social conditions are taken into consideration in our everyday working life.

One element of this is implementing climate initiatives in our own business and managing climate risk responsibly. At the same time, climate change is not the only global challenge we face on a day-to-day basis. Loss of biodiversity, social dumping and unethical business practices are examples of other challenges that we must counter through our work on corporate social responsibility.

The report from the UN's Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) published on 6 May 2019 shows how biodiversity is rapidly being reduced by human activity. The primary reason for species loss is changes to land use. We go to great lengths to ensure our facilities are built and operated in a way that conserves biodiversity wherever possible.

A lot of the work carried out by Statnett involves an inherently high risk, and we have international contractual partners and a high level of activity. Guaranteeing our employees and everyone who works for us an everyday working life free from social exploitation and hazardous situations is critical. Safety has always been our top priority. In recent years, we have also stepped up efforts to safeguard decent working conditions.

As a transmission system operator we must maintain high ethical standards with a zero-tolerance approach to corruption and work-related crime. Because we have facilities right across Norway, it is important that we engage in dialogue with local communities in order to ensure trustworthiness and acceptance.

The coronavirus outbreak is affecting the society

At the time of writing this report, we are facing a new global challenge. The outbreak of COVID-19, and measures to delay the spread, have so far had major consequences for the society in 2020.

Statnett's main focus is to secure the power supply and contribute to limit the spread. Our emergency preparedness plans for extensive outbreaks of infection facilitate this, among other things critical workers were protected early.

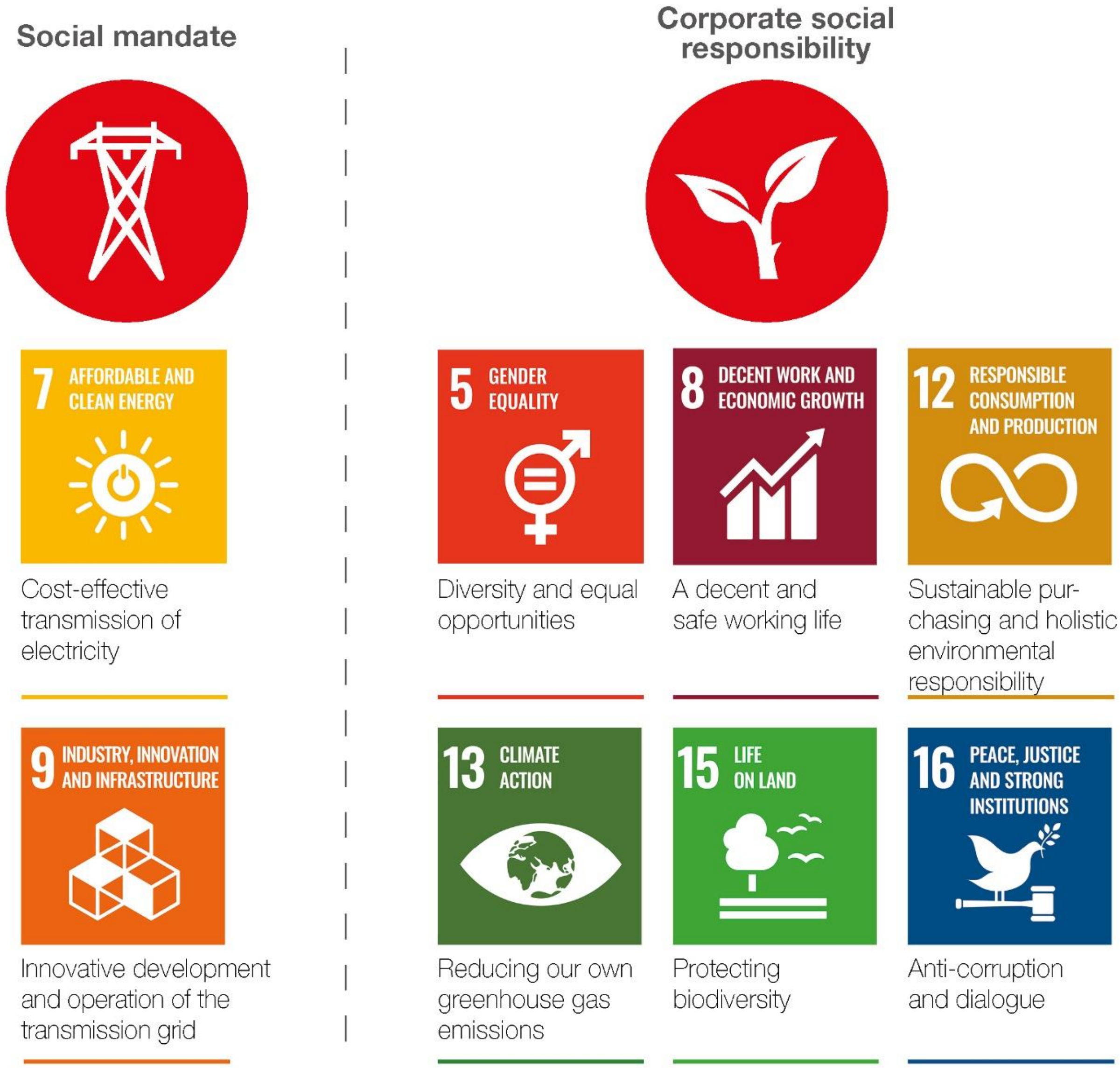
We also have a strong focus on safeguarding all employees, including occupational health services, flexibility in the working life, digital platforms and good information flow.

Despite the uncertainty caused by the pandemic, we are firmly committed to the goal of strengthening our work on corporate social responsibility.

Statnett's contribution to the UN Sustainable Development Goals

Statnett supports the UN Sustainable Development Goals (SDGs) that were adopted by world leaders in September 2015. The 17 goals are designed to contribute to a more sustainable planet and a good life for future generations. In order for the goals to be achieved, both public authorities and business must take responsibility.

Based on this, in 2019 we assessed which of the SDGs are most relevant to us, which ones we already contribute to satisfactorily and which we want to strive to achieve. We have identified eight goals to which we contributes by performing our social mandate and which are relevant to our corporate social responsibility. This is illustrated in the graphic below, where we have included our main focus for each of the goals shown.



The eight SDGs provide a framework for our work on corporate social responsibility. They have been an important tool both in assessing our priority areas within corporate social responsibility and in the professional composition of our newly established Sustainability Team. Going forward, this team will support the rest of the organisation in systematising and stepping up the work on corporate social responsibility.

Organisation and responsibility

Statnett is obliged to act in a way that is sustainable, ethical and socially responsible. Our corporate social responsibility policy incorporates the expectations expressed in the 2014 White Paper on state ownership, “Diverse and value-creating ownership”. The policy is also based on the ten principles of the UN Global Compact within the areas of human rights, labour, environment and anti-corruption. The UN Global Compact is the UN’s sustainability initiative for business.

On 22 November 2019, the government submitted its White Paper on state ownership – “The State’s direct ownership in companies – Sustainable value creation” – to the Storting, the Norwegian parliament. The White Paper contains a number of new, concrete expectations of Statnett and other state companies, for example targets for increased diversity and better gender balance. It also contains expectations that state-owned companies should have an overriding plan for sustainable value creation. We will live up to these expectations.

Implementing corporate social responsibility

Statnett's corporate social responsibility policy is part of the company's governance system. This system sets out ambitions, direction and more detailed requirements in a number of areas, facilitating a structured and holistic approach across the organisation.

The primary responsibility for Statnett discharging its corporate social responsibility rests with the Board of Directors, while Group Management is responsible for following up the company's targets, implementing necessary measures and ensuring good outcomes. Day-to-day implementation of corporate social responsibility is a management responsibility at Statnett. This means that managing corporate social responsibility must be an integrated part of all activities in various management teams, units and departments, including in wholly owned subsidiaries.

We are certified according to the international standards ISO 14001 for environmental management and ISO 55001 for asset management.

The key guidelines for Statnett's corporate social responsibility is decided in our governance system:

Governance policy for corporate social responsibility

- Ethical guidelines for employees
- Ethical guidelines for suppliers
- HSE policy
- Pay and working conditions
- Environmental and climate strategy
- Policy for procurements
- HR manual

A newly established interdisciplinary Sustainability Team is required to support the rest of the company in operationalising the policy for corporate social responsibility in the governance system as a whole.

Statnett has a system for registering and following up non-conformances and suggestions for improvements. The system facilitates a structured approach to measures, analysis of incidents and improvements, as well as learning across the organisation.

Statnett's Ethics Representative

Statnett has an Ethics Representative, whose role is to strengthen legal protection for employees, and to help to uncover and deal with circumstances that are in breach of our ethical guidelines. The ethical guidelines have been adopted by the Board of Directors and, among other things, they highlight Statnett's zero-tolerance approach to corruption, harassment and work-related crime.

The Ethics Representative receives and reports matters raised by anyone who has observed wrongdoing and/or mistakes committed by Statnett, our employees, our management or our suppliers. The Ethics Representative is required to take steps to ensure that the person making contact is guaranteed total confidentiality and anonymity if requested.

The Ethics Representative reports to the President & CEO and the Board of Directors.

Statnett's Sustainability Team

The Sustainability Team was established in November 2019 and its role is to help to systematise and step up Statnett's work on corporate social responsibility and sustainability.

From the left, the team comprises: Silje Vegarud, Legal Counsel and Ethics Representative; Steinar Johnsen, Head of procurement; Thor Johansen, Director of working-life relations; Ingrid Myrtveit, Head of environment and permits; and Marte Bakken, Senior CSR Adviser.

Prioritising areas within corporate social responsibility

We have performed an analysis in order to identify the company's key themes linked to corporate social responsibility and sustainability. The analysis was conducted in line with the principles of the Global Reporting Initiative Standards (GRI Standards). We took an equivalent analysis from 2018 as our starting point and updated the themes based on internal and external mapping.

The following areas have been identified as the most important within corporate social responsibility:

- Health and safety
- Decent working conditions
- Holistic environmental responsibility
- Greenhouse gas reductions and climate change adaptation
- Business ethics and anti-corruption
- Transparency, dialogue and acceptance

Work within these areas is described in the present report.

Stakeholder dialogue

Statnett's values are long-term perspective, respect and community. Dialogue with stakeholders impacted by our business is vital in living up to these values. This is why transparency, dialogue and acceptance has been identified as one of our key areas within corporate social responsibility and given a dedicated subchapter in this report.

We have a number of stakeholders in Norway and Europe. At a national level, our stakeholders extend from government authorities to local landowners and people living near our facilities. In addition, we have a lot of customers and end-users who are dependent on security of supply. International stakeholders include suppliers, contractors, investors, lenders, agencies and councils in the Nordic region and the EU, as well as transmission system operators (TSOs) in countries with which we exchange electricity.

The dialogue with different stakeholders is described in more detail in the subchapter "Transparency, dialogue and acceptance" in this report.

The overview below shows the most important groups of stakeholders with which Statnett engages.

About the report

The report is structured in accordance with a widely used categorisation of the UN Sustainable Development Goals: Planet, People and Prosperity. We have called the three chapters:

- Our social contributions
- Our environmental and climate contributions
- Our contributions to sustainable economic growth

In each of the chapters, we show which of the UN Sustainable Development Goals we contribute to and explain how.

Information on our social mandate was previously included in the corporate social responsibility report. This has now been moved out of this chapter and is discussed in the annual report. We have also included a chapter containing detailed information, which we have called "Corporate social responsibility accounts". We are publishing several new tables this year.

Our reporting is in accordance with the Global Reporting Initiative (GRI) Standards, Core level. This covers indicators for different themes and requirements for the reporting process. We also report on relevant sector-specific indicators for the energy sector (GRI G4 Electric Utilities Sector Disclosures).

For 2019, we have included some additional indicators linked to the environment and social conditions. The GRI table links the GRI disclosures to the UN Sustainable Development Goals. Several of the disclosures contribute to the UN Sustainable Development Goals.

We believe the report provides accurate information on the key corporate social responsibility themes for Statnett. We have engaged Deloitte AS to provide corporate social responsibility assurance. The auditor’s assurance statement is appended to the corporate social responsibility report.

This report is published as an integrated part of the annual report, and is also available as a stand alone report.

Our social contributions

Statnett must ensure security of supply to a society where we are all becoming more dependent on electricity and everyday life is becoming more digital. This makes comprehensive demands on the reliability of our facilities and systems. At the same time, we must look after the people who work in and for the Group.

We contribute to several of the UN Sustainable Development Goals through our work on social conditions. The three most relevant are:

- 5: Gender equality
- 8: Decent work and economic growth
- 12: Responsible consumption and production

Safety

Statnett is responsible for infrastructure that is critical to society, and many of our employees carry out work operations with high intrinsic risk. This is why safety is our top priority.

Safe everyday working life

Statnett's corporate strategy is based on the organisation being efficient, smart and *safe*. In order to achieve our overriding goals, we have to make sure that everyone who works with and for us goes home safely every day. We have set ourselves the goal of being a leader in HSE and have a zero vision, based on every HSE incident being preventable.

Statnett's management use three supporting principles to underpin HSE work in the business. We ensure the best possible HSE outcomes by:

- Having a stimulating HSE culture
- Developing and using technical solutions
- Systematic management, learning and continuous improvement work.

The HSE work in 2019 has been characterised by a shift towards further development of the governance system. The aim here is to strengthen the company's internal control, including clarifying conformance with external and internal regulations.

HSE is a management responsibility. Individual managers must therefore be familiar with, communicate and ensure compliance with the regulatory requirements encountered by employees in their daily work. At the same time, a large number of work operations require documented competence in the form of statutory training and certifications. Measures were initiated in 2019 to ensure that all managers are able to safeguard a high level of personal safety by means of good planning and performance of tasks.

We also go to great lengths to discharge our responsibility to our surroundings and to third parties, particularly with regard to transport and activities in the vicinity of our high-voltage facilities. Measures include fencing off to prevent access and the use of signage on station facilities and power lines.

Reduced injury frequency

Our business involves work operations with a high level of intrinsic risk every day, such as:

- Using helicopters
- Working at height, and
- Working on and close to high-voltage facilities.

A good understanding of risk in planning and executing work operations is crucial to avoiding undesired incidents.

In the wake of two fatalities in 2016 several improvement measures was initiated. These has brought about a clearer interface between Statnett as client and our contractual partners. We have an extensive project portfolio and manage our responsibility as a client by establishing clear HSE requirements in contracts and by checking that the contractors have satisfactory systems and good practice within HSE. These efforts are assumed to be one of the reasons for the marked reduction in the injury frequency among external workers from 2018 to 2019.

The last few years have also seen systematic work on developing and using technical solutions to enhance technical safety. A strong specialist environment has been built up to develop, qualify and implement safe solutions in all parts of Statnett's operations. A dedicated course plan has also been drawn up for technical safety, primarily aimed at technical managers with design responsibility, as well as HSE staff.

One of the premises for avoiding serious or fatal incidents is reporting and learning from non-conformances, hazardous situations and near misses. We are now improving tools to make this even easier for our employees.

Internal safety prize for systematic work on electrical safety

Consistent instructions and procedures for electrical safety are crucial at Statnett. Photo: Terje Borud/Statnett.

Electrical safety is an important area of Statnett's HSE work. In December 2019, Arnfinn Granheim, Statnett's Operations Manager, and Alf Selmer Olaussen, Director of Facilities Operations, were honoured with our internal HSE prize: the Safety Prize. They received the award for their many years of systematic work on electrical safety.

Electrical safety at Statnett comprises a system of instructions and procedures with associated training materials for all those who work in or with Statnett's high-voltage facilities.

Alf Selmer Olaussen and Arnfinn Granheim were awarded the prize for more than 20 years' concerted effort with their colleagues for improvements in instructions and training materials. Their work in this area has great significance for employees' safety at work – both for internal employees and contract workers in various roles.

Emergency preparedness

Statnett must prevent extraordinary incidents leading to failure of the power supply. If this should nevertheless happen, our emergency preparedness must ensure that people have their power restored quickly. This is why we work systematically on improvement, and analyse vulnerabilities, threats and risks. We implement preventive measures and have plans in place for dealing with undesired incidents. We carry out drills and evaluate what has happened in order to learn from it.

Statnett's activities relating to safety and emergency preparedness are regulated by the Norwegian Energy Act's regulations relating to preventive security and emergency preparedness in the power supply. The Norwegian Water Resources and Energy Directorate (NVE) oversees Statnett's compliance. NVE has carried out 34 inspections since 2009. Statnett's systematic approach to safety and emergency preparedness planning lays the foundations for compliance with NVE's requirements.

Digital security

Digital solutions are key to the performance of our business operations, which is why Statnett gives high priority to work on digital security. We work continuously, systematically and in a structured manner to ensure robust digital security in order to protect operations, digital assets, staff and our reputation. The need and demand for ever closer collaboration between Nordic and European TSOs in operation of the power system require a high level of attention to digital security.

In 2019, we brought in additional resources to strengthen the work within digital security, including enhanced expertise and capacity within operational security, and management systems for information security and security architecture.

The work on digital security is complex and requires a holistic approach: everything from awareness-raising within the organisation to collaborating on security at national, Nordic and European levels.

National collaboration

To strengthen collaboration between different security environments in both the private and public sectors, Statnett has joined the Norwegian National Cyber Security Centre (NCSC). This collaboration helps to improve expertise regarding shared risk and threat profiles and enhance the ability to handle major incidents. Joining makes us part of a national digital security collaboration for improved ICT security, resistivity and emergency preparedness in Norwegian society.

Elhub

The subsidiary Elhub AS receives and stores the readings that form the basis for settlement and invoicing of electricity in Norway. Moreover, Elhub processes personal data for 2.8 million individuals. Information security and privacy protection are therefore central to the company's handling of IT systems and operational procedures. Guidelines and procedures for information security have been established in line with ISO 27001 and in accordance with the new General Data Protection Regulation (GDPR). Elhub has appointed its own Chief Information Security Officer (CISO) as well as a dedicated data protection adviser to collaborate with Statnett's Data Protection Officer.

Responsible supplier monitoring

Statnett is obliged to act in a way that is sustainable, ethical and socially responsible. This also applies to our suppliers and other contractual partners.

Sustainable purchasing

We must use our procurement practice to promote reasonable working and environmental conditions on the part of all contractual parties. This aligns with the Norwegian legislation governing public procurements and is anchored in our Policy for procurements.

Statnett is a major buyer of goods and services. In 2019, we paid NOK 9 897 million to 5 548 suppliers. The biggest amounts relate to use of contractors and purchase of material for the development and operation of our facilities. Statnett's ethical guidelines are attached to all our contracts. We also set minimum pay and working conditions requirements for suppliers. We only allow contractors to engage two levels of subcontractors and have introduced requirements regarding the use of apprentices.

In order to monitor this, Statnett sets clear requirements for all suppliers and follows up risk at all stages of the procurement process.

Environmental and social considerations in the procurement process

Suppliers must undergo a qualification procedure to ensure they can carry out our contracts and comply with requirements. This process involves documenting that they have well-functioning systems for HSE, environmental management and quality. For work or products assessed to be high risk, the qualification procedure includes audits and site visits.

Consideration for health, safety and the environment is included in Statnett's specifications of requirements by being integrated in the planning and design phases of our projects. Contracts must be awarded to the supplier who submits the offer with the best price–quality relationship. HSE is often used as a criterion when awarding contracts. In 2019, the environment was used as a criterion in the framework agreements for steel and power lines. Among other things, the suppliers were required to submit a verified EPD (Environmental Product Declaration).

Supplier monitoring

We work continuously to develop the supplier market in order to ensure good competitive conditions, obtain the appropriate quality and reduce costs. Statnett prioritises HSE, pay and working conditions, and environmental considerations in this work.

Contract follow-up is carried out on an ongoing basis for the duration of the contracts. The level of monitoring is risk based. Based on an analysis, Statnett draws up a follow-up plan that covers the identified processes and ensures regular control.

Statnett operates a supplier audit programme. High-risk suppliers are audited regularly by means of the qualification system Achilles Utilities NCE and Statnett's own audits.

Statnett uses scorecards to measure supplier performance on parameters such as finance; progress; pay and working conditions; health, safety and working environment; and the environment. The results are followed up by the different purchasing categories. In addition, final evaluations are made of contractor assignments in conformance with the guidelines drawn up by the Norwegian Agency for Public Management and eGovernment (Difi).

Increased focus on corporate social responsibility in procurements

Statnett's ambition is for environmental and climate considerations to have higher priority in the company's procurements. For this reason, in 2019 we established routines that are intended to ensure that our purchases contribute to achieving the environmental targets.

To ensure compliance with Statnett's ethical guidelines, a system for evaluating country risk has been introduced. The method is based on indices from reputable international organisations and covers corruption, social risk, and climate and the environment. Together, these form a picture of the inherent country risk.

Decent working conditions

Statnett's operations must be conducted in accordance with fundamental human rights and international conventions, and they must systematically contribute to promoting compliance with human rights both internally within the company and on the part of our business partners. Our approach is based on the ILO's eight core conventions.

Monitoring pay and working conditions in projects in Norway

Breaches of pay and working conditions may in themselves become so serious that they compromise fundamental human rights.

The need to monitor suppliers at all levels in the supply chain has been made plain by checks at construction sites in recent years. In the course of these checks, we have uncovered several serious cases that clearly demonstrate the serious consequences work-related crime can have for workers' human rights, including as part of our Norwegian projects.

For us, it is important to ensure decent pay and working conditions in our projects in line with the Norwegian Public Procurement Act. We conduct regular checks on pay and working conditions based on an in-house methodology that involves systematically obtaining and checking written information from the supplier and, in parallel, holding conversations with workers in their own language. This provides us with a basis for comparing the written information obtained from the employer with oral feedback from the employees. The methodology has proved effective at uncovering non-conformances.

As the regulations require, our checks on suppliers at construction sites focus on workers from low-cost countries. We assess the risk of non-conformances based on the individual countries' track records in this area. In 2019, we checked all major suppliers using foreign labour at our construction sites.

As a result of a number of high-profile cases uncovered in recent years, we have achieved a clear position as a company that takes work-related crime seriously. No such serious cases were uncovered in 2019, but we found some material non-conformances linked to subcontractors. The experience gained in 2019 has resulted in the investigations being expanded. Our ambition is to check all suppliers at our construction sites at least once a year.

In connection with a planned control in 2019, we uncovered big differences in pay and working conditions between permanent employees and contract workers on a project. Several contract workers had illegal zero-hours contracts or lacked valid employment contracts. They were receiving less pay than the permanent employees and also had deductions made from their pay, for example for use of personal protective equipment. The extent of the difference in hourly pay between the contract workers and the permanent employees, as well as several large deductions on the payslip, meant that the non-conformance constituted a serious breach of the statutory principle of equal treatment. Statnett ordered the supplier to document back pay of the difference uncovered, and that new employment contracts were entered into.

A whistle-blowing case concerning suspected breach of the working-hours regulations led to several non-conformances being uncovered in another project. This control concerned a Norwegian subcontractor to a framework supplier to Statnett, where the framework supplier was using a Norwegian employment agency, which proved in turn to be using foreign labour.

Statnett has conducted an ongoing dialogue over several years with the Norwegian Tax Administration and the Labour Inspection Authority in the regions where our biggest projects have been based. Through an exchange of information agreement with the Tax Administration, we have a tool for disqualifying disreputable suppliers from our projects at an early stage. This is discussed in a specific case below.

Monitoring suppliers abroad

Statnett conducts systematic audits of suppliers before entering into contracts. The processes have previously focused on technical standards, but in several of the latest purchasing processes we have concentrated on breaches of human rights, risk of serious environmental damage and fraud. This has been of decisive importance in choosing suppliers.

Unethical purchasing can lead to significant challenges as a result of defects in the products delivered and the fact that entering into unethical contracts is likely to undermine our reputation. This is particularly the case if contracts are entered into with companies in which unethical behaviour has been documented.

We are strengthening our procurement routines to safeguard ourselves against unethical procurements. One important principle in this work is making active use of other institutions' experiences in our procurement processes. By updating the competitive basis for our tender processes and our ethical guidelines, we are working to formalise a requirement that suppliers cannot have been excluded by the Council on Ethics for the Government Pension Fund Global or be registered on the World Bank's and the development banks' common exclusion list linked to non-conformances covered by Statnett's ethical guidelines.

Trade unions

Statnett recognises and appreciates the value of the Norwegian working-life model. This includes tripartite cooperation between government authorities, the trade union movement and employer organisations, and bipartite cooperation at local level. Good relations between management and employee representatives at individual firms are vital to companies' development and to their ability to adapt and rationalise.

Collaboration to tackle work-related crime

Thor Johansen, Statnett's Director of working-life relations, and Eve Vangsnes Bergli, Head of Division at the Norwegian Tax Administration, at the contract signing. Photo: Statnett.

In November 2019, the Norwegian Tax Administration and Statnett entered into a nationwide collaboration agreement that gives Statnett another tool in its efforts to tackle work-related crime and disreputable firms.

According to Eva Vangsnes Bergli, Head of Division at the Norwegian Tax Administration, the Norwegian public sector purchases goods and services worth approx. NOK 500 billion a year. Agreements of this kind limit the scope for disreputable firms that do not abide by laws and regulations to operate.

The agreement means that bidders who want to enter into a contract with us must sign an authorisation granting access to information otherwise subject to secrecy that is held by the Norwegian Tax Administration. Statnett then receives real-time information showing whether the companies pay the taxes and duties that they should and whether they are entered in the necessary registers. This information gives Statnett a better decision-making basis when selecting and monitoring suppliers.

Thor Johansen, Statnett's Director of working-life relations, sees the agreement as an important milestone.

"Tackling work-related crime is important, and this is an important tool in Statnett's work. It strengthens our efforts to ensure decent working conditions for people working at our facilities," he says.

We believe a high level of trade union coverage to be positive and take steps to enable the various trade unions to operate effectively and constructively.

On a day-to-day basis, Statnett prioritises open dialogue with the trade unions in order to ensure an exchange of information and views on matters important to employees. This also plays an important part in ensuring the best possible basis for decision-making, and that such decisions have the support of the employee representatives. Employee representatives must be guaranteed a genuine opportunity to exert an influence.

Among other things, this is achieved by means of regular information and contact meetings, as well as more formalised meetings to discuss matters that may be of major importance to the employees' work situation.

Larger-scale joint meetings with the employee representatives are held twice a year. The chief employee representatives are invited to annual management meetings and the annual HSE forum.

Representatives of management are also invited to courses and meetings that the trade unions hold for their members to provide information on and introductions to current themes.

The employees elect three members to Statnett's Board of Directors, with several of the trade unions drawing up lists.

The employees are also represented on the board of the pension fund, the pensions steering group and the Working Environment Committee. The trade unions have contractual representation on the Working Environment Committee and are invited to propose candidates for the pension fund and steering group.

Attractive employer

Statnett is an expertise-based company. This is why it is important to further develop core competence, while there is a simultaneous need for new expertise to keep pace with increasing digitalisation and other social developments. Being an attractive employer for current and future employees in all life stages is important to us. We appoint qualified job applicants irrespective of gender, age, sexual orientation, and cultural or religious background.

Recruitment and employee development

Statnett is in a change phase, which requires rationalisation, new working methods and skills development. A major reorganisation in 2019 has left the company better able to adapt to delivering on its social mandate in the short and long term, including contributing to the conversion to a fully electric society. At year-end 2019, Statnett had increased its number of permanent employees to 1445, up from 1426 at year-end 2018. A large number of these appointments were made to replace contract workers with permanent employees.

We must facilitate internal mobility and skills development so that we are equipped to meet the challenges of the future. The work on employer branding, including concrete recruitment activities, is intended to safeguard the supply of competent employees. This work includes both a trainee programme and an apprentice scheme for power-supply fitters. The new-look organisation has also ensured greater focus on developing and investing in our own employees by means of skills enhancement initiatives.

In a competitive labour market, Statnett recruited 109 employees in 2019, compared with 103 in 2018. Employee turnover for the year has risen from 3.0 per cent in 2018 to 4.7 per cent in 2019. We devote the most resources to recruiting and retaining candidates with IT skills. At the same time, we have an active internal job market, with 92 employees changing jobs internally in the last year.

Equality and diversity

Statnett's activities are underpinned by the ILO's core conventions. The company must provide clear pay and working conditions that safeguard health and safety, and promote equality and diversity, in line with all the statutory requirements. The same also applies to our suppliers and their subcontractors.

We must safeguard employee diversity in terms of gender, age and background. Women and men with approximately the same education/training and experience must receive equal pay. We are also explicit in our desire for diversity, particularly in recruitment processes. Approximately 5 per cent of Statnett's employees have a non-Norwegian background. In 2019, 4 per cent of new appointments came from a non-Norwegian background, and 26.6 per cent of all new employees were women. Compared with other players in the energy sector, we have a relatively high female quota (26.2 per cent compared with an industry average of around 20 per cent). At the end of 2019, three of Statnett's nine Board members and two of the seven-strong Group Management were women. In total, 25.9 per cent of all managers in the Group were women.

Statnett's life phase policy must facilitate working life for employees of all ages. Measures to retain older employees, such as extra holiday weeks and training, help to keep the average retirement age high (66.6 years in 2019 compared with 67.4 in 2018). Flexible working time is a useful aid for many age groups in Statnett with busy lives. Social committees and an active company sports association also help to make a positive working environment.

Working environment

The annual organisation survey shows that Statnett is a good place to work. As in 2018, we score highly for engagement (4.2 out of 5). Despite a decline in the area of management compared to the previous year, Statnett's managers score across the industry. In general, the results show a decline from last year, which is probably due to the change processes the company has faced in 2019. The results of the survey are followed up at all levels internally with a focus on improvement, so that Statnett is further developed and achieves good reorganization effect. through. The management development programmes offered to all managers in 2017 and 2018 have now been extended with a more practically orientated programme.

Sickness absence at Statnett is consistently low and was 2.9 per cent in 2019, down 0.3 percentage points compared with 2018. We have put in place a number of initiatives to follow up and limit sickness absence, both on the preventive side and in terms of facilitating a quick return to work. These initiatives include the occupational health service and Safety Representative.

Having an occupational health service is a statutory requirement for Statnett. We also have a large number of employees who carry out high-risk work operations, something which carries an obligation to attend periodic health checks with a doctor. In addition, other employees are invited for periodic check-ups at least once every two years.

The occupational health service takes part in inspections and is represented on the Working Environment Committee. The service primarily takes a preventive approach to sickness absence and work-related stress, follows up sickness absence and offers flu vaccines, as well as vaccination against tick bites in areas where this is relevant. Separate guidelines have also been drawn up for measures and follow-up in the event of accidents involving electric shock.

In 2019, there were a total of 36 protected areas located in operational areas and near administrative buildings across Norway. A safety representative and deputy are elected for each protected area. Every protected area has a local HSE group where the local safety representative and a representative of the employer hold regular meetings and report to the Working Environment Committee each year. In 2019, a dedicated safety representative handbook was compiled as guidance for safety representatives and managers in their day-to-day work.

“Knowing that Statnett is contributing to a green future gives meaning to everyday working life”

Elisabeth Østreng joined Statnett as a trainee in 2014. The 29-year-old has both taken on and been given a lot of responsibility since joining the company as a newly graduated master's student. After 18 months on the trainee programme, which alongside the apprentice scheme is one of Statnett’s key recruitment measures, she worked at the National Centre for two years before being offered the position of adviser to Auke Lont, President & CEO.

Today she works as Transformation Manager in Statnett’s Market Operation and System division. This is a newly created position that is key to Statnett’s work of transitioning to a more efficient and digital everyday working life. Elisabeth is one of many employees who have changed jobs internally over the last year. She also gained over 100 new colleagues in 2019.

“I think Statnett is good at bringing in skilled employees, whatever their background. We’ve also had a lot of internal promotions over the last year, which shows the strength of our internal market,” she says.

Despite large-scale reorganisations over the last year, she thinks there is a strong working environment and culture, and is looking forward to contributing in her new role as Transformation Manager.

“People are keen to pull in the same direction. I’m confident that the new organisation will provide new ways in which to work, but also new ways in which to learn. My job as Transformation Manager is to help Statnett on this transformative journey – it’s going to be both challenging and exciting,” says Elisabeth.

Elisabeth has lots of good things to say about Statnett as an employer, and she knows what she’s talking about. She has contributed to Statnett’s organisational life since joining the company: in the company sports association, on events committees for young employees and in the Statnett revue. Statnett’s role as a facilitator of the green shift is important to Elisabeth, who thinks a lot of colleagues share her view.

“First and foremost, I chose both my university degree and employer for environmental reasons. Knowing that Statnett is contributing to a green future gives meaning to everyday working life,” Elisabeth says.

Our environmental and climate contributions

In a changing power system, Statnett must take a holistic approach to environmental responsibility. The need for new transmission capacity must be met, but with limited use of natural areas and low greenhouse gas emissions from our own operations. Our ambition is to be a leader in environmental and climate work in our sector. This means that we must minimise the impact our facilities have on biodiversity and landscape values and reduce our own greenhouse gas emissions.

The Group's principles governing environmental and climate work are included in the policies for HSE and corporate social responsibility. Our environmental policy is based on the precautionary principle, focusing on a holistic approach to environmental responsibility in planning, developing and operating the company's facilities.

We contribute to several of the UN Sustainable Development Goals through our environmental and climate work.

- 12: Responsible consumption and production
- 13: Climate action
- 15: Life on land

Holistic environmental responsibility

Climate change and loss of biodiversity are two major global challenges underpinning our environmental and climate work. Our environmental and climate strategy identifies four main targets with associated measures:

- Establishing operational targets and indicators
- Ensuring that environmental and climate impacts are documented and emphasised in decisions
- Ensuring more environmentally friendly purchasing of products and services
- Making visible opportunities for our own employees to make good environmental and climate choices

The Environmental department supports the rest of the organisation in implementing these measures. In 2019, there has been a particular focus on environmental improvements in the operation of our facilities and the procurement process.

Environmental work in development projects is regulated by national and local regulations. These concern, among other things, impact assessments and involvement of affected parties. We always strive to limit the use of new natural areas in meeting the need for new transmission capacity. Among other things, it must be assessed whether it is possible to make better use of existing power facilities.

As well as limiting the need for encroachment on new natural areas, voltage upgrades translate into lower energy losses per transported MWh. In our planning work, we also assess whether it is possible to restructure and redevelop older transmission grids when developing the power system.

As part of the licence terms and conditions for major development projects, the authorities require preparation of an environment, transport and construction plan (MTA plan) describing environmental considerations and remedial measures in the construction and operational phases. This plan underpins the construction work that is to be carried out and is taken forward into operation of the facilities.

Biodiversity

Statnett's objective, in line with best practice, is to sustain its work of conserving biodiversity. We consider habitat types and species distribution when planning and selecting solutions, and during the construction and operation of facilities.

In our development projects, we aim to limit new land take and conserve valuable natural areas. We take account of biodiversity and natural areas, for example by avoiding protected areas and by placing restrictions on construction activities. Example of restrictions employed are during particularly sensitive periods, such as nesting times for endangered and vulnerable bird species and calving periods for reindeer. Requirements can also be imposed in terms of restrictions on felling and ground transportation, which could also apply to the operational phase.

Mapping of foreign species at our transformer substations in Southern Norway was carried out in 2019. Foreign species that can spread to the surrounding areas were found at around 20 per cent of the substations. Measures to restrict the risk of spreading have been identified.

Construction areas, temporary roads, rigging areas and any damage to the terrain this may have caused must be restored in line with the principles laid down in Statnett's manual for terrain management. This is followed up in all development projects.

Nature mapping carried out at 298 of our facilities

Statnett is working with the Norwegian Institute for Nature Research (NINA) and the Norwegian University of Science and Technology (NTNU) to research solutions that better safeguard biodiversity and reduce greenhouse gas emissions at our construction sites.

One of the goals of the GRAN research project (greener interventions in nature and reducing greenhouse gas emissions in construction work) is to develop a framework for effective revegetation measures in different geographical areas in Norway. Successful vegetation development means that the vegetation, after intervention, develops a biodiversity and ecological processes that are as similar as possible to the surroundings.

Knowledge gained from previous development projects should be used to develop this framework. This is why, in 2019, we carried out one of the largest systematic revegetation surveys in Norway linked to construction work. Researchers from NINA, biology students from NTNU, and our own employees and summer students travelled the length of Norway from Lindesnes in the south to Alta in the north to map the effect of measures implemented alongside Statnett's construction projects. All 298 areas were surveyed. The results will be available in 2021.

The project also embraces studies of greenhouse gas emissions in connection with excavation work in marshes and other habitat types, environmental requirements in contracts, and training methodology for both engineers and construction workers. The research work is being conducted by NINA and NTNU, while the project is being financed by the Research Council of Norway and Statnett.

Landscape

Statnett's objective, in line with best practice, is to sustain its work to conserve landscape values. When planning development projects, we take pains to find solutions that are well adapted aesthetically to the surroundings. We use laser scanning and three-dimensional modelling of the terrain to enable us to select options that take into consideration the form and features of the landscape.

Statnett has drawn up a standard for forest clearance for power line routes in order to reduce the visual impact of power lines in the landscape.

In addition, measures may be required on some sections to reduce the visual impact of the facilities. This may involve camouflaging power lines, pylons and insulators, redeveloping old facilities and developing new types of pylons.

Environmental incidents

Statnett's goal is to generate zero major spills or emissions and cause no environmental damage – incidents that cause serious or irreversible environmental impacts. One such environmental incident was reported in 2019 concerning a major, unintentional intervention in terrain that will take several years to restore.

A new method for registering and reporting environmental incidents was established in 2019, with the result, that contractors' environmental incidents are now registered in their own non-conformance systems, and only Statnett's own environmental incidents are registered in our non-conformance system. Environmental incidents are reported both to project owners and to Group Management.

A total of 19 of our own environmental incidents were reported in 2019.

A defect was also discovered in a component in one of our facilities, leading to a leakage of SF_6 gas. An internal investigation has been launched into this incident, together with a leak in 2018. The aim is to improve internal routines in order to prevent any recurrence.

In 2018, Statnett was reported by the Norwegian Coastal Administration for a major oil leak from a cable warehouse in Horten. In 2019, we accepted a submission of NOK 600,000 for this incident. An internal investigation was launched in the wake of the leak and this led to oil-filled cables being moved to a central warehouse with better anti-pollution barriers. The soil polluted by the oil leak has been dealt with.

Measures in our own buildings

Several environmental initiatives have been introduced at Statnett's head office in Oslo in collaboration with Compass Group.

In 2019, measures were introduced in the canteen – which provides food for around 1000 people a day – to reduce food waste, reduce the use of plastic and single-use packaging, and offer more plant-based meals.

A system has been introduced to record how much food of different types is thrown away. In order to reduce food waste, food left over from the lunch buffet is offered to employees at the end of the day twice a week. Leftover food that is still good and safe to eat is used later in other dishes. The results from the food-recording system show that each canteen guest threw away less than 20 grams of leftover food a day and that the waste has been reduced over the year.

In the long term, we want to implement the same environmental initiatives in all our office buildings.

Greenhouse gas emissions from our own operations

Statnett's target is to reduce greenhouse gas emissions from our own operations, purchasing and services by 25 per cent by 2025 from 2020 level. On this basis, we have assessed our sources of emissions on the basis of volume of emissions, climate risk and realistic measures. Based on these assessments, we have identified climate initiatives linked to interventions in natural carbon sinks, construction work, and purchasing of materials and products as most important in the short term.

The target is to include the three named sources of emissions in the greenhouse gas accounts from 2020.

In addition, the company has identified initiatives in other parts of the business, for example switching our own vehicle fleet in line with national targets, systematic use of life cycle assessments and using carbon pricing in our decision-making basis.

Initiatives taken

The estimated greenhouse gas emissions linked to purchasing of materials indicate that this is one of our largest sources of emissions. In 2019, Statnett has therefore worked actively to introduce climate requirements in our contracts; see discussion under Sustainable purchasing.

Construction work linked to our building activity was another major source of greenhouse gas emissions. This is why we now require fossil-free construction sites in all projects where there is a mature supplier market. In 2019, this was achieved for the Fagrafjell station. In addition, fossil-free fuels were used for both the Smestad–Sogn project in Oslo and at Ålfoten in Bremanger.

There was a reduction of around 4 per cent in total greenhouse gas emissions from Statnett's operations in 2019 compared with 2018, despite higher grid losses. A lower level of activity for Statnett Transport's ships, reduced leakage from SF_6 facilities and fewer flights due to an increased cost focus account for the biggest reductions. In addition, the reserve gas-fired power plant at Tjeldbergodden was sold in 2019. The remaining reserve gas-fired power plant is up for sale, having been run for maintenance purposes only in 2019.

Our contributions to sustainable economic growth

In order to develop the power system of the future, Statnett relies on adopting smart solutions and systems that satisfy new requirements and consumption patterns. We are also dependent on societal acceptance and adapting to change. This requires us to work to a high ethical standard that safeguards our neutrality, trustworthiness and integrity. Involving affected parties and contributing to value creation for society is part of this.

Through our work on sustainable economic growth, we contribute to UN Sustainable Development Goal number 16: Peace, justice and strong institutions, thanks to our efforts in the areas of anti-corruption and inclusive processes. We also contribute to goal number 9: Industry, innovation and infrastructure.

Business ethics and anti-corruption

Statnett must achieve good results without this compromising our ethical standards, and we set high requirements for business ethics both internally and externally. Statnett takes a zero-tolerance approach to corruption. Behaviour such as bullying, harassment and discrimination at the workplace is forbidden.

Whistle-blowing cases

Whistle-blowing on censurable conditions can be done in several ways, including to the Ethics Representative. The Ethics Representative received a total of 52 submissions in 2019. The vast majority of these were of such a nature that a solution was found relatively quickly afterwards.

However, a small number of cases required more time, work and follow-up. This concerns, for example, individual cases where whistle-blowing resulted in the uncovering of work-related crime committed by suppliers. These cases are followed up by Statnett's Department for working-life relations, working closely with the Ethics Representative, who is responsible for dialogue with any whistle-blowers.

Training

One of the ways in which information and training is provided on the Ethics Representative scheme and our ethical guidelines is by the Ethics Representative giving a talk on all induction courses. Project-specific courses have also been held, with the focus on tackling work-related crime. As part of these, the Ethics Representative has talked about Statnett's expectations of employees and suppliers, and experiences from and issues associated with her work on this type of case.

In addition, an employee e-learning programme was conducted in 2019 with the focus on anti-corruption, competition law and dilemma training, in order to increase the employees' awareness within these areas.

Climate risk and climate change adaptation

Statnett transmits energy, using input factors that are physically affected by the weather and, over time, by climate change. The climate and energy policy also defines important frameworks for the company's operations. Since we do not fully know the different consequences of climate change, climate policy and climate-related technological development, the company is subject to climate risk.

Climate, weather and physical climate risk

Climate change means that we must prepare ourselves for weather that is different from what we are used to planning for – in particular more extreme bad weather than previously and changes in precipitation patterns. Some places will experience less precipitation, while it will rain and snow more in others. More extreme precipitation in large parts of Norway and Northern Europe is expected in the years ahead. The weather influences electricity consumption and renewable power production, and thus also transmission needs. The weather also affects the level of strain on the grid.

Faults on power lines, in transformers and in control systems affect the operational reliability of the power system and may result in interruptions to the supply. For power lines, variations in both weather and vegetation play a large role. The years when we see the most supply interruptions are the years when there is extreme weather and a lot of thunder. There have been fewer supply interruptions on our power lines in the last three years than in the period 2013–2015, but storms such as Knud and Helene left their mark on the statistics for 2018. We have built more new power lines and transformer substations and implemented measures on power lines to prevent supply interruptions caused by extreme weather. This enhances the security of supply.

Extreme weather also makes high demands of emergency preparedness. When extreme weather is forecast, maintenance work is halted in order to have as many power lines operating as possible to make the power supply as robust as possible. Preparations for the next extreme weather incident start with an evaluation of the previous one. We adapt to climate change on an ongoing basis in operational situations and by means of long-term planning.

A reliable power supply is vital for a low-emissions society. Measures to increase robustness are therefore an important strategy in managing climate risk. We work continuously to ensure that our facilities withstand the risks we see around us, and our facilities are designed for, among other things, scenarios involving extreme weather situations.

In some cases, electrification increases the need for capacity in the grid, particularly when there are big increases at any point. Electrification also means that more functions in society are running on electricity, which amplifies the potential consequences of an interruption to the supply.

Photo:Øyvind Haug/Statnett.

Political change and adaptation risk
If Europe is to be able to fulfil its part of the Paris Agreement, the green shift needs to happen more quickly Political goals and instruments have a key role to play here.

We expect to see further requirements for more climate-friendly solutions in the years ahead, both in terms of legislation and standards. In recent years, the Norwegian government has stated its ambition to make the building and construction sector fossil free by 2025 and submitted action plans covering areas such as green shipping and alternative fuels. At Statnett, we are working towards fossil-free construction sites becoming the standard for us in the long term.

Proposition 1 LS (2019–2020) for the 2020 fiscal year – Taxes, duties and customs 2020 states that SF_6 (sulphur hexafluoride) may be subject to environmental taxes. SF_6 gas has exceptionally good properties in terms of electrical insulation and circuit breaking, but it is also an extremely polluting greenhouse gas. Handling is subject to stringent requirements, and we work continuously to change to facilities and components with lower emissions. At the end of 2018, storage and consumption of SF_6 became subject to a reporting requirement in Norway.

Transparency, dialogue and acceptance

Statnett supplies critical infrastructure and administers public resources. This is why transparency about how we carry out our work is important.

Statnett performs three roles: transmission system operator, grid owner and power system planner. These three roles require different approaches in terms of transparency and dialogue. How Statnett is to implement processes to ensure transparency and involvement of relevant stakeholder groups is regulated for each of the roles, in some cases in detail.

In its role as transmission system operator (TSO), Statnett sets out key premises for operation and development of the power system and makes decisions that affect other players in the power system and local communities. Transparency and dialogue are prerequisites for effecting sound processes and legitimate decisions, which in turn ensure trust and acceptance from society.

Statnett exercises authority in the TSO role. We are subject to regulations concerning the provision of information to the power market and information requirements under security and preparedness legislation. There are strict rules governing equal treatment of participants in the market.

Close dialogue with the industry is also important in developing the power market, in order to ensure that the changes being made are precise and, at the same time, satisfy the requirements of EU and Norwegian legislation. Statnett participates actively in Nordic and European collaborations, both bilaterally and through ENTSO-E, the European TSO network.

There is currently high demand for new connections to the main grid. These processes require close dialogue with those seeking connection to the power system. Many of the requests require measures to be taken in the grid. In this situation, dialogue with local grid operators, local authorities, landowners and other affected parties is important. This is regulated by, among other things, administrative regulations setting out how power system assessments and licensing processes are to be conducted.

Dialogue and involvement in connection with new facilities

Pursuant to the Norwegian Energy Act, all facilities for the transmission of electrical energy must have a licence. The licensing process ensures that all relevant stakeholders are heard and given the opportunity to express their views on the plan. This takes the form of public meetings and consultation processes at different stages of the licensing process.

Statnett considers it important to provide information and enter into dialogue with stakeholders at an early stage, both to ensure acceptance for the measures planned and to obtain input for local adaptations. This is why, in many cases, we arrange meetings with local stakeholders beyond the statutory requirements, for example by holding open days. These provide an opportunity to discuss concerns in areas such as construction traffic, noise, electromagnetic radiation, impacts on the landscape and environmental interventions. These topics are explored in more detail where the licence requires an environment, transport and construction plan (MTA plan). This plan is drawn up in dialogue with those affected and will in some cases also be sent out for consultation.

The environment, transport and construction plan describes how environmental considerations are to be taken into account in the development project and planned measures to mitigate the impact on the local community. In built-up areas, we implement measures to reduce noise, for example, and to protect vulnerable road users. In the countryside, the measures are aimed at safeguarding biodiversity, protected areas and cultural heritage sites.

The graphic below shows the various stages in a major licensing process and how the affected stakeholders are involved. The consultation process provides valuable input on measures that can mitigate the impacts for the local community.

On our website, we provide information about individual projects in the form of notifications, news and various documents such as licence applications and reports.

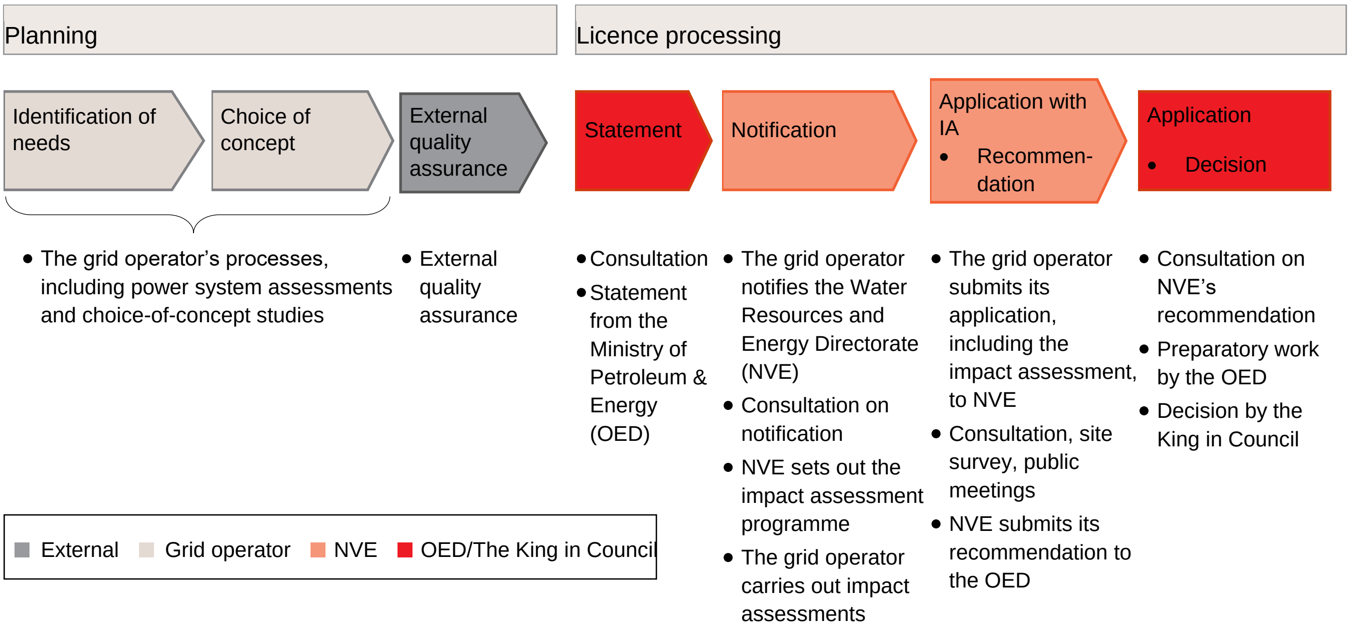
Dialogue and cooperation with the industry

Statnett is required to involve the parties affected in connection with all changes in the practice of the company’s role as TSO. Consultation processes must be held both for new solutions and for adaptations to current solutions.

Dialogue with other players in the industry is important if Statnett is to acquire good, comprehensive knowledge of the impacts of planned solutions. Knowledge of this kind is vital in developing effective solutions and in ensuring acceptance for how we discharge our role as TSO.

Statnett uses both a notification service and the company’s own website to provide good, relevant information about operational systems operation and development of new solutions. Statnett invites industry participants to events and dialogue meetings on current topics. In connection with key development activities, Statnett has set up several external reference groups and collaboration fora with participants from different parts of the industry.

In addition, Statnett has formalised the dialogue via the Market and Operations forum, which represents Statnett’s customers. The forum hosts discussions and shares knowledge about strategic matters and matters of principle concerning the market and operations, and meets with Statnett’s Board of Directors. The minutes from the forum are published on Statnetts website.



Smart solutions

Statnett develops and adopts new technology and systems tailored to the changes in the power system. This is important when, among other things, the growing proportion of non-regulatable renewable energy and a more digital everyday experience are challenging the way the power grid is built, maintained and operated.

Research and development

Statnett has stepped up its efforts within R&D in recent years, and in 2019 the Board of Directors decided to boost this further.

Norwegian authorities expect Statnett to conduct activities within R&D, and NVE has facilitated this by granting grid operators 0.3 per cent of their rate-of-return basis in extra compensation for R&D costs.

Statnett concluded three R&D programmes in 2019:

- Smart grids: Developing new methods that can contribute to better grid utilisation, more reliable operations and lower operating costs.
- Innovative technology: Developing methods for installing power lines, cables and substations 20 per cent more safely, quickly and cheaply.
- Sustainable grid development: Planning the power system of the future to be socially optimal in terms of climate, the environment and new opportunities.

A selection of R&D projects within these programmes is shown in the graphic below.

Reduced risk and carbon footprint

In 2019, we completed several projects to reduce safety risks and contribute to a better carbon footprint. One project involved developing a robot to fit aerial marker balls on power lines. This reduces risk because the job can be carried out without staff working at height. Another example is automated drone inspections of our facilities, contributing to more efficient facilities management.

We also completed a project showing how Statnett can reduce its own greenhouse gas emissions: what can already be done today with zero emissions at our construction sites and when the construction work can become 100 per cent emissions free.

Statnett works actively to find both Nordic and European solutions within the power system. In 2019, this manifested itself in Statnett taking over the chair of ENTSO-E's Research and Development Committee (RDIC). This role is occupied by the Divisional Director for Technology and Development.

In order to facilitate implementation of new technology and solutions, it was decided in 2019 to set up a centre for R&D and technology development. The centre has broad responsibility for promoting implementation of new solutions.

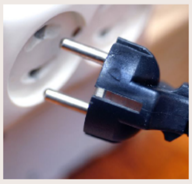
New R&D projects

The new R&D programme period runs from 2020 to 2023 inclusive and comprises four programmes:

- Real-time control and efficient markets
- Digital, safe and cost-effective solutions
- Cooperation in the energy system
- Continuous knowledge generation

Icebox
The project aims to develop models and tools that both predict and prevent the build-up of ice on power lines, in addition to effective de-icing methods. Ice on power lines can lead to significant costs and safety risks associated with repair and maintenance.

GRAN
A project focusing on greener construction that aims to develop a framework for reduced encroachment on natural areas and lower GHG emissions in development projects. In 2019, vegetation analyses were carried out for completed development projects across Norway.



iFleks
The project aims to map whether variations in the electricity tariff affect how much electricity Norwegian households and commercial buildings use in the course of a day. This will provide better consumption forecasts plus a good decision-making basis for grid investments and future market design.

NEWEPS
Short for Nordic Early Warning Early Prevention System. The project is a collaboration between the Nordic TSOs in which we are to jointly develop and demonstrate a system for early warning and enhanced control of the status of the Nordic power system in real time.

Impala
The project aims to develop better systems for predicting imbalance in the power system. Impala uses artificial intelligence and machine learning to predict imbalance in the grid based on meteorological data and past experience.

SAMBA
Short for Smarter Asset Management with Big Data. A pilot project researching methods and methodologies necessary to transform facilities management from routine maintenance and replacements to a system based on the actual condition of components in the power system.

Digitalisation

Digitalisation will be an increasingly important factor in discharging Statnett's social mandate. We must work ever smarter and more efficiently – based on better utilisation of power system data. Becoming more efficient means both more automation and better support for our employees and business partners. One condition for this is a solid digital foundation comprising high-quality data and IT solutions that gather and store data and make it accessible. The data are analysed and presented using IT solutions for various purposes for end-users within and outside Statnett.

This three-way split – digital foundation, IT solutions and application – is key to Statnett's digitalisation.

Digital foundation

Throughout 2019, we continued working on a roadmap for the digital foundation, primarily through the FRIDA programme, which is one of the main drivers for digital transformation in Statnett. The objectives include increased insight into which analytical tools and applications will provide the correct decision-making support and how Statnett can utilise this. As well as contributing to a solid and cost-effective digital foundation, solutions are being developed to improve the efficiency of both facilities management and grid planning.

In 2020, we will continue to focus on establishing the core of the planned digital foundation. Based on this, we must build solutions in order to achieve the objective of smarter facilities management. The digital foundation must also enable solutions that make the handling of grid connection cases more efficient.

IT solutions

After many years' development, Statnett's new operating centre system was implemented at the turn of the year 2018/2019.

In order to support the major changes taking place within energy supply, Statnett and the other TSOs in the Nordic region – Fingrid, Svenska kraftnät and Energinet – are developing a new Nordic balancing model (NBM). This entails sweeping changes to how the power system is operated and, in 2020 and the years ahead, we will focus on implementing the necessary changes in the IT systems that control this.

In 2020, an updated version of the IFS enterprise management platform will be implemented that will give a significant boost to facilities management and financial control. Further priorities include start-up of Statnett's programme for implementing BIM (building information modelling).

Digital application

Beyond pure automation, digitalisation will always entail changes in work processes, organisation and especially human behaviour. In order to support this "digital transformation", we have set up a dedicated unit for people, strategy and transformation.

GRI disclosure 2019

GRI-disclosure	Description	Reporting	UN SDGs[1)]	Omissions
		GENERAL DISCLOSURES		
102-1	Name of the organization	Statnett SF		
102-2	Activities, brands, products and services	Annual report, this is Statnett		
102-3	Location of headquarters	Oslo, Nydalen		
102-4	Location of operations	Annual report, this is Statnett, group management and note 20		
102-5	Ownership and legal form	Annual report, this is Statnett, group management and note 20		
102-6	Markets served	Annual report, this is Statnett, group management and note 20		
102-7	Scale of the organization	Annual report, this is Statnett, group management and note 20		
102-8	Information on employees and other workers	CSR accounts		
102-9	Supply chain	CSR, our social contributions and CSR accounts		
102-10	Significant changes to the organization and supply chain	CSR, our social contributions. No significant changes in 2019.		
102-11	Precautionary Principle or approach	CSR, our environmental and climate contributions		
102-12	External initiatives	CSR, responsible business and our contributions to sustainable economic growth		
102-13	Membership of associations	CSR, responsible business and our contributions to sustainable economic growth		
102-14	Statement from senior decision-maker	Annual report, a word from the CEO		
102-16	Values, principles, standards, and norms of behavior	CSR, responsible business and our contributions to sustainable economic growth. Annual report, this is Statnett	16	
102-18	Governance structure	Annual report, auditor's report and CSR, responsible business		
102-22	Composition of the highest governance body	Annual report, Statnetts board, CSR accounts and CSR, responsible business	5, 16	
102-40	List of stakeholder groups	CSR, responsible business		
102-41	Collective bargaining agreements	CSR accounts	8	
102-42	Identifying and selecting stakeholders	CSR, responsible business and our contributions to sustainable economic growth		
102-43	Approach to stakeholder engagement	CSR, responsible business and our contributions to sustainable economic growth		
102-44	Key topics and concerns raised	CSR, responsible business and our contributions to sustainable economic growth		
102-45	Entities included in the consolidated financial statements	Annual report, this is Statnett, group management and note 20		
102-46	Defining report content and topic Boundaries	CSR, responsible business		
102-47	List of material topics	CSR, responsible business		
102-48	Restatements of information	CSR accounts		
102-49	Changes in reporting	No		

GRI-disclosure	Description	Reporting	UN SDGs[1)]	Omissions
102-50	Reporting period	2019		
102-51	Date of most recent report	4. april 2019		
102-52	Reporting cycle	Yearly		
102-53	Contact point for questions regarding the report	Knut Hundhammar, e-post knut.hundhammar@statnett.no		
102-54	Claims of reporting in accordance with the GRI Standards	GRI Standards core		
102-55	GRI content index	GRI index 2019		
102-56	External assurance	Independent assurance report CSR		
		MANAGEMENT DISCLOSURES		
103-1	Explanation of the material topic and its boundary	CSR, responsible business		
103-2	The management approach and its components	CSR, responsible business		
103-3	Evaluation of the management approach	CSR, responsible business		
		ECONOMIC DISCLOSURES		
201-1	Direct economic value generated and distributed	Annual report, this is Statnett	8,9	
201-2	Financial implications and other risks and opportunities due to climate change	CSR, our contributions to sustainable economic growth	13	Statnett will in 2020 and onwards work to establish systems and methods for calculating economic impacts of climate change
205-2	Number of employees that have recived training on anti-corruption	CSR, our contributions to sustainable economic growth	16	
205-3	Confirmed incidents of corruption and actions taken	CSR accounts	16	
		ENVIRONMENTAL DISCLOSURES		
302-1	Energy consumption	CSR accounts	7, 8, 12, 13	
304-1	Operational sites in, or adjacent to, protected areas	CSR accounts	6, 14, 15	
305-1	Direct (Scope 1) GHG emissions	CSR accounts	12, 13, 14, 15	
305-2	Energy indirect (Scope 2) GHG emissions	CSR accounts	12, 13, 14, 15	
305-3	Other indirect (Scope 3) GHG emissions	CSR accounts	3, 12, 13, 14, 15	
305-4	GHG emissions intensity	CSR accounts	13, 14, 15	
306-2	Waste by type and disposal method	CSR accounts	3, 6, 12	
308-1	New suppliers that were screened using environmental criteria	CSR, our social contributions		Proportion not calculated

GRI-disclosure	Description	Reporting	UN SDGs[1]	Omissions
		SOCIAL DISCLOSURES		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	CSR, our social contributions and CRS accounts	3, 8	
405-1	Diversity of governance bodies and employees	CSR accounts	5, 8	
405-2	Ratio of basic salary and remuneration of women to men	CSR accounts	5,8	
406-1	Incidents of discrimination and corrective actions taken	CSR, our contributions to sustainable economic growth and CSR accounts	8	
409-1	Measures taken to contribute to the elimination of forced or compulsory labor	CSR, our social contributions	8	
413-1	Operations with local community engagement, impact assessments, and development programs	CSR, our contributions to sustainable economic growth		Limited to qualitative information
414-1	New suppliers that were screened using social criteria	CSR, our social contributions	5, 8, 16	
419-1	Non-compliance with laws and regulations in the social and economic area	CSR accounts	16	
		SECTOR SPECIFIC INDICATORS		
EU3	Number of customers	Statnett har totalt 77 kunder i transmisjonsnettet. De deles inn i tre kategorier; distribusjonsnettselskaper (46), kraftprodusenter (20) og industrikunder (11) (enkeltuttak over 15 MW).		
EU4	Length of above and underground transmission lines	Annual report, this is Statnett	7, 9	
EU12	Transmission losses as a percentage of total energy	CSR accounts	7, 8, 12, 13, 14	
EU25	Number of injuries and fatalities	CSR accounts		
EU28	Power outage frequence	Annual report, this is Statnett	1, 7, 9	

[1]According to work publisched by Global Reporting and United Nations Global Compact “Business Reporting on the SDGs - An analysis of the goals and targets” (2017) and “Linking the SDGs and GRI” (2017).

Deloitte.

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To the Board of Directors of Statnett SF

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON STATNETT'S SUSTAINABILITY REPORTING 2019

We have been engaged by the Board of Directors of Statnett to provide limited assurance in respect of the sustainability information in Statnett Sustainability Report 2019 ("the Report"). Our responsibility is to provide a limited level of assurance on the subject matters concluded on below.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and presentation of the Report and that it has been prepared in accordance with the GRI Standards, level Core, and other reporting criteria described in the Report. The Board of Directors is also responsible for establishing such internal controls that they determine are necessary to ensure that the information is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion on the information in the Report. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

Deloitte AS is subject to International Standard on Quality Control 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Considering the risk of material misstatement, our work included analytical procedures and interviews with management and individual resources responsible for sustainability management, as well as a review on a sample basis of evidence supporting the information in the Report.

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters.

Deloitte.

Conclusions

Based on our work, nothing has come to our attention causing us not to believe that:

- Statnett has established management processes and systems to manage material aspects related to corporate responsibility, as described in the Report.
- Statnett has applied procedures to identify, collect, compile and validate information for 2019 to be included in the Report, as described in the Report. Information presented for 2019 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- Statnett applies a reporting practice for its corporate responsibility reporting aligned with the Global Reporting Initiative (GRI) Standards reporting principles and the reporting fulfils in accordance level Core according to the GRI Standards. Statnett's GRI Index 2019 presented in the Report appropriately reflects where information on each of the disclosures of the GRI Standards is to be found within the Statnett Annual Report 2019.

Oslo, 2 April 2020
Deloitte AS

Gry Kjersti Berget	**Frank Dahl**
State Authorised Public Accountant	Deloitte Sustainability

Note: Translation has been made for information purposes only.

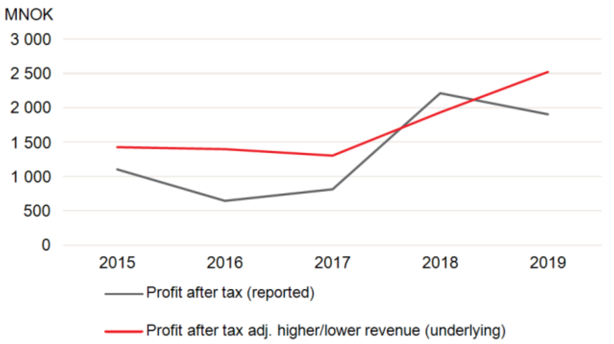
Report from the Board of Directors

2019 was a watershed year in the electrification of Norway, and there are strong indications that the 2020s will be the decade of electrification. The substantial investment projects that Statnett has undertaken over the past ten years gives Norway a competitive advantage in the energy transition required to meet the climate targets. At the same time, Statnett recognises that electrification and measures related to the "green shift" are being implemented faster than the company expected just a couple of years ago. In recognition of this accelerating rate of change, Statnett is working actively with other actors to keep pace. Statnett is also concentrating on performing the tasks it is facing in a cost-effective manner, while maintaining secure and efficient operation of the grid.

The connection volume handled in 2019 came to 7,387 MW, equivalent to more than Norway's entire electricity consumption on one September day. The challenge of ensuring that developments in consumption and demand remain balanced will be a key issue in the years ahead. Statnett has also experienced the importance of having good community processes and close cooperation with grid companies and business enterprises, in addition to regional and central government authorities.

The measures that Statnett has worked on throughout 2019 address the various needs arising from current developments. Increased electrification, more renewable energy production and changed patterns of consumption mean that the power grid must be strengthened and utilised more efficiently. Maintenance and upgrades of existing grid contribute to this, as do investments in new grid. In addition, much work has been done to develop new market solutions for system operation at the national, Nordic and European level.

Profit after tax, Group



Results for the year

In 2019, the Statnett Group made an underlying profit after tax[1)] of NOK 2,523 million (NOK 1,934 million in 2018). The recognised profit after tax for the year came to NOK 1,906 million (NOK 2,213 million). Total investments in 2019 came to NOK 9,618 million (NOK 12,377 million).

Statnett achieved volume growth in grid infrastructure through own construction activities and infrastructure acquisitions. This has increased both the return basis and permitted income. Operating expenses rose as a result of higher Group activities. Statnett's efficiency programme has nevertheless contributed to lower cost growth than the increase in activity and tangible assets would indicate.

Statnett's underlying profit has risen steadily in recent years, which has helped to maintain sufficient capital to undertake an extensive programme of investment. A dividend of NOK 1,261 million has been proposed for the 2019 financial year. This corresponds to 50 per cent of the dividend basis. In order to secure access to financing on competitive terms, Statnett attaches importance to maintaining a robust A-rating.

Satisfactory operating situation

2019 was both warmer and wetter than normal, and the power situation was good. Both system and infrastructure operations experienced a high level of stability. Security of supply was satisfactory, despite being defined as vulnerable in individual areas. And although there were many periods of planned operational downtime caused by extensive grid-related construction work, there were few incidents that resulted in outages for end users.

Construction projects made good progress

In 2019, construction of new infrastructure, including interconnectors and major transmission line projects, made good progress. Several major, time-critical investment projects went into operation during the year. A number of reinvestment and maintenance projects were also undertaken. Investments in the digitalisation of system operations and asset management have been wide-ranging.

Among the largest construction projects completed in 2019 was the first stretch of the 420 kV Namsos- Surna line. In the Western Corridor, the voltage was increased from 300 kV to 420 kV on several connections, and the project reached an important milestone when the Saurdal to Ertsmyra line went into operation. Good progress was made on both interconnectors, and NordLink is completed

[1)] The underlying result is based on regulated permitted income, while the recognised profit is based on actually determined tariffs and congestion revenue for the year. Differences between these two results, which are known as higher or lower revenues, must be balanced through changes in tariffs, meaning that over time Statnett's recognised revenues will equate to the regulated permitted income. See Note 4.

on the Norwegian side. BKK Nett AS completed the construction of the 420 kV Mongstad-Modalen connection, ownership of which has now been transferred to Statnett. The power industry's shared data hub (Elhub) for processing meter values from electricity customers is now in operation.

Health, safety and the environment (HSE)

To reach its overarching goal of being efficient, smart and safe, Statnett must make it possible for everyone who works at and for Statnett to return home safely at the end of the working day. The company's zero vision rests on a conviction that any HSE-related incident can be prevented.

In 2019, the work has focused particularly on strengthening the company's internal control, including clarification of the conformance between internal and external regulations. In addition, a focus area has been established at Statnett to focus on personal safety through the planning and performance of work.

In recent years, systematic efforts have been made to develop and deploy technical solutions to improve safety. A strong professional community has been built up to develop, qualify and implement safe solutions in all parts of Statnett's operations. A special technical safety training course has also been established.

A number of improvement measures have been implemented to clarify the interface between Statnett as the construction client and the company's contractors. One of the measures implemented involves the establishment of clear HSE requirements in contracts and the follow up of contractors to make sure they have satisfactory systems and good practice in the area of HSE.

Low sickness absence and a reduction in the injury frequency rate

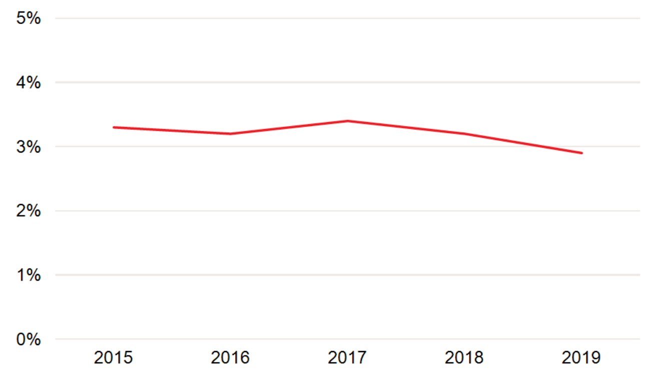
The company has succeeded in reducing the number of personal injuries, both those that result in lost time and those that do not. The reduction in the injury frequency rate from 2018 to 2019 has been particularly noticeable at our contractors. Statnett's sickness absence rate is generally low, and came to 2.9 per cent at the close of the year (rolling 12-month figure), a decrease of 0.3 percentage points compared with the year before. Statnett has established a number of measures to follow up and reduce sickness absence. These include employee health and safety representatives and a company health service.

For further details relating to health, safety and the working environment, please see the chapter on corporate social responsibility in this Annual Report.

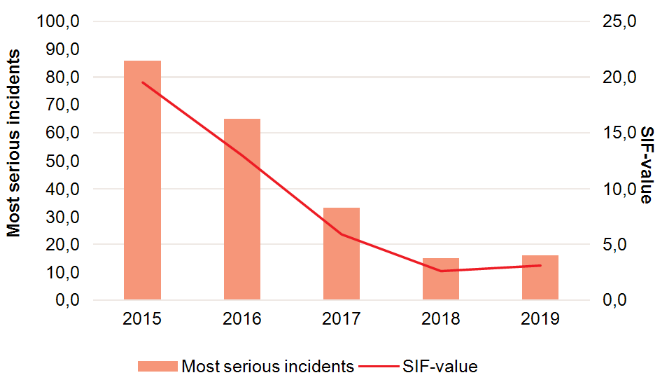
Operating and market information

In the course of 2019, precipitation corresponding to 142 TWh fell in Norwegian power plants' precipitation fields. This was 9 TWh more than normal. 7.5 TWh of this discrepancy arose in the first six months of the year. At the start of 2019, the Norwegian power system had a hydrological balance that showed a shortfall of approx. 16 TWh. This shortfall was reduced through the year to approx. 2 TWh by the close.

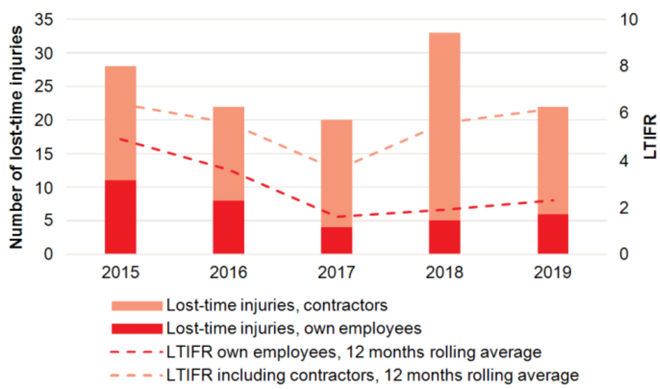
Sickness absence rolling 12-month, Group



SIF indicator rolling 12-month, Group



H indicator rolling 12-month and lost-time injuries, Group



[1)] Lost-time injury frequency, number of lost-time injuries per million working hours.
[2)] Injury frequency, number of lost-time and non-lost-time injuries per million working hours.
[3)] 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.

At the start of 2019, the water level in Norway's reservoirs was 63.9 per cent of capacity, 5.6 percentage points below the median. At the close of the year, reservoir levels were at 63.3 per cent, 6.2 percentage points below the median. Power production and consumption in Norway totalled 133 TWh in 2019. This resulted in a net exchange of zero, in contrast to 2018, when Norway had a net export of 10 TWh.

Security of delivery and supply was satisfactory in 2019, with a low level of non-delivered energy (ILE), and no serious non-conformance in frequency or voltage There were, however, issues relating to frequency quality, and the overall period of frequency non-conformances exceeded the target. In January, security of supply was reduced north of Ofoten, after an avalanche led to tower breakdown on the Kobbelv-Ofoten transmission line. In the period from March to May, security of supply to the processing facility at Kollsnes and operating security on parts of BKK's 132 kV grid were reduced because of a fault on a transformer at Kollsnes and on the 300 kV Kollsnes to Lindås transmission line. In addition, Kollsnes experienced three power consumption outages during the year, all due to unwanted system protection signals. On 22 July, the whole of Finnmark east of Alta experienced a brief blackout due to a forest fire and earth fault. On 8 September, approx. 230 MV of consumption was briefly taken out by a fault at the Tegneby substation. On 9 September, parts of Stavanger suffered a blackout because of a connection fault linked to a planned disconnection in Stølaheia.

There were many planned operational stoppages in 2019, and the system operator has processed almost 8,000 applications for permission to undertake such operational stoppages. Many of these applications were due to a high level of grid construction activity.

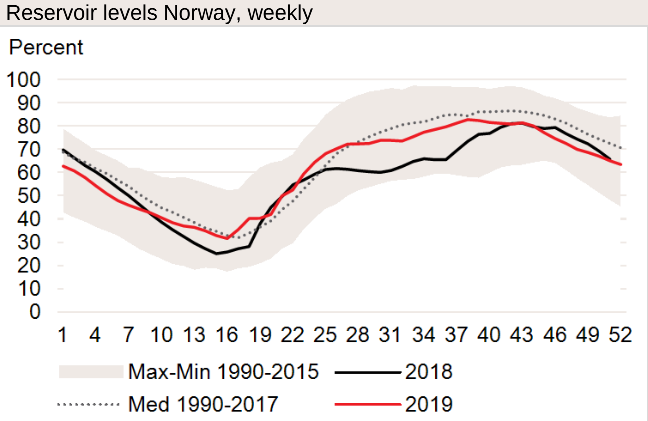
The summer heat created challenges with low capacity in the 300 kV grid into Oslo. New regulatory requirements for line temperature and capacity led to further capacity restrictions on many lines. The 300 kV Bærum-Smestad line was disconnected from 12 July until 30 August for a temperature upgrade (capacity increase).

Through the year, trading capacity with other countries was lower than normal, which contributed at times to major price differences between Norway and markets abroad. This was due to many planned operational stoppages on the Norwegian and international side, in addition to many lengthy faults. For a period in January, the damage to the towers on the Kobbelv-Ofoten line resulted in reduced trading capacity from market regions NO3 and NO4. NorNed was unavailable for a period in February due to a fault on a bushing in Feda. In addition, there were long periods of reduced capacity as a result of faults on a filter on the Netherlands side. On the Skagerrak interconnector, SK4 was unavailable for several periods during the year, due to cable faults on the Danish side. Following the last fault, capacity on SK1–4 was reduced in order to run SK4 more gently. This reduces the likelihood of further cable faults until a permanent solution has been identified. At the end of the year, Norway's Eastern Region suffered a fault that affected trading capacity, when it was discovered that the SF6 facility in Tegneby was running hot. This resulted in a sharp reduction in trading capacity between market regions NO1 in Norway and SE3 in Sweden from 20 December. The fault is scheduled for completion in April 2020.

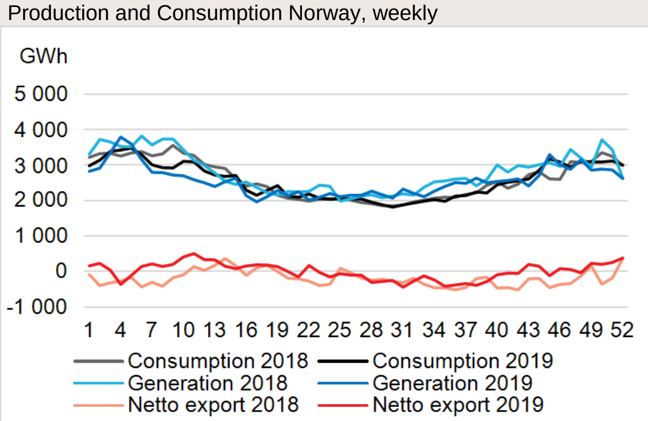
Development of the power system and -market

As transmission system operator, Statnett is responsible for the rational operation and development of the power system and power market in Norway. Existing solutions must be developed and adapted to major changes and new framework conditions. Statnett develops the power system by constructing and reinvesting in the transmission grid, and by developing system operation solutions in Norway and in collaboration with other Nordic TSOs. This development is intended to facilitate closer market integration in the Nordic region and Europe.

Reservoir levels Norway, weekly



Production and Consumption Norway, weekly



A holistic view of future power transmission and investment needs is obtained through market analyses, choice-of-concept studies and fundamental technical analyses. Statnett has reporting responsibility for the transmission grid and prepares a Power System Assessment (KSU) every other year, in accordance with Norwegian regulations on energy reports. This assessment describes the existing power system in terms of production, consumption, level of security of supply, and available grid capacity for the input of new production. The assessment also outlines possible changes in transmission needs and potential measures, with a time horizon of up to 20 years.

In the autumn of 2019, Statnett launched an updated Grid Development Plan (NUP). The plan, which is updated every two years, describes the most important drivers and requirements for developing the power system, ongoing construction projects and planned initiatives. An updated investment plan is also published every two years. The most recent edition dates from October 2018. In short, the plans and measures set out in the Grid Development Plan 2019 provide for balanced and efficient grid development that will facilitate the transition to and development of a fully electric society.

The System Operation and Market Development Plan (SMUP) describes Statnett's mandate for system responsibility, key issues relating to current system operation, the consequences of changes and prioritised measures moving forward. These measures are described in a dedicated action plan, which was updated for the period 2019–2023 during the year under review. The plan reflects the need for wide-ranging initiatives to respond to a rapidly changing power system.

Overall, these plans provide a description of how Statnett intends to perform its social mandate in the years ahead. The published documents facilitate broad involvement and the opportunity for stakeholders to understand the planned initiatives as a whole.

An appropriate tariff structure is vital for efficient development and utilisation of the grid. Statnett is therefore currently working to further develop the tariff model. A key premise for a future tariff model is that all parties must pay for the costs they incur for the grid. This is particularly important in situations where grid costs increase due to increased connection of major new consumption and new production elements. The EU's cap on the feed-in tariff for power production currently limits Statnett's freedom to change tariff levels for power producers.

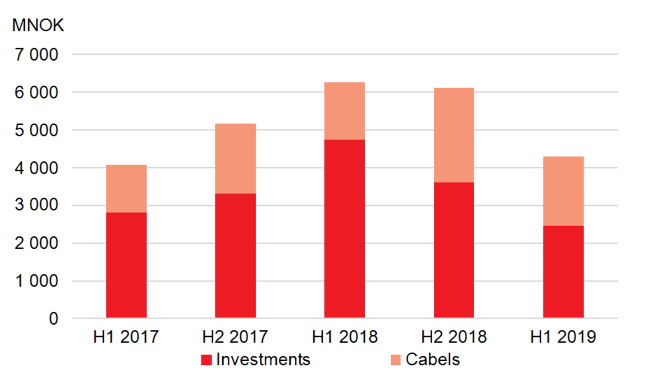
Statnetts total investments and grid installations put into operation

In 2019, Statnett invested NOK 7,432 million in grid infrastructure (NOK 9,783 million). Statnett built 156 km of new lines, upgraded 106 km of existing lines, and put a record 94 new circuit-ends in substations into operation. The company also made significant progress with its interconnectors to Germany and the UK.

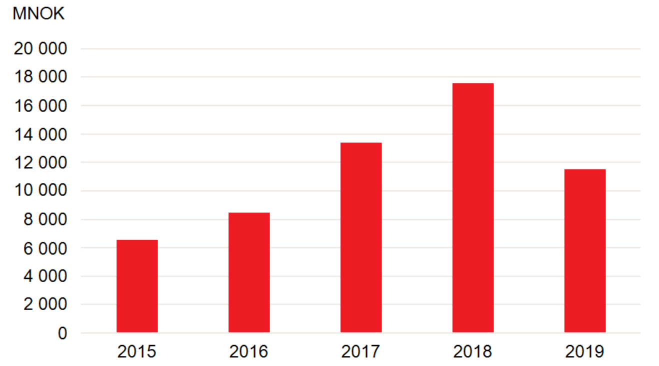
Statnett invested a total of NOK 9,618 million during the reporting period (NOK 12,377 million). The investments included both completed and ongoing grid infrastructure projects, cables, the purchase of grid installations and ICT projects.

Grid infrastructure constructed under the company's own auspices and put into operation came to NOK 14,044 million in 2019 (NOK 6,487 million). Statnett also acquired the completed sections of the Outer Ring outside Bergen. In total, grid infrastructure worth NOK 15,746 million was put into operation in 2019. These projects contribute to stable operations, good security of supply and value creation for existing and new production and consumption. At the reporting date, the value of infrastructure under construction amounted to NOK 11,514 million (NOK 17,581 million).

Investments Statnett, Group



Plants under construction, Group



Important project-related events

Put into operation

- *Bjerkreim transformer substation:* The substation was put into operation and the project completed in July.
- *Reinvestment Røldal substation:* The substation was put into operation, and the project completed in June.
- *Namsos - Åfjord and Snilldal - Surna:* 420 kV transmission line was completed and put into operation in August (182 km). The project was completed in September.
- *The Western Corridor:* Large parts of the Western Corridor were completed and put into operation. Important installations that went into operation in 2019 include: Saurdal - Ertsmyra, which gave a continuous 420 kV from Sauda to Kristiansand; a 420 kV line Arendal - Honna - Fjotland - Ertsmyra Lyse and Tjørhom substations; a new line Lyse - Duge; and a rerouted line Lyse - Førre.
- *Furuset transformer replacement*: Was put into operation in June and completed in August.
- *Vemorktoppen Reinvestment:* Was put into operation and completed in November.
- *Skjomen:* A new substation was put into operation in September, and the project was completed in December.
- *Fåberg Reinvestment 300 kV:* Was put into operation and completed in December.
- *Nedre Vinstra Reinvestment 300 kV:* Was put into operation and completed in December.
- *Balsfjord - Skaidi:* Skaidi substation was put into operation in September.
- *Elhub:* Was put into operation in February.
- *Substation monitoring:* Was put into operation in October.

Under construction

- *Lyse* - Fagrafjell: Construction start approved and licence received in September.
- *Smestad - Sogn cable installation:* The project achieved tunnel breakthrough in October.
- Start-up decisions were taken with respect to Leirdøla renewable increased transformation, Mauranger increased transformation, Rød, Verdal and Sylling SVC, Marka reinvestment 300 kV and Skien Port terminal new storage facility.

Transnational interconnectors, under construction

- *North Sea Link (cable to the UK):* Installation of the subsea power cable between Norway and the UK continues in the spring of 2020. Construction work for the converter station in Kvilldal and in Blyth in northern England is ongoing.
- *NordLink (cable to Germany)*: The installations on the Norwegian side underwent their first test in 2019. Both the converter station at Ertsmya in the municipality of Sirdal and the subsea cable to Germany were tested and approved. The overhead line between the converter plant at Ertsmyra and the cable termination station in Vollesfjord in Flekkefjord was completed in 2019 and will be put into operation in 2020. A land cable is being laid in Germany.

Planned investments

- *Hamang transformer substation:* Investment decision was taken in September.
- *Rød control gear and switchgear*: Investment decision was taken in June.
- *Sogn - Ulven, new cable connection:* Investment decision was taken in May.
- *Skaidi - Hammerfest 420 kV line:* The project has been resumed and the Ministry of Petroleum and Energy has asked for updated information in order to complete the licensing process.
- *Aurland - Sogndal, upgrade 420 kV*: Licence application was submitted in March.
- *Hamang - Bærum - Smestad:* Licence application was submitted in August.
- Investment decision has been taken for the Kvandal -Kanstadbotn refurbishment, a new transformer substation at Åsen and the Samnanger substation.

ICT projects

- *New Nordic Balancing Model (NBM):* An investment decision and the project plan (NBM Roadmap) were approved in the second half of 2019.

An overview of the company's most important projects is presented on the following page.

List of major investment projects

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

Project	Region	Expected investment (MNOK)
Commissioned projects		
Namsos - Åfjord and Snilldal - Surna, new 420 kV power line	Central	
Bjerkreim, new transformer substation	South	
Elhub		
Under construction		
Western Corridor, voltage upgrade	South	6 600 - 6 800
Balsfjord - Skaidi, new 420 kV power line	North	4 000 - 4 500
Lyse - Fagrafjell, new line and substation	South	2 020 - 2 095
Smestad - Sogn substation and cable installation	East	1 250 - 1 390
Nedre Røssåga - Namsos, voltage upgrade	North	900 - 1 000
Sogn, transformer substation reinvestment	East	545 - 580
Sylling, reinvestment	East	450 - 490
Interconnectors, under construction		
Cable to UK (North Sea Link) [1)]		MEUR 750 - 1 000
Cable to Germany (NordLink) [1)]		MEUR 750 - 1 000
Final licences granted		
Åfjord - Snilldal, new 420 kV power line and cable installation	Central	1 900 - 2 700
Salten, new substation solution	North	520 - 620
Aura/Viklandet - Surna, voltage upgrade	Central	500 - 700
Hamang, new transformer substation	East	480 - 700
Planned investments, licences pending or appealed		
Skaidi - Hammerfest 420 kV power line	North	1 000 - 1 400
Sogn - Ulven, new 420 kV cable installation	East	1 240 - 1 430
Haugalandet grid reinforcement	West	1 150 - 1 350
Aurland - Sogndal, voltage upgrade	West	900 - 1 050
Rød control gear and switchgear	East	590 - 680
Karmøy reinvestment / new substation	West	530 - 640
Hamang - Bærum - Smestad 420 kV transmission line and Bærum substation 2)	East	240 - 320
ICT projects		
New Nordic Balancing Model (NBM)		520 - 620

[1)] Statnett's share Exposure mainly in EUR, in range of NOK 7–9 billion. NOK per project Agreements with partners in Germany and the UK are denominated in EUR.

[2)] The cost interval relates to the overhead power line. The cable on this stretch has a cost estimate of NOK 1,000–1,250 million.

The amounts in the table show the expected interval for project costs.

Costs for Projects under completion are shown in current currency; other projects are shown in 2019 currency, excl. construction loan interest and exchange rate uncertainty

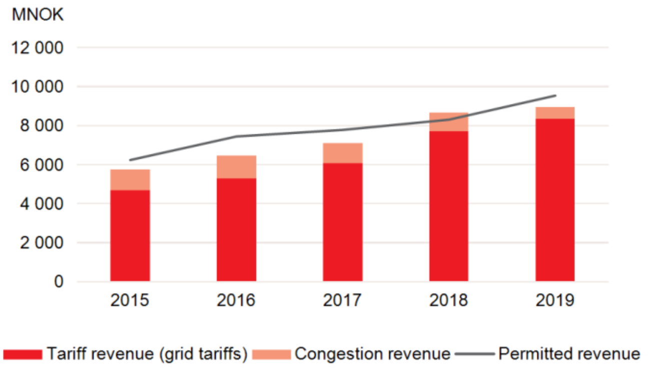
Financial results

The Group made an underlying profit, including higher/lower revenues, of NOK 2,523 million in 2019, the highest ever achieved. Increased revenues combined with a moderate increase in costs resulted in strong financial key figures. Statnett's equity ratio rose to 23.3 per cent in 2019, and a dividend payout of NOK 1,261 is proposed (50 per cent).

Operating revenues

- In 2019, the Group achieved operating revenues of NOK 9,641 million (NOK 9,138 million). Operating revenues from regulated activities amounted to NOK 8,828 million (NOK 8,651 million), while other operating revenues totalled NOK 813 million (NOK 488 million).
- The rise in revenues from regulated activities is mainly attributable to an increase in the fixed component of the tariff for retail customers from NOK 360/kW in 2018 to NOK 393/kW in 2019. This is a natural consequence of permitted income being increased to NOK 9,538 million in 2019 (NOK 8,323 million). The higher permitted income primarily relates to increased regulated asset base and higher returns due to numerous completed projects in 2019. Tariff revenues from the energy component were reduced as a result of lower electricity prices.
- Congestion revenues totalled NOK 587 million in 2019 (NOK 961 million). Small price differences, combined with high available grid capacity in Norway, led to low congestion revenues in Norway. Congestion revenues in the rest of the Nordic region were normal. A lower-than-normal price difference and lower capacity on NorNed resulted in slightly lower international congestion revenues.
- The increase in other operating revenues is largely attributable to charges received from Elhub of NOK 181 million, as well as revenues from the sale of the backup power plant at Tjeldbergodden.

Revenue development, Group



In 2019, Statnett had a lower revenue of NOK 791 million (higher revenue of NOK 362 million), including interest. At the reporting date, the accumulated lower revenue, including interest, amounted to NOK 732 million (higher revenue of NOK 59 million). Higher/lower revenues are not recognised in the balance sheet. For further details, see Note 4 and the chapter on financial framework conditions.

Operating expenses

Consolidated operating expenses totalled NOK 6,614 million in the year under review (NOK 6,018 million).

- System services are costs related to Statnett's responsibility for maintaining an instantaneous balance in the power system and satisfactory quality of supply. The NOK 49 million reduction in costs for system services relates primarily to lower purchases of reserves through the year. Lower exports in 2019 led to a lower production volume in Norway, which in turn reduced the need to secure reserves. There was also a substantial decrease in special adjustments, due to a high level of regulation in 2018.
- Transmission losses in 2019 were NOK 151 million lower than the year before, due to lower electricity prices and a reduction in the volume lost.
- Salary and payroll costs increased by NOK 104 million as a result of a higher level of activity and an increase in the Group's headcount.
- Depreciation, amortisation and write-downs increased by NOK 425 million on the year before, primarily due to a higher level of capitalisation in 2019. This relates, inter alia, to the Western Corridor, the Namsos-Surna, NordLink and Bjerkreim projects, as well as the purchase of infrastructure from BKK.
- Other operating expenses rose to NOK 1,758 million in 2019 (NOK 1,491 million). The increase is mainly attributable to a higher level of digitalisation and improvement work, as well as a higher level of activity in the Group. In addition, property tax expenses increased following the completion of several projects.

Profits

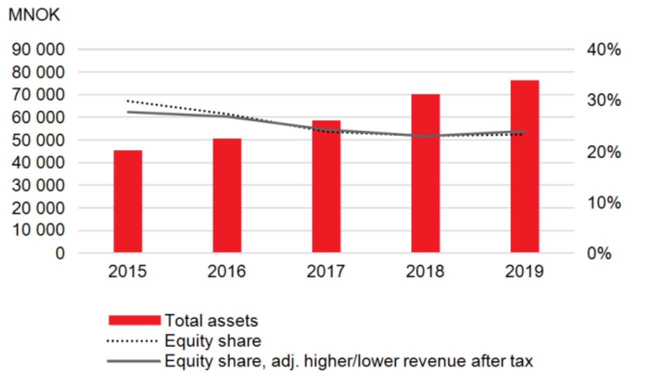
Statnett posted a consolidated operating profit of NOK 3,027 million in 2019 (NOK 3,120 million). The underlying operating profit (adjusted for the change in the year's uncapitalised higher/lower income) came in at NOK 3,818 million (NOK 2,758 million). The increase in underlying profit is due primarily to higher revenues.

Consolidated net financial items closed at NOK -587 million (NOK -419 million).

- The increase in net financial expenses is due in part to higher interest-bearing liabilities deriving from high levels of activity and investment. Higher construction loan interest, which is charged to the investment projects in line with the progress of facilities under construction, goes in the opposite direction. Volatility in the NOK exchange rate in 2019 led to a net disagio on bank accounts and liabilities denominated in foreign currencies.
- Net financial items includes income from associates, which totalled NOK 14 million in 2019 (NOK 25 million).

In 2019, Statnett posted a consolidated profit after tax of NOK 1,906 million (NOK 2,213 million). The change is due primarily to increased net financial expenses. The underlying profit after tax, adjusted for the change in higher/lower revenues not recognised in the balance sheet, closed at NOK 2,523 million (NOK 1,934 million).

Development total assets and equity ratio, Group



Cash flow and balance sheet

Net cash flow for the period totalled NOK -629 million (NOK 637 million).

- The cumulative cash flow from operating activities closed the year at NOK 4,499 million (NOK 3,983 million).
- Net cash flow from the Group's investing activities came in at NOK -9,040 million (NOK -8,392 million).
- Interest-bearing liabilities of NOK 4,175 million were repaid in 2019 (NOK 4,355 million).
- Proceeds from new interest-bearing borrowings amounted to NOK 6,259 million (NOK 9,862 million).
- At the reporting date, consolidated cash and cash equivalents and market-based securities totalled NOK 2,424 million (NOK 3,750 million).
- Total unused drawdown facilities amounted to NOK 9,200 million at the close of 2019.

At the reporting date, the Group had total assets of NOK 76,323 million (NOK 70,281 million).

- Interest-bearing liabilities totalled NOK 50,199 million (NOK 45,737 million), and included guarantees under the CSA scheme of NOK 4,685 million (NOK 3,305 million). The market value of interest and currency swaps (fair value hedges) relating to interest-bearing liabilities in the balance sheet amounted to NOK 4,569 million. Adjusted for the above, interest-bearing liabilities totalled NOK 45,630 million.
- Equity closed the year at NOK 17,783 million (NOK 16,194 million). The Group had an equity ratio of 23.3 per cent. Adjusted for lower revenue, the equity ratio stood at 24 per cent.

Cost efficiency

Statnett's construction projects and investments have reached a record level over the past decade. This challenges the Group's efficiency, including its regulatory efficiency. This situation will continue through the 2020s.

Statnett's business is a natural monopoly and costs are distributed between producers and consumers through the grid rental (tariff setting). The regulation of Statnett is intended to help ensure that the company performs its duties efficiently, and an efficiency indicator is therefore included in the calculation of its permitted income. This efficiency indicator is set by the Norwegian Energy Regulatory Authority (RME). Statnett's costs for constructing and operating the grid are, among other things, compared with corresponding costs at other TSOs in Europe.

Benchmarking Statnett

Statnett aims to be among the 25 per cent most efficient TSOs in Europe. The latest TSO benchmark, which was published in the autumn of 2019, shows that this goal was not reached. However, this is an expected outcome, since Statnett has carried out substantially more extensive construction projects than the average of the European TSOs that we are compared against. Despite this, Statnett's efficiency was kept at 100 per cent based on an overall assessment in the notice of the revenue cap for 2020 from the RME.

Statnett's clear objective is to further improve its efficiency so that it is once again counted among the 25 per cent most efficient TSOs in Europe.

Establishment of a new efficiency programme

In 2019, Statnett established a new efficiency programme that will run until the end of 2022. The programme is more wide ranging that previous efficiency programmes, with a cost focus combined with targets for improved system and resource utilisation.

The efficiency programme has been structured around the business's two primary tasks, infrastructure management and system/market operation. To ensure that internal management reflects the financial regulation's incentives, the key performance indicator is the same unit-cost measuring method used in the TSO benchmark assessment. Statnett's cost level in the period 2016–2018 is used as a starting point, and specific targets for efficiency improvements and reductions in operating expenses and investments in the programme period have been included.

Through the latter part of 2018 and 2019, a number of organisational changes were also made. Their aim is to increase flexibility and improve the utilisation of resources, as well as strengthen competence resource pools and interdisciplinary competence development. Statnett's new organisation thereby paves the way for further efficiency improvements. Furthermore, the project process has been simplified, and the management of project resources improved. It is expected that this will cut project costs.

Cost-effective investments

Statnett has largely completed its part of the power system development that both the 2012 Grid and the 2015 Energy White Papers aimed for. Compared to the majority of other TSOs in Europe, Statnett has already completed a substantial programme of investments in the past decade. This means that Norway leads the rest of Europe in terms of energy restructuring. The expansion of transmission grid is capital-intensive. Thanks to efficiency improvement measures and low interest rates, the final cost of this investment programme was almost 20 per cent lower than was anticipated at the outset. The project portfolio is systematically followed up, and we are making good progress in this area. A number of major construction projects have been completed and put into operation as expected in relation to time, cost and HSE targets.

Designing a new tariff model that supports future development of the power system

In a phase where investments, and consequently the tariff basis, are growing significantly, tariff setting represents an important and challenging task. In 2019, Statnett worked to further develop the Group's tariff model in line with its strategy and to safeguard the future development of the power system. Statnett will continue to further develop its tariff model in 2020, in dialogue with customer organisations, the public authorities and other stakeholders. In the tariff decision for 2020, the maximum tariff reduction for large-scale consumption has been reduced from 75 per cent to 60 per cent, in line with the assumptions in the tariff decision for 2019. Statnett's aim of flattening the consumption tariff was realised from 2019 to 2020. The design of a new tariff model, the level of congestion revenues and increased electrification are important factors that affect this aim. To a reasonable extent, Statnett will apply its higher/lower revenues as a mechanism to balance annual fluctuations due to such factors.

Digitalisation contributes to increased efficiency and high grid utilisation

Statnett is investing significant resources in new digital solutions for the power market, system operation, infrastructure management and administrative support systems. These systems are intended to meet many complex needs. Statnett has been keen to develop good IT systems to ensure high grid utilisation and efficiency, thereby limiting the need for grid investments. A new operating centre system and the Elhub scheme are among the major systems put into operation in recent years. In addition, systems that support day-to-day digitalisation are also under development. Good and secure IT solutions are important contributors to cost-effective operations. The Board has attached priority to ensuring that the future ICT portfolio is based on shorter, limited-scope development processes rather than extensive end-to-end solutions.

Cooperation at the national and Nordic level

The entire power sector is experiencing the effects of the step change currently underway in the further electrification of Norway. This colours the public debate at both the national and regional level. Statnett must contribute good solutions, which can only be developed and realised through good community processes and cooperation.

Close regional cooperation paves the way for the further electrification of society

In 2018 and 2019, Statnett took the initiative for the development of a regional "Grid and Business" collaboration model, which has been applied in Finnmark, Haugalandet, Bergen and, most recently, in Møre og Romsdal. This helps foster a holistic discussion between business enterprises, regional grid operators and political authorities, as well as state-owned enterprises like Statnett. In this way, plans and measures are drawn up that specifically address businesses' needs in relation to the energy transition and the realisation of their climate goals.

International cooperation

Cooperation at the Nordic level was also important in 2019. Work on future joint Nordic balancing solutions (NBM) continued. This partnership, which is crucial to the operation of the power system, is expected to generate significant savings and facilitate efficient market solutions. Ever closer integration of the European power market requires close collaboration with premise providers in Norway and Statnett's counterparts in Europe, both directly and through the European Network of Transmission System Operators (ENTSO-E), and with European authorities.

Cooperation with other Norwegian grid operators

Collaboration with other grid operators in Norway will play an important role in managing future system challenges and securing a unified and efficient grid infrastructure. Statnett presumes that the further development of cooperation between distribution system and transmission system operators (DSO–TSO collaboration) will continue. The Board believes that further digitalisation is necessary to leverage the opportunities offered by, and accommodate the future needs of, the power industry.

Holistic environmental responsibility during the planning, construction and operation of Statnett's installations

Statnett's ambition is to be a leader in its sector with respect to the environment and the climate. This means that we must minimise the impact our facilities have on biodiversity and landscape values, and reduce our own greenhouse gas emissions. Statnett's environmental policy centres on holistic environmental responsibility in the planning, construction and operation of the company's facilities.

In 2019, there has been a particular focus on environmental improvements in the operation of our facilities and the procurement process. Systematic risk assessments have been carried out at the company's existing installations. In addition, surveys of non-native species have been carried out at selected installations. A large-scale survey of flora and fauna has been carried out in connection with a research project.

Statnett has two ongoing construction projects which are being carried out without the use of fossil fuels. This is an important measure to reduce greenhouse gas emissions from construction activities. In addition, environmental and climate-related documentation has been used as an award criterion in framework agreements for steel and power line procurements in 2019.

Statnett has drawn up new procurement guidelines for the operation of its head office in Oslo, and the company has implemented numerous environment-related measures. In the long term, we want to implement the same environmental initiatives in all our office buildings.

For a more detailed report on the climate and the environment, see the report on corporate social responsibility in the Annual Report.

Attractive employer for current and future employees

Statnett is an expertise-based company, and aims to be an attractive employer. Equal opportunities will be provided to employees in all phases of their lives, irrespective of gender, age, sexual orientation and cultural or religious background.

A number of organisational changes were implemented in 2019, and many people have been redeployed within the company. Opportunities for internal mobility and competence development help to make Statnett an attractive employer for current and future employees. Specific recruitment activities and general interaction with universities and colleges play an important role in raising Statnett's profile as a potential employer.

Statnett clearly promotes its desire for diversity, in particular with regard to recruitment processes. Women and men with approximately the same qualifications and experience receive the same pay in comparable positions. Through the company's life-phase policy, employees of all ages are catered for.

Statnett carries out an annual employee survey. The survey provides information about employees' engagement, satisfaction and opportunities for co-determination and personal development. The annual organisation survey shows that Statnett is a good place to work. In 2019, Statnett once again achieved a high score with regard to employee satisfaction and engagement (4.3 out of 5.0).

For further details of Statnett as an employer, see the chapter on corporate social responsibility in the Annual Report.

Significant investments in research and technology development

In a changing power system, with a greater proportion of variable renewable power production and a more digital daily life, it is important to develop new technologies and systems that are adapted to these changes.

Statnett is heavily engaged in R&D and digitalisation activities. In 2019, Statnett concluded several research projects, including projects to reduce security risk and lessen the company's environmental footprint. Statnett also concluded a research project to show how the company can reduce its own greenhouse gas emissions. In 2019, Statnett approved a new R&D programme period, which will run from 2020 to 2023. The new programmes and the company's R&D projects are described on Statnett's website.

Statnett works actively to find both Nordic and European solutions within the power system. In 2019, this manifested itself in Statnett becoming the chair of ENTSO-E's Research and Development Committee (RDIC). Together with the other TSOs in the Nordic region, Statnett is also working to find joint IT solutions to support the major changes that are taking place within the energy supply sector.

For further details of Statnett's research and technology development activities, see the chapter on corporate social responsibility in the Annual Report.

Risk management and internal control

Statnett's risk management reflects the fact that the company manages infrastructure that is critical for society. Sound risk management and high emergency preparedness are critical in a period when the company is making historically high investments, while striving to maintain sound operation of an ageing grid with high utilisation rates. Risk management covers the entire operational perspective. Particular emphasis is placed on potential consequences for health and safety, the environment, security of supply, facilitation of value creation, financial issues and the company's reputation. Statnett has started work to establish a risk-based internal control system that builds on the internationally recognised COSO framework. An important basis for its implementation is that the Group's internal control system ensures good control and compliance with key external and internal requirements. For further details of Statnett's risk management, see the chapter on risk management in the Annual Report.

Corporate governance

Sound corporate governance is a prerequisite for stable long-term value-creation, and helps ensure that Statnett delivers products and services that satisfy all relevant requirements and expectations. The company's frameworks for corporate governance are based on our group-wide management model, which clarifies role allocation between the owner, the Board and administration. Statnett complies with the government's Code of Conduct on Corporate Governance and the recommendations of the Norwegian Corporate Governance Board (NUES). For more information on the corporat responsibility, please visit www.statnett.no.

Outlook – the 2020s will be the decade of electrification

Increased electrification to reach the climate goals, digitalisation and an expected increase in wind power will be the main drivers for the development of the power system going forward. This development will take place both in Norway and the countries around us. The transition to a green energy system is happening faster than expected. The EU's *European Green Deal*, whose ambition is to achieve a climate-neutral EU by 2050, is helping to chart a clear course. Several European countries have already set climate goals and approved plans that will lead to major changes in the energy system. The changes reinforce the need for a stronger and smarter power grid.

Norway can become a fully electric society

Although Norway is currently one of the world's most highly electrified countries, around half of the energy the country uses comes from fossil sources. Electrification is a cost-effective way of replacing fossil energy use, thus reducing greenhouse gas emissions. Norway offers major potential for further electrification, in particular in transport and industry. Digitalisation and technology development are also opening the way for new industries that need electricity.

Consequently, we expect both electricity consumption and production to increase significantly over the next 20 years. Onshore wind power is now profitable without subsidies, and costs are expected to fall further in the years ahead. The cost of fixed offshore wind power (for example, in the North Sea) has also fallen rapidly, and reliance on subsidies has significantly reduced. Combined with more ambitious climate policies in Europe, this increases the probability of large-scale construction of offshore wind farms and offshore power grids in Norway's neighbouring areas.

Statnett reinforces and renews the power system

Over the past ten years, Statnett has undertaken a major programme of investment. This has resulted in a more robust power system and increased transmission capacity nationwide. The transmission grid constitutes the backbone of tomorrow's power system, and will need continuous maintenance, renewal and life-extending refurbishment in the years ahead.

In several places along the coast and in areas surrounding major cities, there is a need for major grid reinforcements, not least to accommodate the electrification of offshore oil and gas installations, and other substantial growth in consumption. In many places in Norway, there is also a need for more grid capacity for the connection of new renewable power production.

Early dialogue with involved parties, smart infrastructure management, new system and market solutions, and a continued focus on efficiency improvement in the construction phase will all help Statnett to pave the way for the electric future in a cost-effective manner.

The system operations of the future are being designed now

As a transmission system operator, Statnett must ensure instantaneous balance between production and consumption in the Norwegian power system. Since the Nordic region is one synchronised area, Nordic TSOs must work closely together to fulfil their balancing obligations.

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 paves the way for further development of the system's operation. It is tailored to a future in which the Norwegian and Nordic power system is more closely connected to the rest of Europe, and operators must be able to take more decisions, more rapidly, and handle an increasing volume of data.

Attendance at Board meetings

The Board had only one non-attendance at its meetings during the year.

Changes to the Board

Synne Homble stepped down from the Board in connection with the AGM in June. Tove Pettersen replaced her as the Board's Deputy Chair.

The Board thanks all employees

The Board would like to say a heartfelt thank-you to all employees for achieving another year with a historically high level of investment. At the same time, the Group maintained secure operations and undertook a major reorganisation, which means a continued focus on efficiency improvements and the development of Statnett.

Equity and dividends

In line with the government's proposed national budget for 2020, it is proposed that the dividend for 2019 equal 50 per cent of the dividend basis. The dividend basis is defined as the Group's net result for the year after tax, adjusted for the change in the year's post-tax higher/lower revenue. The proposed dividend is consistent with the adopted dividend policy for the enterprise, and is deemed to be reasonable based on Statnett's equity and liquidity. At the close of 2019, the company's equity totalled NOK 17,783 million.

The outlook is affected by the duration of the COVID-19 corona pandemic

As of April 2020, it is clear that the ongoing pandemic will have a significant impact on the global economy. It will also have an impact on the power sector. In the short term, lower activity in business and industry could result in somewhat lower consumption. Furthermore, there is a possibility that both ongoing and planned projects for new production could be postponed. How the measures to control the pandemic will affect development in the longer term is more uncertain, and Statnett will monitor the situation on an ongoing basis.

Statnett's project portfolio is dependent on global suppliers and labour. Progress in our various projects will be continuously assessed against any challenges that may arise. If the supply chain is weakened over time and critical operationals tasks have to be prioritised over new investments, it could affect progress, increase costs and result in deferred revenue.

The financial markets are being affected by increased risk premiums and low liquidity. However, Statnett has few loan maturities in the coming months and has received significant so-called CSA payments (collateral support annex from derivative counterparties) as a result of the falling Norwegian krone and our currency hedging. This means that our liquidity situation is good. In addition, Statnett has an unused drawdown facility of NOK 8 billion for situations where the loan market is performing poorly, and we will use it if necessary.

Based on an overall assessment, the Board of Directors has not recommended any special adjustments to dividends for the 2019 financial year due to the COVID-19 pandemic. Until the General Meeting in June, the Board of Directors will closely monitor liquidity and cost developments and continuously assess whether there is a basis for changing this assessment.

Going concern

In accordance with Section 3-3a of the Norwegian Accounting Act, the Board confirms that the annual financial statements have been prepared in accordance with the going concern principle.

Appropriation of profit for the year

The Statnett Group posted a profit after tax of NOK 1,906 million in 2019. The parent company posted a net result for the year of NOK 1,630 million.

Accordingly, the Board proposes the following appropriation of Statnett SF's net result for the year:

Proposed dividend	1 261
Transferred to other equity	369
Total appropriations	1 630

Declaration from the Board of Directors and CEO

We declare that, to the best of our knowledge,

- the financial statements for 2019 have been prepared in accordance with IFRSs, including such supplementary disclosures required by the Norwegian Accounting Act;
- the disclosures in the financial statements provide a true and fair view of the assets, liabilities, financial position and results of the parent company and the Group as a whole;
- the disclosures in the Annual Report and the chapter on corporate social responsibility, including the financial statements relating to corporate social responsibility, provide a true and fair view of the parent company and the Group's development, results and position, as well as a description of the most important risk factors and uncertainties facing the Group.

Oslo, April 2, 2020
Statnett's Board of Directors

Jon Fredrik Baksaas Chairman	Tove Elisabeth Pettersen Deputy Chair	Maria Sandsmark Board member	Egil Gjesteland Board member
Ole Bjørn Kirstihagen Board member	Pernille Dørstad Board member	Steinar Jøråndstad Board member	Einar Anders Strømsvåg Board member

Auke Lont
President and CEO

Comprehensive income

Parent company 2018	Parent company 2019	(Amounts in NOK million)	Note	Group 2019	Group 2018
		Operating revenue			
8 634	8 264	Regulated operating revenue	4	8 828	8 651
492	632	Other operating revenue	4	813	488
9 127	**8 896**	**Total operating revenue**		**9 641**	**9 138**
		Operating costs			
541	492	System services	5	492	541
1 033	882	Transmission losses	5	882	1 033
985	1 063	Salaries and personnel costs	6, 7, 23	1 077	973
1 950	2 229	Depreciation, amortisation and impairment	8, 9	2 405	1 980
1 534	1 691	Other operating costs	27	1 758	1 491
6 043	**6 356**	**Total operating costs**		**6 614**	**6 018**
3 084	**2 540**	**Operating profit**		**3 027**	**3 120**
220	277	Financial income	10	72	59
655	748	Financial costs	10	659	478
-436	**-471**	**Net financial items**		**-587**	**-419**
2 648	**2 069**	**Profit before tax**		**2 440**	**2 701**
486	439	Tax	19	534	488
2 161	**1 630**	**Profit for the year**		**1 906**	**2 213**
		Other comprehensive income			
-1	-	Changes in fair value of financial instruments	28	-	-1
267	129	Changes in fair value of cash flow hedge reserve	15, 28	129	267
-62	-28	Tax effect	19, 28	-28	-62
204	**101**	Other comprehensive income to be reclassified to profit or loss in subsequent periods		**101**	**204**
79	86	Changes in estimate deviations of pensions	7, 28	86	79
-20	-19	Tax effect	7, 19, 28	-19	-20
59	**67**	Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**67**	**59**
262	**168**	**Total other comprehensive income**		**168**	**262**
2 424	**1 798**	**Total comprehensive income**		**2 074**	**2 475**

Balance sheet

Parent company				Group	
31.12.2018	31.12.2019	*(Amounts in NOK million)*	Note	31.12.2019	31.12.2018
		Assets			
		Fixed assets			
47	28	Deferred tax asset	19	29	51
451	476	Intangible assets	8	1 021	1 054
40 636	46 349	Tangible assets	8	54 637	40 948
10 536	11 434	Plants under construction	9	11 514	17 581
2 384	2 449	Investment in subsidiaries	20	-	-
59	55	Investment in jointly controlled company and associates	20	108	111
-	63	Pension assets	7	65	-
8 166	8 850	Financial fixed assets	14	4 835	3 863
62 279	**69 704**	**Total fixed assets**		**72 210**	**63 608**
		Current assets			
2 553	1 856	Trade accounts and other short-term receivables	11	1 688	2 630
1 365	683	Market-based securities	12	1 097	1 794
293	-	Assts held for sale	29	-	293
1 545	1 044	Liquid assets	13	1 327	1 956
5 756	**3 583**	**Total current assets**		**4 113**	**6 673**
68 035	**73 286**	**Total assets**		**76 323**	**70 281**
		Equity and liabilities			
		Equity			
5 950	5 950	Contributed capital		5 950	5 950
9 869	11 183	Other equity accrued		11 833	10 244
15 819	**17 133**	**Total equity**		**17 783**	**16 194**
		Long-term liabilities			
1 871	2 345	Deferred tax	19	2 484	1 926
311	251	Pension liabilities	7	253	313
455	466	Other liabilities	24	466	455
40 421	41 464	Long-term interest-bearing debt	16	41 508	40 388
43 058	**44 526**	**Total long-term liabilities**		**44 711**	**43 082**
		Current liabilities			
5 349	8 686	Short-term interest-bearing debt	16	8 691	5 349
3 809	2 942	Trade accounts payable and other short-term debt	17	5 135	5 653
-	-	Tax payable	19	3	3
9 158	**11 628**	**Total current liabilities**		**13 829**	**11 005**
68 035	**73 286**	**Total equity and liabilities**		**76 323**	**70 281**

Oslo, 2. april 2020
Styret i Statnett SF

Jon Fredrik Baksaas
Chairman

Tove Elisabeth Pettersen
Deputy Chair

Maria Sandsmark
Board member

Egil Gjesteland
Board member

Einar Anders Strømsvåg
Board member

Pernille Dørstad
Board member

Steinar Jøråndstad
Board member

Ole Bjørn Kirstihagen
Board member

Auke Lont
President and CEO

Changes in equity

Parent company					Group			
Contributed capital	**Other items**	**Other equity accrued**	**Total equity**	*(Amounts in NOK million)*	**Total equity**	**Other equity accrued**	**Other items**	**Contributed capital**
5 950	**-271**	**8 007**	**13 686**	**01.01.2018**	**14 011**	**8 332**	**-271**	**5 950**
-	-	2 161	2 161	Profit/loss for the year	2 213	2 213	-	-
-	204	59	262	Other comprehensive income, note 28	262	59	204	-
-	-	-326	-326	Dividends declared	-326	-326	-	-
-	-	35	35	Implementation effect IFRS 15	35	35	-	-
5 950	**-68**	**9 937**	**15 819**	**31.12.2018**	**16 194**	**10 312**	**-68**	**5 950**
5 950	**-68**	**9 937**	**15 819**	**01.01.2019**	**16 194**	**10 312**	**-68**	**5 950**
-	-	1 630	1 630	Profit/loss for the year	1 906	1 906	-	-
-	101	67	168	Other comprehensive income, note 28	168	67	101	-
-	-	-484	-484	Dividends declared	-484	-484	-	-
5 950	**33**	**11 150**	**17 133**	**31.12.2019**	**17 783**	**11 801**	**33**	**5 950**

Cash flow

Parent company				Group	
2018	**2019**	*(Amounts in NOK million)*	**Note**	**2019**	**2018**
		Cash flow from operating activities			
2 648	2 069	Profit before tax		2 440	2 701
-2	-95	Loss/gain(-) on sale of fixed assets	8	-95	-2
1 950	2 229	Depreciation, amortisation and impairment	8	2 405	1 980
63	-	Write-down shares	20	-	-
24	-	Net paid taxes	19	-2	20
434	523	Interest recognised in the income statement	10	590	422
7	6	Interest received	10	16	17
-499	-634	Interest paid, excl. construction interest	10	-634	-499
-719	168	Changes in trade accounts receivable/payable	11, 17	384	-610
-58	-556	Changes in other accruals	11, 17	-605	-46
3 848	**3 710**	**Net cash flow from operating activities**		**4 499**	**3 983**
		Cash flow from investing activities			
75	401	Proceeds from sale of tangible assets	8	401	75
-6 728	-8 500	Purchase of tangible and intangible assets and plants under construction	8, 9	-9 129	-8 175
-198	-247	Construction interest paid	9	-338	-312
-373	-90	Paid capital to subsidiaries	20	-	-
-	4	Changes in investment in associates, jointly controlled and other companies	20	4	-6
-1 010	205	Changes in long-term loan receivables	14	9	17
3	-1	Changes in short-term loan receivables	11	-	-
9	98	Received dividends and group contributions	10, 20	13	9
-8 222	**-8 130**	**Net cash flow from investing activities**		**-9 040**	**-8 392**
		Cash flow from financing activities			
9 862	6 259	Proceeds from new interest-bearing debt	16	6 259	9 862
-4 355	-4 175	Repayment of interest-bearing debt	16	-4 175	-4 355
569	1 624	Changes in collateral under CSA (Credit Support Annex) agreements	18	1 624	569
199	1 895	Proceeds from sale of market-based securities	12	2 082	372
-900	-1 200	Purchase of market-based securities	12	-1 394	-1 076
-326	-484	Dividends paid		-484	-326
5 049	**3 919**	**Net cash flow from financing activities**		**3 912**	**5 046**
675	**-501**	**Net cash flow for the period**		**-629**	**637**
870	1 545	Cash and cash equivalents at period start	13	1 956	1 319
1 545	**1 044**	Cash and cash equivalents at period close	13	**1 327**	**1 956**

Note 1 General information and basis for preparation of financial statements

General information

Statnett SF (the parent company) is a Norwegian state-owned enterprise that was formed on 20 December 1991. The sole owner of Statnett SF is the Norwegian State, represented by the Ministry of Petroleum and Energy (MPE). Statnett has issued bond loans listed on the Oslo Stock Exchange. The head office is located at Nydalen allé 33, 0484 Oslo.

The consolidated financial statements for the Statnett Group and the financial statements for the parent company, Statnett SF, have been prepared in compliance with the current International Financial Reporting Standards (IFRS), as adopted by the EU, and the Norwegian Accounting Act.

All subsequent references to "IFRS" imply references to IFRS as adopted by the EU.

The financial statements have been prepared on the basis of the historical cost principle, with the following exceptions:
- Derivatives, financial assets and liabilities classified as "fair value carried through profit or loss, amortized cost or fair value through other comprehensive income"
- The carrying value of hedged assets and liabilities is adjusted in order to register changes in fair value as a result of the hedging
- Assets are measured at each reporting date with a view to impairment. If the recoverable amount of the asset is less than the carrying value, the asset is written down to the recoverable amount

Consolidation policies

The Group financial statements comprise the financial statements of Statnett SF and its subsidiaries, presented as if they were one entity.

The consolidated financial statements have been prepared using uniform accounting principles for equivalent transactions and other events under otherwise equal circumstances. The classification of items in the income statement and balance sheet has taken place in accordance with uniform definitions. The consolidated financial statements are prepared in accordance with the acquisition method of accounting and show the Group as if it was a single entity. Balances and internal transactions between companies within the Group are eliminated in the consolidated financial statements.

Associates are companies where Statnett has significant influence, i.e. Statnett can influence financial and operational decisions in the company, but does not have control of the company. Investments in associates are accounted for using the equity method.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operations are accounted for on the basis of proportional consolidation.

Joint ventures are arrangements where the parties that have joint control, have agreed to share the net assets of the arrangement. Joint ventures are accounted for using the equity method.

Investments in companies in which the Group owns less than 20 percent of the voting capital are carried at fair value in the balance sheet. Value changes are recognised through profit or loss. These investments are not specified in the notes to the financial statements.

Classification of items in the balance sheet

An asset is classified as short-term (current asset) when it is related to the flow of goods, receivables paid within one year, and "assets that are not intended for permanent ownership or use in the operations". Other assets are fixed assets. The distinction between short-term and long-term loans is drawn one year before maturity. The first year's instalments on long-term loans are reclassified as current liabilities.

Dividends

Dividends paid are recorded during the period in which they are approved by the General Meeting. If the approval and payment occur in different periods, the amount will be allocated to current liabilities until payment is made.

Foreign currency

The consolidated financial statements are presented in Norwegian Kroner (NOK), which is also the parent company's functional currency.

Transactions in foreign currency are recognised at the current exchange rates prevailing at the date of the transaction. Monetary items in currencies are translated into NOK at the exchange rate in effect on the balance sheet date. Non-monetary items measured at acquisition cost are translated into NOK at the exchange rate in effect on the transaction date. Non-monetary items that are measured at fair value

Note 1 General information and basis for preparation of financial statements

expressed in foreign currency are translated at the exchange rate in effect on the balance sheet date. Changes in exchange rates are recorded on a current basis in the income statement during the reporting period and presented as financial items.

The Group uses hedge accounting for all foreign currency long-term debt. Long-term interest-bearing debt in foreign currency is related to interest rate and currency swaps and presented as borrowings in NOK.

Government grants

Government grants are not recorded in the accounts until it is reasonably certain that the Group will meet the conditions stipulated for receipt of the grants and that the grants will be received. Grants are recorded as a deduction in the expenses that they are meant to cover.

Statement of cash flows

The cash flow statement has been prepared based on the indirect method. Cash includes bank deposits. Cash equivalents are short-term liquid investments that can be converted immediately to a known amount of cash, and with a maximum term of three months. Restricted cash consists of employees' tax deductions restricted under Norwegian Law and security deposits related to power sale on the power exchange market.

Segment reporting

Statnett has identified its reporting segment based on the risk and rate of return that affect the operations. Based on IFRS' definition, there is, according to the company's assessment, only one segment. The business is followed up as a single geographical segment. Subsidiaries do not qualify as separate business segments subject to reporting based on IFRS criteria. The parent company and the Group are reported as a single business segment.

Note 2 Amended accounting principles and new accounting standards

Standards entering into force this year

The Group has implemented the following standards and amendments with first-time effect in the 2019 financial statements:

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies how uncertainty over income tax treatments should be accounted for. An 'uncertain tax treatment' is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law. The interpretation addresses:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

The Group has implemented the changes from 1 January 2019. The changes have not led to a different accounting for the Group's existing tax positions.

Amendments to IFRS 9, IAS 39 and IFRS 7 due to the IBOR reform

In relation to the ongoing IBOR reform whereas new interest reference rates are established in the interest market, certain amendments have been made to the standards IFRS 9, IAS 39 and IFRS 7. These amendments are relevant for Statnett under hedge accounting relationships referring to interest rates affected by the future changes in reference interest rates. Statnett has chosen early adoption of these amendments to the standards as from 2019 and hence continue the established hedge accounting relationships.

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.

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. Operating leases under IAS 17 were previously classified as operating expenses and the rental cost was recognized on a straight-line basis over the contract period. 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.

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. For more information’s, see Note 3 Accounting estimates and assumptions.

Parent company			
(*Amounts in NOK million)*	**31.12.2018**	**IFRS 16 effects**	**01.01.2019**
Assets			
Tangible assets			
Tangible assets exclusive of right-of-use assets	40 636	-168	40 468
Right-of-use assets, buildings and land	-	190	190
Right-of-use assets, fiber	-	190	190
Total tangible assets	**40 636**	**211**	**40 847**
Liabilities			
Short-term interest-bearing debt	5 349	29	5 378
Long-term interest-bearing debt	40 421	182	40 603
Total interest-bearing debt	**45 770**	**211**	**45 981**

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 the date of inital recognition are in the interval 2.2 - 3.3 percent.

Specifications of financial effects from IFRS 16 in the year

(*Amounts in NOK million)*	**31.12.2019**
Effects on Comprehensive income	
Depreciation	44
Financial costs (interest expense)	6
Total	**50**

The effects presented above are the total effects on Comprehensive income resulting from IFRS 16 contracts, including thos effects stemming from contracts previously being 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 IAS 17	211	211
Transition effects from leases being finance leases under IAS 17	168	-
Total right-of-use assets/lease liabilities 1 January 2019	**379**	**211**
Lease payments	-	-35
Interest	-	6
Depreciation	-44	-
Additions	21	9
Other / currency effects	-1	-
Total right-of-use assets/lease liabilities at 31 December 2019	**356**	**191**

Right of use asset	**Buildings and land**	**Fiber/ICT**	**Total**
Acquisition cost 1 January 2019	190	190	379
Addition of right-of-use assets	9	12	21
Disposals	-1	-	-1
Acquisition cost 31 December 2019	**198**	**202**	**400**
Accumulated depreciation 1 January 2019	-	-	-
Depreciation	29	15	44
Accumulated depreciation 31 December 2019	**29**	**15**	**44**
Carrying amount of right-of-use assets 31 December 2019	**169**	**187**	**356**
Lower of remaining lease term or economic life	1-40 years	1-40 years	
Depreciation method	Linear	Linear	

Lease liabilities

At initial application 1. January 2019	211
New lease liabilities recognised in the year	9
Cash payments and interest of the lease liability	-35
Interest expense on lease liabilities	6
Currency exchange differences	-
Total lease liabilities at 31 December 2019	**191**

Total lease liabilities	
Short-term interest-bearing debt	30
Long-term interest-bearing debt	161
Total lease liabilities at 31 December 2019	**191**
Net cash flow from lease liabilities	**-35**

Undiscounted lease liabilities and maturity of cash outflows

(Amounts in NOK million)

1 years	35
1-5 years	97
5-10 years	43
10-15 years	18
>15 years	44
Total undiscounted lease liabilities at 31 December 2019	**238**

Group

(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 in the year

(Amounts in NOK million)	**31.12.2019**
Effects on Comprehensive income	
Depreciation	47
Financial costs (interest expense)	7
Total	**54**

The effects presented above are the total effects on Comprehensive income resulting from IFRS 16 contracts, including thos effects stemming from contracts previously being 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 IAS 17	260	260
Transition effects from leases being finance leases under IAS 17	168	-
Total right-of-use assets/lease liabilities 1 January 2019	**428**	**260**

Lease payments	-	-39
Interest	-	7
Depreciation	-47	-
Additions	21	9
Other / currency effects	-1	-
Total right-of-use assets/lease liabilities at 31 December 2019	**402**	**237**

Right of use asset	**Buildings and land**	**Fiber/ICT**	**Total**
Acquisition cost 1 January 2019	238	190	428
Addition of right-of-use assets	9	12	21
Disposals	-1	-	-1
Acquisition cost 1 January 2019	**247**	**202**	**449**
Accumulated depreciation 1 January 2019	-	-	-
Depreciation	32	15	47
Accumulated depreciation 31 December 2019	**32**	**15**	**47**
Carrying amount of right-of-use assets 31 December 2019	**215**	**187**	**402**
Lower of remaining lease term or economic life	1-40 years	1-40 years	
Depreciation method	Linear	Linear	

Lease liabilities	
At initial application 1. January 2019	260
New lease liabilities recognised in the year	9
Cash payments and interest of the lease liability	-39
Interest expense on lease liabilities	7
Total lease liabilities at 31 December 2019	**237**

Total lease liabilities	
Short-term interest-bearing debt	32
Long-term interest-bearing debt	205
Total lease liabilities at 31 December 2019	**237**
Net cash flow from lease liabilities	**-39**

Undiscounted lease liabilities and maturity of cash outflows

(Amounts in NOK million)

1 years	39
1-5 years	113
5-10 years	63
10-15 years	34
>15 years	48
Total undiscounted lease liabilities at 31 December 2019	**297**

Note 3 Accounting estimates and assumptions

The preparation of the financial statements in compliance with IFRS requires that the management prepares assessments and estimates and assumptions that affect the application of accounting principles. This affects recognised amounts for assets and liabilities on the balance sheet date, reporting of contingent assets and liabilities, as well as the reported revenues and costs for the period.

Principle

Accounting estimates are used to determine certain amounts that have an impact on the Group's financial statements. This requires that management prepares assumptions relating to values or uncertain conditions at the time of preparation. Key accounting estimates are estimates that are important to the Group's financial performance and results, requiring management's subjective and complex assessment, often related to factors encumbered by uncertainty. Statnett assesses such estimates continuously based on previous results and experiences, consultations with experts, trends, prognoses and other methods which management deems appropriate in the individual case.

Provisions for liabilities are recognised in the income statement when the Group has an existing liability (legal or assumed) as a result of an event that has taken place and it can be demonstrated as probable (more likely than not) that a financial settlement will be made as a result of the liability, and the amount can be reliably measured. Provisions are reviewed on each balance sheet date, and the level reflects the best estimate of the liability. If there is a substantial time effect, the liability will be accounted for at the present value of future liabilities.

Significant items relating to Statnett's use of estimates:

			Group
Item	**Note**	**Estimate/assumptions**	**Carrying value**
Other intangible assets	8	Estimate of recoverable amount and remaining useful life	969
Property, plant and equipment	8	Estimate of recoverable amount and remaining useful life	54 637
Pension liabilities	7	Financial and demographic assumptions	188
Asset retirement obligations	24	Estimate of asset retirement costs, NVE interest rate, retirement dates and price increases in the period leading up to retirement	480
Lease liabilities	16	Estimate of lease term including options to extend, Statnett's incremental borrowing rate	237

Note 4 Operating revenue

Statnett holds a license as grid owner in Norway, and revenues mainly derive from operations regulated by the Norwegian Energy Regulatory Authority (RME). Operating revenues related to the license as grid owner are reported as “Regulated operating revenue”.

Statnett SF also holds a license to settle the regulated power market in Norway. Statnett has a national responsibility to coordinate measurement and settlement of all power sales as well as correct settlement of input and outtake of power to ensure financial balance in the power market. Operating revenue related to this license is included in “Other operating revenue”.

Other operating revenue is also revenue related to other not regulated activities. In addition to operating revenue originating from settling the power market, other operating revenue mainly consists of revenue from consultancy assignments, construction on behalf of distribution grid owners (customer projects) and rental income.

Principle

Regulated operating revenue
Operating revenue consists of actual delivered energy multiplied with a tariff model set by guidelines provided by the Norwegian Water Recourses and Energy Directorate (NVE).

Regulated operating revenues are recognised accordingly:

- *a) Tariff revenue fixed element generation is recognized evenly throughout the year, based on the tariff set for the year in question.*
- *b) Tariff revenue fixed element consumption is recognised according to the customer’s measured input and outtake from the grid.*
- *c) Other rental income is mainly recognised based on the customer’s measured use of the grid.*
- *d) Congestion revenue is recognised based on measured input and outtake from the grid between different price areas and on each side of interconnectors.*
- *e) Income to other owners in the grids is recognised evenly throughout the year based on estimates for the other owners’ permitted revenue.*

Permitted revenue
Statnett’s actual regulated operating revenue is tariff revenue in the transmission and distribution grid and congestion revenue. Due to uncertainty relating to each year's actual revenues and final permitted revenue, which the RME decides after year-end, a difference arises annually between Statnett's actual regulated operating revenue and Statnett's permitted revenue. This difference is called higher or lower revenue.

Higher/lower revenue grid operation
Higher revenue occurs when Statnett has a higher actual regulated operating revenue than the permitted revenue set for that particular year. Lower revenue means that Statnett's actual regulated operating revenue is lower than the permitted revenue.
Pursuant to NVE regulations, any higher revenue, including interest, must be returned to the customers in the form of lower future tariffs, whereas lower revenue, including interest, can be recouped from the customers in the form of higher future tariffs. This follow from regulations "Forskrift 1999-03-11-302 om økonomisk og teknisk rapportering, inntektsramme for nettvirksomheten og tariffer (kontrollforskriften)". *The obligation to reduce future tariffs and the opportunity to collect increased tariffs do not qualify for balance sheet recognition according to IFRS, and represents a contingent liability (in the event of accumulated higher revenue) or a contingent asset (in the event of accumulated lower revenue). Consequently, an annual change in these items will not be included in the IFRS income statement.*

Where *Statnett mainly acts as a settler for the common grid and power trading, revenues are net reported.*

Other operating revenue
Statnett is also responsible for the balance settlement in the Norwegian power system, operations and development of the data hub "Elhub", and issuing electricity certificates and guarantees of origin. Elhub AS, a 100 percent owned subsidiary operates the data hub and replaces the Ediel system for exchange of messages in the Norwegian power market from 2019.Other operating revenue from balance settlement is mainly recognised according to the customer’s measured input and outtake from the grid. Revenues from customer projects are recognised in accordance with transfer of control to the customer. When Statnett performs consulting assignments, control is considered to be transferred to the customer simultaneously as the service is performed. When Statnett constructs facilities on behalf of distribution grid owners, the contractual terms dictates whether control is transferred on an on-going basis during the construction

Note 4 Operating revenue

period, or when the construction is complete. Both invoiced and recognised customer project revenues are included in trade accounts and other short-term receivables.

When customer projects are expected to incur a loss, the total expected loss is recognised.

Higher/lower revenue imbalance settlement responsible

In some years the income from fees in these business areas may deviate from the allowed revenues. This affects the level of future fees, and is referred to as higher / lower revenues. Higher / lower revenues for the balance settlement are not included in the comprehensive income, but are included in the calculation of underlying income as of 2019, like the higher / lower revenues from network operations.

RME has proposed a regulation of Elhub's revenues. Elhub's higher / lower revenues are calculated according to the proposal, and include both start-up costs from 2015-2018, which are allowed to be included in the fees in 2019-2022, and returns under the floor in the regulated returns in 2019, which can be included in the fees in the next period.

Permitted revenue – monopoly-regulated operations

Statnett owns transmission facilities and is the transmission system operator. These are monopoly-regulated operations, implying that the RME sets an annual limit for Statnetts revenues - a permitted revenue. The basis for Statnett's permitted revenue is the revenue cap. The revenue cap is based on expenditures, including capital expenditures, for a retrospective period of two years. Costs related to transmission losses and system services are also included. The transmission losses included in the permitted revenue are based on measured actual loss (MWh) for a retrospective period two years and this year's regulated reference price based on the elspot for the current permitted revenue year. Statnett's revenue cap is partly determined by a norm to ensure incentives for efficient operations. In addition to the revenue cap, Statnett's permitted revenue consists of the following: This year's property tax, transit costs and a supplement for investments. The supplement for investments ensures that capital expenditure is reflected in the permitted revenue for the year in which the investment is ready to be used. Furthermore, Statnett's permitted revenue is adjusted for energy not supplied through KILE (quality-adjusted revenue cap for energy not supplied).

Tariff revenue

Statnett is the operator of the transmission grid and common regional grids. As operator, Statnett is responsible for setting the annual tariffs for each common grid.

As the operator of the transmission grid and two common regional grids, Statnett is responsible for invoicing the users for the services they receive. The invoicing takes place based on a tariff model prepared in accordance with guidelines provided by the NVE. The price system consists of fixed elements and variable elements; energy elements. Fixed elements are invoiced evenly throughout the year, while the energy element is invoiced concurrently with the customers' measured input or outtake of power from the grid.

Note 4 Operating revenue

Regulated operating revenue

Specification of income by distribution grid (D Grid) and transmission grid (T Grid)

(Amounts in NOK million)

Parent company

Operating revenue	**D Grid**	**T Grid**	**Total 2019**	**D Grid**	**T Grid**	**Total 2018**
Tariff revenue fixed element generation	28	1 736	1 764	51	1 653	1 703
Tariff revenue fixed element consumption	111	5 674	5 785	116	4 915	5 031
Other rental income	-	111	111	-	151	151
Tariff revenue energy element	-1	813	812	-3	1 054	1 051
Congestion revenue	-	587	587	-	961	961
Income from other owners in the regional and main grids	-51	-745	-796	-69	-194	-263
Total regulated operating revenue	**87**	**8 176**	**8 264**	**95**	**8 539**	**8 634**

Permitted revenue						
Revenue cap without grid losses	59	7 045	7 104	68	6 600	6 668
Revenue cap, grid losses	12	954	966	18	1 084	1 102
Supplement to revenue cap	16	888	904	15	522	537
Total permitted revenue	**87**	**8 887**	**8 974**	**101**	**8 206**	**8 307**

In 2019, Statnett had a lower revenue of NOK 726 million (higher NOK 362 million in 2018). This adjustment between Regulated operating revenues and Permitted revenue has been reported as part of Underlying profit and loss.

This year's changed balance for higher/lower revenue (-/+)

	D Grid	**T Grid**	**Total 2019**	**D Grid**	**T Grid**	**Total 2018**
This year's higher/lower revenue (-/+), not recognized	1	710	711	5	-333	-328
This year's provision for interest higher/lower revenue (-/+), not recognised	-	5	5	1	1	2
Higher/lower revenue adjustment (-/+), not recognised	-45	55	10	-	-36	-36
This year's changed balance for higher/lower revenue (-/+)	**-44**	**770**	**726**	**6**	**-368**	**-362**
Balance higher/lower revenue (-/+), incl. interest as at 1 Jan.	54	-113	-59	48	255	303
Changed balance for higher/lower revenue (-/+), incl. Interest	-44	770	726	6	-368	-362
Balance higher/lower revenue (-/+), incl. interest as at 31 Dec.	**10**	**657**	**667**	**54**	**-113**	**-59**

Note 4 Operating revenue

Group

Operating revenue	D Grid	T Grid	Total 2019	D Grid	T Grid	Total 2018
Tariff revenue fixed element generation	28	1 736	1 764	51	1 653	1 703
Tariff revenue fixed element consumption	111	5 674	5 785	116	4 915	5 031
Other rental income	-	112	112	-	152	152
Tariff revenue energy element	-1	814	813	-3	1 054	1 051
Congestion revenue	-	587	587	-	961	961
Income from other owners in the regional and main grids	-51	-181	-232	-69	-176	-245
Total regulated operating revenue	**87**	**8 741**	**8 828**	**95**	**8 555**	**8 651**
Permitted revenue						
Revenue cap without grid losses	59	7 045	7 104	68	6 616	6 684
Revenue cap, grid losses	12	954	966	18	1 084	1 102
Supplement to revenue cap	17	1 451	1 468	15	522	537
Total permitted revenue	**88**	**9 450**	**9 538**	**101**	**8 222**	**8 323**

In 2019, Statnett had a lower revenue of NOK 726 million (higher NOK 362 million in 2018). This adjustment between Regulated operating revenues and Permitted revenue, has been reported as part of Underlying profit and loss.

This year's changed balance for higher/lower revenue (-/+)

	D Grid	T Grid	Total 2019	D Grid	T Grid	Total 2018
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Higher/lower revenue adjustment (-/+), not recognised	-45	55	10	-	-36	-36
This year's changed balance for higher/lower revenue (-/+)	**-44**	**770**	**726**	**6**	**-368**	**-362**
Balance higher/lower revenue (-/+), incl. interest as at 1 Jan.	54	-113	-59	48	255	303
Changed balance for higher/lower revenue (-/+), incl. Interest	-44	770	726	6	-368	-362
Balance higher/lower revenue (-/+), incl. interest as at 31 Dec.	**10**	**657**	**667**	**54**	**-113**	**-59**

Note 4 Operating revenue

Operating profit within and outside grid operations

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
2 999	2 432	Operating profit within grid operations	2 891	3 004
85	109	Operating profit outside grid operations	136	116
3 084	**2 541**	**Total operating profit**	**3 027**	**3 120**

Basis for return on invested grid capital

The regulatory asset base is defined as the average of the incoming and outgoing balance for invested grid capital, plus one percent of net working capital. The invested grid capital is defined as the initial historical acquisition cost. The share of common fixed assets is included.

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
38 404	43 960		48 014	38 404

Return on invested grid capital

Return is defined as the operating profit/loss compared to the regulatory asset base. The reported operating profit/loss is given as the annual permitted revenue from own grid less costs of own grid. The difference is explained by the current year's change in higher/lower revenue not recognised under IFRS.

Parent company			Group	
2018	**2019**	*(Return in percentage)*	**2019**	**2018**
7%	7%		8%	7%

Operating revenue Imbalance settlement

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
154	150	Income fee Imbalance settlement	331	154
154	**150**	**Total income fee Imbalance settlement**	**331**	**154**
-	-	Balance higher/lower revenue (-/+), incl. interest as at 1	-	-
-	-79	Changed balance for higher/lower revenue (-/+), incl. Interest	65	-
-	**-79**	**Balance higher/lower revenue (-/+), incl. interest as at 31 Dec.**	**65**	**-**

Note 4 Operating revenue

This year's changed balance for higher/lower revenue (-/+) Grid and Imbalance settlement

Parent Company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
303	-59	Balance higher/lower revenue (-/+), incl. interest as at 1 Jan.	-59	303
-362	647	Changed balance for higher/lower revenue (-/+), incl. Interest	791	-362
-59	**588**	**Balance higher/lower revenue (-/+), incl. interest as at 31 Dec.**	**732**	**-59**

Note 5 System services and transmission losses

System services are costs relating to the exercise of Statnett's system responsibility as defined in the Regulations relating to the system responsibility in the power system (FoS). The frequency in the power grid must be 50Hz. Statnett, as Transmission System Operator (TSO), is responsible for ensuring that this frequency remains stable. The requirement to maintain a reserve capacity for regulating purposes imposes limitations on the producers as they are unable to generate and sell the full generator capacity. The reserve capacity is distinguished between primary-, secondary- and tertiary reserves.

Statnett buys transmission losses (volume) from Nord Pool Spot AS at spot price (market price) for the hour the transmission loss applies. The main grid transmission loss result is distributed between the grid owners in accordance with their proportionate shareholding in the main grid. More than 98 percent of the facilities are owned by Statnett SF.

Principle
Costs for system services and transmission losses are recognised when acquired.

System services can be divided into the following categories:

Primary reserves
The primary regulation is automatic and is activated immediately if any changes occur in the power grid frequency. This takes place by using a pre-agreed reserve capacity. The requirement to maintain a reserve capacity for regulating purposes imposes limitations on the producers as they are unable to generate and sell the full generator capacity. Primary reserves are costs Statnett incurs by buying reserve capacity from the producers. The extent of primary reserves is determined by agreements at Nordic level and the reserves are acquired through market solutions.

Secondary reserves
Automatic secondary reserves are activated to release the primary reserves so that they in turn can quickly handle any new faults or imbalances. Automatic secondary reserves function by the TSO sending a signal to a market player/power plant, which will then change the plant's generation. Secondary reserves are also referred to as Automatic frequency regulating reserve (aFRR), and in the Nordic countries they are mainly used to handle frequency deviations. The extent of secondary reserves is determined by agreements at Nordic level, and the reserves are acquired through market solutions.

Tertiary reserves
In Norway, there is an options market for regulating power. This is used to ensure that we have sufficient regulating resources available in the Norwegian section of the regulating power market, also during periods of demand for increased output, such as in the winter months. In the winter, the TSO sets up a market where they purchase a guarantee ensuring that market members submit bids for the regulating power lists for the subsequent week. The guarantees can apply for both consumption and production.

Transit costs
Transit costs are compensation for the use of grids abroad. The power system in Europe is connected through transmission lines/cables crossing international borders.

Special adjustments
In some cases, there are restrictions in the transmission capacity (congestion revenues) which may entail that the bids in the regulating power market cannot be utilised in the "correct" price order. Activated regulations that are not in price order are categorised as special adjustments and are compensated for by the associated price of the bid without this affecting the stipulation of the regulating power price. Thus, Statnett will incur a cost equal to the difference between the price of activated bids used for special adjustments and the current hourly price mainly aimed at the regulating power market multiplied by the especially adjusted volume.

Note 5 System services and transmission losses

Spesification of system services

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
8	13	Net regulating and peak power	13	8
114	134	Primary reserves	134	114
32	47	Secondary reserves	47	32
106	52	Tertiary reserves	52	106
100	93	Transit costs	93	100
121	88	Special adjustments	88	121
60	65	Other system services	65	60
541	**492**	**Total system services**	**492**	**541**

Spesification of transmission losses

Parent company			Group	
2018	**2019**		**2019**	**2018**
2 444	2 235	Volume (GWh)	2 235	2 444
422	394	Price (NOK/MWh)	394	422
1 031	882	Transmission losses	882	1 031
2	-	Transmission losses other grid owners	-	2
1 033	**882**	**Total transmission losses**	**882**	**1 033**

Note 6 Salaries and personnel costs

Salaries and personnel cost are the total cost relating to remuneration of personnel by the Group and Group officers. These expenses concern only the Group's own employees, not contract manpower. Ordinary salaries can be both fixes pay and hourly wages and are paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday month the following year. The employer's national insurance contribution is normally paid in arrears every other month.

Principle

Salaries are expensed when they are earned. Ordinary salaries are earned on a regular basis. Holiday pay is earned on the basis of the ordinary pay. The employer's national insurance contribution is calculated and expensed for all pay-related cost. Pensions are earned in accordance with a separate set of rules (see note 7). Compensation to the Board of Directors is earned on an ongoing basis in accordance with special agreements approved by the General Meeting. The salaries and personnel cost are reduced with direct wage cost and a percentage of directly attributable overhedad expenses.

Specification of salaries and personnel costs

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
1 213	1 271	Salaries	1 304	1 240
194	201	Employer's national insurance contributions (NICs)	207	198
220	219	Pension costs (Note 7)	223	226
132	145	Other benefits	147	132
1 759	**1 836**	**Total salaries and personnel costs**	**1 881**	**1 796**
-774	-773	Of which own investment projects	-804	-823
985	**1 063**	**Net salaries and personnel costs**	**1 077**	**973**
1 414	1 441	Number of full-time equivalents	1 489	1 454

Loan to employees

Employees had loans in the company totalling NOK 1 million as at 31 December 2019. The loans are repaid by salary deductions over a period of up to two years. The loans are interest-free for the employee. The interest gain of loans exceeding 3/5 of the basic amount of the national insurance is taxed in relation to the current standard interest rate set by the authorities.

Note 7 Pensions

The parent company and subsidiaries have pension schemes that gives the employees future pension benefits in the form of defined benefit and defined contribution plans. All defined benefit plans are closed, and the defined contribution plans are the Group's main pension schemes for all new employees. The Group's pension plans meet the requirements in the Norwegian Mandatory Occupational Pension Act. For the defined contribution plans, the Group pays an agreed annual contribution to the employee's pension plan, but any risk for the future pension is borne by the employee. The future pension will be determined by the amount of the regular contributions and the return on the pension savings. In a defined benefit plan, the Group is responsible for paying an agreed pension to the employee based on his or her final Pay. The cost for the accounting period equals the employee's increase of entitlement of the agreed future pension in the financial year.

Principle

Contribution pension plan
In the defined contribution pension plan the company is responsible for making an agreed contribution to the employee's pension assets. The future pension will be determined by the amount of the contributions and the return on the pension savings. Once the contributions have been paid, there are no further payment obligations attached to the defined contribution pension, and there is no liability to record in the statement of the balance sheet. The pension costs related to the defined contribution plans will be equal to the contributions to the employees' pension savings for the reporting period.

The AFP plan is a defined-benefit multi-employer plan and the pension costs will be equal as for contribution pension plan, since the there are no allocation between the participating companies.

Defined benefit pension plans
The defined benefit pension plans are based on a promise by the company to the employees that they will receive a certain level of pension upon retirement, normally defined as a percentage of final pay. The company is responsible for the amount of the future pension benefit, and the financial value of this obligation must be reported in the income statement and the balance sheet statement.

The accrued liability is calculated on a straight-line basis, and is measured as the present value of the estimated future pension payments that are vested on the statement of financial position date. The capitalised net liability is the sum of the accrued pension liability minus the fair value of associated pension fund assets.

Changes in the liability for defined benefit plans due to changes in pension plans are reported in their entirety in the income statement in the case of changes that give a rise to an immediate paid-up policy entitlement. Other variances from estimates are recognised in equity through other comprehensive income in the period in which they arise. The discount effect of the pension liability and expected return on assets are presented net under "Salaries and personnel cost" as this is assumed to give the best information regarding the Group's pension cost.

More information about the pension plans

Contribution pension plan
Employees in the Group are mainly covered by pension plans classified as defined contribution plans. The defined contribution plan has a contribution level based on the maximum level in accordance with the "Defined pension contribution Act (Lov om innskuddspensjon)". Defined contribution plans also comprise pension plans that are common to several companies and where the pension premium is independent of the demographic profile in the individual companies (multi-employer plans).

The Group is a member of the private contractual early retirement scheme (AFP plan) The AFP plan entails that employees will receive a life-long supplement to the national insurance retirement pension. The pension can be drawn from age 62, also if an employee decides to stay employed. The AFP plan is a defined-benefit multi-employer plan, organised through a general office and financed through premiums stipulated as a percentage of the salaries. The premium level has increased every year since the plan was established, and thus the premiums are expected to increase in the years to come.

Defined benefit pension plans
The Group has one closed defined benefit plan that is classified as a funded contribution plan in addition to two closed defined benefit plans that are unfunded. For employees at a certain age at the time of transition to a contribution plan, a compensation plan was established. This plan is an unfunded defined benefit plan, with a yearly increase in compensation until 67 years of age or earlier if the employee resigns.

Note 7 Pensions

The net pension liabilities in the balance sheet statement consist of defined benefit pension plan in Statnett SF Pensjonskasse eligble for older employees when the Contribution pension plan was established.

A part of the Group management has supplemental pension agreements. For more information on pension arrangements for each member of Group management, see Note 23 Remuneration/benefits to the Group management.

The net pension liabilities in the balance sheet statement are determined after adjustment for deferred recognition in other comprehensive income of the effect of changes in estimates. The net pension liabilities are reported as provisions for liabilities. When a plan has funds exceeding pension liabilities, net pension assets are reported as fixed assets.

Accrued pension rights are mainly secured through pension schemes in Statnett SF's Pensjonskasse. In addition, the parent company has early retirement pension obligations that are funded through operations.

Employees who leave the Group before retirement age, receive a paid-up policy. These paid-up policies are managed by Statnett SFs Pensjonskasse and Storebrand Livsforsikring AS. From the date the paid-up policy is issued, Statnett is exempt from any obligation to employees to which the paid-up policies apply. Assets and liabilities are measured at the date of issue of the paid-up policies, and are separated from pension assets and liabilities.

An external actuary calculates the pension liabilities. When calculating the pension liabilities, the National Insurance contributions that the company is required to pay as part of the payment of direct pensions or the payment of premiums for fund-based schemes are taken into account.

Assumptions defined benefit pension plans
The Group uses Norsk Regnskapsstiftelse’s assumptions as a basis for making the assessment as to whether these are applicable for the Group.

The discount rate is based on the corporate covered bonds (OMF). Statnett considers the OMF market to represent a sufficiently deep market to be used in the calculation of the discount rate.

Note 7 Pensions

Pension costs

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
94	87	Defined benefit plan	88	96
9	7	Interest cost -(income)	7	9
-	-	Effect of plan changes	-	-
98	107	Defined contribution plan	109	101
19	18	Defined multi-employer plan	19	20
220	219	**Pension costs**	223	226
25	23	Employer's contributions	23	25
245	**242**	**Total pension costs, incl. employer's contribution**	**247**	**250**
-79	**-86**	**Changes in estimate variances in other comprehensive income**	**-86**	**-79**

Note 7 Pensions

Net estimated pension liabilities

Parent company			Group	
31.12.2018	**31.12.2019**	*(Amounts in NOK million)*	**31.12.2019**	**31.12.2018**
2 270	2 312	Estimated pension liabilities	2 330	2 286
-1 959	-2 124	Pension assets	-2 142	-1 973
311	**188**	**Net pension liabilities**	**188**	**313**
-	-63	Net pension assets - funded plan	-65	-
85	-	Net pension liabilities - funded plan	-	85
226	251	Unfunded pension	253	228
311	**188**	**Net pension liabilities**	**188**	**313**

Funded and unfunded pension liabilities

Parent company			Group	
31.12.2018	**31.12.2019**	*(Amounts in NOK million)*	**31.12.2019**	**31.12.2018**
		Change in gross pension liability		
2 212	2 270	Gross pension liability at 1 Jan.	2 289	2 228
110	98	Present value of the year's pension contributions	100	111
-	-	Effect of plan changes	-	-
-	-	Service costs plan changes (short-term debt)	-	-
50	58	Interest costs of pension liability	59	51
-48	-44	Actuarial gains and losses	-43	-46
-9	-17	Employer's contribution on premium paid	-17	-9
-45	-54	Disbursed pension/paid-up policies	-54	-46
2 270	**2 311**	**Gross pension liabilities as at 31 Dec.**	**2 332**	**2 289**

Funded and unfunded pension liabilities

Parent company			Group	
31.12.2018	**31.12.2019**	*(Amounts in NOK million)*	**31.12.2019**	**31.12.2018**
		Change in gross pension assets		
1 860	1 960	Fair value of pension assets at 1 Jan.	1 971	1 873
44	51	Interest income on pension assets	52	44
-	-	Effect of plan changes	-	-1
31	42	Actuarial gains and losses	42	29
78	125	Premium paid	128	80
-53	-54	Pension/paid-up policies disbursed	-54	-54
1 960	**2 124**	**Fair value of pension assets as at 31 Dec.**	**2 139**	**1 971**
311	**188**	**Net pension liabilities as at 31 Dec.**	**188**	**313**

Note 7 Pensions

Changes in estimate variances for the year

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
-119	156	Change in discount rate	156	-119
-32	-43	Interest income on pension assets	-43	-32
20	-23	Salaries growth	-23	20
79	-174	Pension adjustments	-174	79
-	-	Mortality	-	-
-27	-2	Effect of experience adjustment	-2	-27
-79	**-86**	**Total changes in estimate variances for the year**	**-86**	**-79**

Financial/actuarial assumptions, parent company and Group	**2019**	**2018**
Discount rate corporate covered bonds (OMF)	2,30%	2,60%
Interest income on pension assets	2,30%	2,60%
Expected wage adjustments	2,25%	2,50%
Expected pension adjustments	1,25%	1,75%
Expected adjustment of basic amount (G) under NIS	2,00%	2,50%
Mortality table *	K2013FT	K2013FT

* The mortality estimate is based on mortality table K2013FT.

Sensitivity analysis

The figures below give an estimate of the potential effect of a change in certain assumptions for defined-benefit pension schemes. The following estimates and estimated pension costs for 2019 are based on the facts and circumstances at 31 December 2019. Actual results may differ significantly from these estimates.

Sensitivities decrease (increase) benefit obligation as of year-end:

(Amounts in NOK million, except percent)

Parent company			Group	
205	8,2 %	Discount rate increase 0.5 percent	205	8,2 %
-55	-2,2 %	Expected salary increase 0.5 percent	-55	-2,2 %
-182	-7,3 %	Expected pension increase 0.5 percent	-182	-7,3 %

Percentual breakdown of pension assets into investment categories, parent company and Group as at 31 December	**2019**	**2018**
Property	9%	10%
Held-to-maturity bonds	5%	8%
Nordic bonds	18%	23%
Alternative bonds	5%	2%
Foreign bonds	22%	18%
Bank deposits	2%	2%
Nordic money market	2%	5%
Emerging markets shares	6%	6%
Foreign shares	23%	20%
Norwegian shares	8%	6%
Total	**100%**	**100%**

Note 7 Pensions

Members of the defined-benefit plan

Parent company			Group	
2018	**2019**		**2019**	**2018**
809	819	Members of the pension fund	829	819
453	492	Of which pensioners	497	458
356	**327**	**No. of active pension scheme members**	**332**	**361**

Pension disbursement flow Statnett SF

The average weighted maturity for pension liabilities, related to the main scheme in Statnett SF, is estimated at 15 years based on the pension assumptions at 31 Dec. 2019. Statnett SF' Pensjonskasse does not compare the pension assets against the date of payments for the pension liabilities at 31 Dec. 2019.

Note 8 Tangible and intangible assets

Tangible assets comprise power lines, stationary equipment, buildings, land, ICT equipment etc. that are necessary for the Group's operations. Intangible assets are mainly related to proprietary software and are classified as "ICT equipment" in the table below. Goodwill totals a small amount and is classified as «Other».

Principle

Tangible assets
Tangible assets are carried at cost less accumulated depreciation and write-downs. The depreciation reduces the carrying value of tangible assets, excluding building lots, to the estimated residual value at the end of the expected useful life. Tangible assets are depreciated in a straight line from the time the assets were ready to be used. This applies correspondingly to tangible assets acquired from other grid owners. Significant components of tangible asset are assessed separately for depreciation purposes. The significance is assessed based on the acquisition cost of the components in relation to the acquisition cost of the whole asset.

Cost estimates for removal of tangible assets are recognised as part of the acquisition cost at the time the Group is considered to have a legal or actual removal obligation. The estimate is assessed at the present value of the expenditure expected to incur at a future point in time. The annual interest cost that incurs as a result of the liability being one year closer to settlement, is recognised as a cost. The estimate may be amended later as a result of a change in the estimate of the size of the expense, change in the expected schedule and/or change in the discount rate. The amendments are recognised in the balance sheet as an increase or reduction of the carrying value of the asset. If a potential reduction is higher than the carrying value of the asset, the excess amount is recorded in the income statement. If there is an increase in the carrying value, the Group will assess whether this is a depreciation indicator for the portfolio of assets.

Gains or losses on the divestment or scrapping of tangible assets are calculated as the difference between the sales proceeds and the assets' carrying value. Gains/losses on divestment are recorded in the income statement as other operating revenues/expenses. Losses on scrapping are recognised in the income statement as depreciation, amortisation and write-downs.

Lump sum payments in connection with the acquisition of land etc. are included in the acquisition cost of the asset. Current payments are minor amounts and are recognised in the income statement in the year in which the payment is disbursed.

Maintenance expenses are recognised in the income statement when they incur. No provisions are made for the periodic maintenance of the grid (transformer stations or power lines/cables). Even though maintenance is periodic for the individual transformer station or power line, it is not considered periodic for the entire grid as the grid as a whole is regarded as a single cash-generating unit.

If the tangible asset is replaced, any residual financial value will be recorded in the income statement as a loss on scrapping. Expenses that significantly extend the life of the fixed asset and/or increase its capacity are capitalised.

Intangible assets
Intangible assets are measured at acquisition cost on initial recognition. In later periods, intangible assets are recognised at acquisition cost less accumulated amortisations and write-downs. Intangible assets with a fixed useful life are amortised over the asset's useful life which is assessed at least once a year. Intangible assets are amortised in a straight line as this best reflects the use of the asset.

Right-of-use assets
Right-of-use assets are presented within tangible asset; that is the same line item as that within which the corresponding underlying assets would be presented if they were owned.

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 right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciations are linear during the lease term. The cost of right-of-use assets is adjusted to reflect any changes resulting from reassessments of the lease liabilities.

Statnett has elected to apply the recognition exemptions in IFRS 16 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 separate

Note 8 Tangible and intangible assets

Research and development

Research expenses are recognised on a current basis. Research is an internal process that does not give rise to independent intangible assets that generate future economic benefits. Capitalized development expenses are depreciated in a straight line over the estimated useful life of the asset.

Expenses related to development activities are capitalised in the balance sheet if the product or process is technically and commercially feasible and the Group has adequate resources to complete the development. Expenses capitalised in the balance sheet include material expenses, direct wage costs and a percentage of directly attributable overhead expenses. Capitalised development expenses are recorded at acquisition cost, less any accumulated depreciation and write-downs.

Goodwill

Goodwill is not amortised, but is tested for impairment annually. Write-downs are conducted if the carrying value is lower than the recoverable amount. The recoverable amount is the higher of the net sales value and the value in use. When assessing impairment, goodwill is allocated to fixed assets at the lowest identifiable level of cash-generating units. Write-downs of goodwill cannot be reversed in subsequent periods.

Depreciation

Depreciation is based on the management's assessment of the useful life of property, plant and equipment. The assessments may change owing, for example, to technological developments and historical experience. This may entail changes in the estimated useful life of the asset and thus the depreciation. It is difficult to predict technological developments, and the management's view of how quickly changes will come, may change over time. If expectations change significantly, the depreciation will be adjusted with effect for future periods. The estimated useful life, depreciation method and residual value are assessed at least once a year. For most assets, the residual value is estimated at zero at the end of the useful life.

Write-downs

On each reporting date, the Group considers whether there are any indications of impairment in value for tangible and intangible assets. If there are any indications of impairment in value, the Group will estimate the recoverable amount for the assets and evaluate potential write-down. Estimates of recoverable amounts are in part based on management assumptions, including estimation of the asset's income-generating capacity and probability of gaining licenses for construction projects. Changes in circumstances and in the management's assumptions can lead to write-downs. Tangible assets in the parent company are considered as one cash-generating unit and are assessed combined since they have one combined revenue cap. For the Group's other companies, each part of tangible and intangible assets are assessed individually.

Note 8 Tangible and intangible assets

Parent company

(Amounts in NOK million)	Power lines	Land and subsea cables	Main circuit equip-ment	Control and auxiliary equip-ment	ICT equip-ment	Buildings and land	Other	Total
Acquisition cost at 1 Jan. 18	**17 008**	**5 166**	**11 377**	**3 471**	**3 466**	**8 999**	**2 750**	**52 237**
Additions, acquisition cost	1 528	1 164	1 481	453	865	1 879	46	7 417
Disposals, acquisition cost	-7	-20	-50	-16	-189	-23	-11	-317
Reclassification to Assets held for sale	-	-	-	-	-	-	-730	-730
Acquisition cost at 1 Jan. 19	**18 529**	**6 310**	**12 808**	**3 908**	**4 142**	**10 855**	**2 054**	**58 606**
Implementation IFRS 16 Leases	-	-	-	-	22	189	-	211
Additions, acquisition cost	2 704	599	1 300	578	471	1 988	60	7 701
Disposals, acquisition cost	-11	-	-87	-26	-313	-22	-8	-467
Acquisition cost at 31 Dec. 19	**21 222**	**6 909**	**14 021**	**4 459**	**4 322**	**13 011**	**2 107**	**66 051**
Accumulated depreciation and amortisation at 1 Jan. 18	**5 303**	**1 343**	**3 431**	**1 358**	**1 736**	**1 515**	**1 857**	**16 543**
Depreciation and amortisation	329	151	339	198	528	269	98	1 912
Disposals, depreciation and amortisation	-132	-91	-20	-12	-176	-4	-62	-498
Reclassification to Assets held for sale	-	-	-	-	-	-	-437	-437
Accumulated depreciation and amortisation at 1 Jan. 19	**5 499**	**1 403**	**3 749**	**1 543**	**2 088**	**1 781**	**1 456**	**17 520**
Depreciation and amortisation	365	149	364	219	618	351	99	2 164
Disposals, depreciation and amortisation	-4	-21	-66	-19	-316	-6	-24	-457
Accumulated depreciation and amortisation at 31 Dec. 19	**5 860**	**1 530**	**4 047**	**1 743**	**2 390**	**2 126**	**1 530**	**19 226**
Carrying value at 31 Dec. 18	**13 030**	**4 907**	**9 059**	**2 364**	**2 054**	**9 074**	**599**	**41 087**
Carrying value at 31 Dec. 19	**15 362**	**5 379**	**9 974**	**2 717**	**1 932**	**10 885**	**576**	**46 825**
Of which intangible fixed assets								
Carrying value at 31 Dec. 18	-	-	-	-	442	-	9	**451**
Carrying value at 31 Dec. 19	-	-	-	-	473	-	4	**476**
Of which right-of-use assets								
Carrying value at 31 Dec. 18	-	-	-	-	168	-	-	**168**
Carrying value at 31 Dec. 19	-	-	-	-	187	169	-	**356**
Of which asset retirement obligations								
Carrying value at 31 Dec. 18	56	-	113	-	-	-	-	**170**
Carrying value at 31 Dec. 19	91	-	105	-	-	-	-	**195**
Acquisition cost for tangible fixed assets fully depreciated, but still in use	257	329	648	576	848	372	668	**3 698**
Depreciation rate (straight-line)	2%	2-7%	2-5%	3-13%	5-33%	0-7%	0-33%	

Additions in 2019 include purchase of the stretch Mongstad - Modalen from BKK Nett AS. Purchase price was NOK 1.7 billion.

Note 8 Tangible and intangible assets

Group

(Amounts in NOK million)

	Power lines	Land and subsea cables	Main circuit equip-ment	Control and auxiliary equip-ment	ICT equip-ment	Buildings and land	Other	Total
Acquisition cost at 1 Jan. 18	**17 008**	**5 166**	**11 376**	**3 471**	**3 523**	**9 039**	**3 085**	**52 668**
Additions, acquisition cost	1 528	1 164	1 481	453	865	1 879	619	7 989
Disposals, acquisition cost	-7	-20	-50	-16	-189	-23	-11	-317
Reclassification to Assets held for sale	-	-	-	-	-	-	-730	-730
Acquisition cost at 1 Jan. 19	**18 529**	**6 310**	**12 807**	**3 908**	**4 199**	**10 895**	**2 962**	**59 610**
Implementation IFRS 16 Leases	-	-	-	-	22	238	-	260
Additions, acquisition cost	2 950	6 089	2 797	697	473	2 675	65	15 746
Disposals, acquisition cost	-11	-0	-87	-26	-313	-22	-19	-477
Acquisition cost at 31 Dec. 19	**21 468**	**12 399**	**15 517**	**4 579**	**4 933**	**13 786**	**2 457**	**75 138**
Accumulated depreciation and amortisation at 1 Jan. 18	**5 302**	**1 344**	**3 431**	**1 359**	**1 736**	**1 526**	**1 895**	**16 593**
Depreciation and amortisation	329	151	339	198	534	271	121	1 941
Disposals, depreciation and amortisation	-132	-91	-20	-12	-176	-4	-53	-489
Reclassification to Assets held for sale	-	-	-	-	-	-	-437	-437
Accumulated depreciation and amortisation at 1 Jan. 19	**5 499**	**1 403**	**3 749**	**1 544**	**2 094**	**1 792**	**1 527**	**17 608**
Depreciation and amortisation	366	194	389	225	679	362	123	2 339
Disposals, depreciation and amortisation	-4	-21	-66	-19	-316	-6	-34	-467
Accumulated depreciation and amortisation at 31 Dec. 19	**5 861**	**1 576**	**4 071**	**1 749**	**2 462**	**2 148**	**1 613**	**19 480**
Carrying value at 31 Dec. 18	**13 030**	**4 907**	**9 059**	**2 364**	**2 105**	**9 102**	**1 433**	**42 002**
Carrying value at 31 Dec. 19	**15 607**	**10 823**	**11 446**	**2 830**	**2 471**	**11 638**	**844**	**55 658**
Of which intangible fixed assets								
Carrying value at 31 Dec. 18	-	-	-	-	992	-	62	**1 054**
Carrying value at 31 Dec. 19	-	-	-	-	965	-	56	**1 021**
Of which right-of-use assets								
Carrying value at 31 Dec. 18	-	-	-	-	168	-	-	**168**
Carrying value at 31 Dec. 19	-	-	-	-	187	215	-	**402**
Of which asset retirement obligations								
Carrying value at 31 Dec. 18	56	-	113	-	-	-	-	**170**
Carrying value at 31 Dec. 19	91	-	105	-	-	-	-	**195**
Acquisition cost for tangible fixed assets fully depreciated, but still in use	257	329	648	576	848	372	588	**3 619**
Depreciation rate (straight-line)	2%	2-7%	2-5%	3-13%	5-33%	0-7%	0-33%	

Note 9 Plants under construction

Statnett is currently undertaking substantial investments. For the most part, this is done through projects that are recorded in the balance sheet as plants under construction until the assets are ready for use.

Principle

Plants under construction are recognised in the balance sheet at acquisition cost less any accumulated losses from impairments. Plants under construction are not depreciated.

Development projects starts with a feasibility and alternative study. Project costs are capitalized when the conclusion from the study is available, and the main development concept has been selected. At this point, a licence has not been granted and no final investment decision has been made. Statnett's experience is that once a main concept has been selected for development, it is highly probable that the project will be fulfilled.

The Group is currently constructing a subsea power cable, North Sea Link to England. The total cost is shared equally with the foreign partner. The incurred cost of the cable projects is measured according to progress of the Group's share of the cable, and not according to cable seen as one.

Accrued costs in development projects are measured according to the progress in the project. Deliveries from suppliers where Statnett has gained control are included in the accrued costs.

Ongoing assessments are made of whether licensing conditions or other causes necessitate a full or partial write-down of project expenses incurred. Write-downs are reversed when there is no longer any basis for the write-down.

Construction loan costs related to the company's own plants under construction are capitalised in the balance sheet. The interest is calculated based on the average borrowing interest rate and scope of the investment, as the funding is not identified specifically for individual projects.

Spesification this year's change of plants under construction

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
8 598	10 612	Aquisition cost at 1 January	17 657	13 472
7 768	6 586	Additions	7 577	10 398
198	247	Capitalised construction interest	338	313
-5 914	-5 955	Transferred to tangible and other intangible fixed assets	-14 003	-6 487
-39	-65	Write-offs	-65	-39
10 612	**11 425**	**Acquisition cost at 31 December**	**11 505**	**17 657**
-76	9	Hedge accounting effects	9	-76
10 536	**11 434**	**Plants under construction at 31 December**	**11 514**	**17 581**

Average capitalisation rate used to determine the loan expense that can be capitalised:	**2019**	**2018**
	2,26%	2,00%

Contractual obligations as at 31 December 2019

Contractual obligations as at 31 December 2019 amounts to NOK 6.6 billion. The reported obligation includes investment projects where future contractual obligations exceed NOK 50 million.

Note 10 Financial income and costs

Financial income and financial costs mainly comprise interest income and interest expenses relating to the Group's financing. Other financial items not attributable to operating conditions are also included.

Principle

Interest income and interest expenses on loans and receivables are calculated using the effective interest method and are recognised when they are earned/accrued. Received dividends and Group contributions are recognised as income when they have been declared by the issuing company, which generally coincides with the payment date.

Impairments and impairment reversals of shares in subsidiaries and gains/losses on the sale of shares in subsidiaries are presented as Net financial income from subsidiaries or as Net financial costs from subsidiaries.

Dividends received, shares of profits/losses and impairment of shares for associates are recognised net under Net financial income from associates or Net financial costs from associates.

Interest income, unrealised and realised changes in value of market-based securities are presented net as Net gain/loss from market-based securities.

Contingency provisions are presented under Other financial costs.

Interest expenses relating to asset retirements are presented under Other interest costs. The interest element in the asset retirements obligations is discussed in more detail in Note 24 Other liabilities.

Interest expenses relating to plants under construction are recognised in the balance sheet together with the plants under construction see note 9.

Currency gains or losses deriving from operating assets and liabilities, and hedging of these items, are classified as Other operating costs, see note 27. Unrealised currency gains or losses relating to hedging of loans are presented net as a change in value derivatives. Other currency effects are presented net as Net currency exchange gain/loss.

The interest element in pension costs is recognised in pensions, see note 7.

Note 10 Financial income and costs

Specification of financial income and financial costs

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
		Financial income		
58	57	Group contribution and dividend from subsidiaries	-	-
-	4	Net financial income from subsidiaries	-	-
9	13	Net financial income from associates	14	25
120	172	Interest income from subsidiaries	-	-
15	13	Other interest income	18	19
13	18	Net gain/loss from market-based securities	24	17
-6	-5	Change in value of derivatives	-5	-6
9	-	Net currency exchange gain	-	5
1	5	Other financial income	21	-1
220	**277**	**Total financial income**	**72**	**59**
		Financial costs		
58	-	Net financial costs from subsidiaries	-	-
4	1	Interest costs from subsidiaries	-	-
772	972	Other interest costs	973	772
-198	-247	Capitalised construction interest	-338	-313
19	11	Other financial costs	11	19
655	**748**	**Total financial costs**	**659**	**478**

Note 11 Trade accounts and other short-term receivables

This note presents trade and other receivables relating to the Group's operating activities. Other current receivables can be either interest-bearing or non-interest-bearing.

Principle
Trade receivables are recognised and presented at the original invoice amount (the transaction rate) at the invoicing date. Subsequently, trade and other current receivables are measured at amortised cost using the effective interest method. The interest element is ignored since it is deemed to be immaterial for the Group's receivables.

Impairment losses
Trade and other current receivables are assessed for potential impairment on an ongoing basis. Impairments for losses on trade receivables follow the simplified method and are measured in an amount corresponding to the expected loss over the asset's lifetime. Loss provision is recognised on a separate provision account if the loss potential is material and it is deemed highly probable that the receivable will not be redeemed. An impairment is immediately recognised for the receivable if attempts to recover the receivable do not succeed and there are objective criteria that a loss-inducing event has occurred that can be reliably measured and will affect repayment of the receivable. For other current receivables, credit risk relating to individual assets is assessed on an ongoing basis. If there is deemed to be a significant increase in expected credit risk for the asset, a loss provision is recognised in an amount corresponding to the expected loss over the asset's lifetime.

Derivatives are measured at fair value at valuation level 2. Derivatives and the measurement hierarchy are described in more detail in note 15.

Spesification of trade accounts and other short-term receivables

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
731	284	Trade account receivables	266	711
-	262	Short-term receivables group companies	-	-
118	2	Derivatives	2	118
81	13	Derivatives non-interest bearing	13	81
1 624	1 295	Other short-term receivables	1 407	1 720
2 553	**1 856**	**Total trade accounts and other short-term receivables**	**1 688**	**2 630**

Age distribution trade account receivables

(Amounts in NOK million)	**Not due**	**1-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total trade acc. rec.**
Parent company	208	70	3	-	3	284
Group	183	77	3	-	3	266

Impairment assessment
Trade and other current receivables account for a relatively small share of the Group's balance sheet, and errors in the valuation of customers'/debt owners' ability to pay will normally not result in material errors in the financial statements. A material share of the Group's income (around 85 percent) derives from the Group's grid agreements with grid customers for connection to and use of the central grid. Stringent sanctions and requirements for pledging of collateral mean that the risk of losses on these trade receivables is deemed extremely low. A specific assessment is made on material overdue other trade receivables.

Based on the assessment at the end of the year, no loss provisions were recognised for trade receivables or other current receivables as of 31 December 2019.

Note 12 Market-based securities

This note presents the size of the Group's liquidity surplus invested in market-based securities.

Principle

Market-based securities are part of a trading portfolio or have cash flows consisting of more than payments of principal amounts and interest and are classified at fair value with changes in value through profit or loss.

Market-based securities

Parent company			Group	
Acquisition cost	**Carrying value**	*(Amounts in NOK million)*	**Acquisition cost**	**Carrying value**
		Bonds and interest rate funds		
-	-	Government	15	15
-	-	Municipality/municipal operations	15	15
-	-	Financial institutions, including banks	315	316
685	683	Norw. interest rate and money market fund	685	683
685	**683**	**Total bonds**	**1 030**	**1 029**
		Equity funds		
-	-	Norwegian equity funds	20	33
-	-	Foreign equity funds	20	35
-	**-**	**Total equity funds**	**40**	**68**
685	**683**	**Total market-based securities**	**1 070**	**1 097**

Market-based securities are recognised at fair value at valuation level 1, since the securities are listed on a stock exchange and freely tradable, and are measured at the most recent quoted price. Please see description of the measurement hierarchy in note 15.

Note 13 Liquid Assets

This note presents the Group's liquid assets.

Principle

Cash and cash equivalents comprise cash and bank deposits. Bank deposits include deposits under Credit Support Annexes (CSAs) that can be freely used by the Group. Restricted funds are funds that the Group may only use to a limited degree.

Specification of liquid assets

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
1 272	818	Bank deposits	1 099	1 681
273	226	Restricted bank deposits	228	275
1 545	**1 044**	**Total liquid assets**	**1 327**	**1 956**

Unused credit facilities of NOK 9.200 million are not included in liquid assets.

Note 14 Financial fixed assets

This note presents financial items of a non-current nature and includes both interest-bearing and non-interest-bearing items.

Principle

Financial assets are classified as non-current when they are not part of ongoing operations or the Group has an unconditional right to defer payment for at least 12 months. Non-current receivables and non-current loans to Group companies are recognised at the transaction rate at the agreement date and subsequently measured at amortised cost using the simplified effective interest rate method, i.e. so that the receivable is amortised on a straight-line basis over its lifetime. Shares that are not part of a trading portfolio are recognised at fair value through profit or loss.

Impairment losses

Impairments of non-current receivables and non-current loans to Group companies are assessed on an ongoing basis. If the expected credit risk is deemed to have materially increased, a loss provision is recognised in an amount corresponding to the expected loss over the asset's lifetime.

Specification of financial assets

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
46	52	Long-term receivables	50	43
4 301	4 013	Long-term receivables Group companies	-	-
75	75	Subord. capital in Statnett SFs pension fund	75	75
3	3	Shares and funds	3	3
3 739	4 707	Derivatives	4 707	3 740
2	-	Derivatives non-interest bearing	-	2
8 166	**8 850**	**Total financial fixed assets**	**4 835**	**3 863**

Subordinated capital in Statnett SF's Pension Fund and Shares and funds are recognised at fair value at valuation level 3 and derivatives at valuation level 2. Please see description of the measurement hierarchy in Note 15. There were no transfers between the respective levels in 2018 and 2019. There were no changes in level 3 in 2019.

Non-current loans to subsidiaries account for a material share of non-current financial assets. The risk of default for these loans is deemed to be extremely low both in the short and long term due to the company's non-distributable equity, its various regulated activities, including deliveries to the parent company, and financing agreements and guarantees with the parent company. The credit risk for the loans is deemed to be low.

Non-current receivables account for an immaterial share of the company's balance sheet. Impairments are assessed on an ongoing basis and loss provision is recognised for material changes in the items' credit risk.

Based on the assessment at the end of the year, no loss provisions were recognised for non-current receivables or loans to subsidiaries at the reporting date.

Note 15 Derivatives and hedge accounting

This note describes which of the Group's risk exposures are hedged using derivatives in accordance with hedge accounting principles. The description includes how the risk exposures arise, which derivatives are used as hedging instruments and the Group's hedging policy when using derivatives. Information and tables will be the same for the parent company and the Group due to the fact that only the parent company uses financial derivatives and hedge accounting.

Description of risk exposure hedged in accordance with the rules for hedge accounting

Currency risk
Currency risk is the risk of fluctuations in exchange rates affecting Statnett's income statement and balance sheet. Currency risk arises when the Group has income or costs, raises loans, has bank accounts or makes investments in securities in foreign currency. Some of this currency risk is inherently hedged, but the Group is exposed to currency risk in major investment projects through material procurements and through new loans in foreign currency. The Group's finance policy defines frames within which the currency risk of loans and major procurement contracts, should be hedged.

Interest rate risk
The Group is exposed to interest rate risk through its loan portfolio, liquidity holdings, placements in interest and money market funds and financial hedging activities. Interest rate risk relating to the loan portfolio is hedged using interest swaps. Interest on loans can be hedged both from fixed to floating and from floating to fixed interest rates. Limits have been established providing guidelines on how much of Statnett's loans should be at floating interest rates as well as criteria for hedging interest on loans.

Description of derivatives used in hedging relationships
The Group uses different types of derivatives to manage currency risk and interest rate risk deriving from procurement contracts and new loans. Forward exchange contracts are used to manage currency risk in procurement contracts. Interest swaps or combined currency and interest swaps are used to manage currency and/or interest rate risk in loan contracts.

Principle
Derivatives are initially recognised at fair value at the date the contract is entered into, and subsequently on an ongoing basis at fair value. Derivatives with a positive value are classified as assets, while derivatives with a negative value are classified as liabilities in the financial statements. Changes in fair value and gains/losses on realisation are immediately recognised in profit or loss if the derivative is not part of a hedging relationship that satisfies the criteria for hedge accounting. Embedded currency derivatives in major procurement contracts are separated from the host contract and measured individually. Derivatives included in hedging relationships are classified in the balance sheet in the same way as the underlying hedged item. This means that derivatives that hedge the Group's borrowings are classified as interest-bearing, and derivatives that hedge currency risk for procurements are classified as non-interest-bearing. Derivatives that expire within 12 months are classified as current, while derivatives that are settled after more than 12 months are classified as non-current.

Hedge accounting
The Group applies the rules for hedge accounting when derivatives are used to hedge interest and currency risk.
A hedging relationship satisfies the requirements for hedge accounting only if the following criteria are satisfied:

1. *The hedging relationship consists solely of hedging instruments and hedged items that satisfy the criteria*
2. *Satisfactory documentation has been established on the entering into of the hedge that describes the hedging relationship, the nature of the risk being hedged and how the Group will assess whether the hedging relationship satisfies the requirements for hedge effectiveness*
3. *The requirements for hedge effectiveness are as follows:*
    a. *There is an economic relationship between the hedged item and the hedging instrument*
    b. *The effect of credit risk does not dominate changes in value deriving from the economic relationship*
    c. *Ineffectiveness in the hedge does not affect the hedge ratio*

The Group uses the following types of hedging relationships

Fair value hedge
A fair value hedge is defined as a hedge of the exposure to changes in fair value of a recognised asset, liability or binding agreement that can be attributed to a particular risk and can affect profit or loss.
Changes in the fair value of the derivative designated as a hedging instrument are recognised in profit or loss on an ongoing basis. Changes in the fair value of the hedged item are similarly recognised in profit or loss within the same line item. For fair value hedges of hedged items recognised at amortised cost, the change in value is amortised in the income statement over the residual term to maturity.

Note 15 Derivatives and hedge accounting

The Group discontinues fair value hedging if:
1. The hedging instrument expires, or is sold, terminated or exercised,
2. The hedge does not satisfy the terms for hedge accounting, or
3. The Group cancels the hedge for other reasons

Should a hedging relationship expire, the change in value of the hedged item and the hedging instrument that has been recognised in the balance sheet is amortised over the residual term using the effective interest rate method.

Cash flow hedge
A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all or a component of a recognised asset or liability or a highly probable forecast transaction, which could also affect profit or loss.
The effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income, and reclassified through profit or loss on implementation of the transaction that the derivative is hedging, and is presented on the same line as the hedged transaction. The ineffective portion is recognised in profit or loss on an ongoing basis.
If the forecast future transaction is no longer expected to be implemented, the amount previously recognised in other comprehensive income is recognised under financial income or financial costs. If the hedging instrument expires or is sold, terminated or exercised, or Statnett elects to cancel the hedging relationship, despite the fact the hedged transaction is expected to take place, accumulated gains or losses remain in other comprehensive income and are recognised in profit or loss when the transaction is implemented. If the hedged transaction is no longer expected to take place, the accumulated unrealised gains or losses are immediately recognised in profit or loss.

Effects from the IBOR reform (changes of interest reference rates)
Certain amendments have been made to IFRS 9, IAS 39 and IFRS 7 in terms of reliefs that can ensure continued hedge accounting under the transition to new interest reference rates under the IBOR Reform. Statnett has chosen to early adopt the amendments as from 2019. In 2020 Statnett will continue to analyze and manage any financial effects of the reform and also decide on any changes to the Group's financial reporting. Please consult note 16 for an overview over the Group's hedge accounting relationships related to financing, which also includes nominal amounts etc split on categories of hedge accounting and currencies.

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 are measured using listed prices from active markets for identical financial instruments. No adjustments are made 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.

Information on the measurement hierarchy is provided in the relevant notes for the various financial instruments (note 11 to note 17).

Note 15 Derivatives and hedge accounting

The Group's hedging strategy

The table describes how the Group hedges different categories of risk exposure:

Risk exposure category	***Hedged item***	***Hedging instrument***	***Hedging strategy***	***Type of hedge***
Currency risk in major contracts with uncertain payment milestones	Major procurement contracts with foreign suppliers in foreign currency. The contract has multiple milestones that are invoiced in accordance with the degree of project completion. The exact payment date for each individual milestone is unknown at the time the contract is entered into, but final completion and the total contract amount is defined as a "firm commitment".	Forward exchange contract in an amount corresponding to the total hedged contract amount. The forward exchange contracts mature after more than one year. A new forward exchange contract is established to hedge residual contract payments.	All or part of the contract is hedged. Ineffectiveness is recognised through profit or loss and classified as Other operating expenses. To achieve an adequate economic relationship, the hedged item is hedged at the forward exchange contract's spot rate. The forward points (forward premiums) are recognised through profit or loss under Other operating expenses.	Fair value hedge
Currency risk in major contracts with fixed payment milestones	Major procurement contracts with foreign suppliers in foreign currency with fixed payment dates.	Forward exchange contract with the same amount and payment date as the hedged cash flow.	All or part of the contract is currency hedged. In essence, no changes are expected in the payment plan. For minor changes in the payment plan, the forward contract is rolled over to the bank account. For major changes in the payment plan, the forward contract is rolled over to a new forward contract. Hedging rate: The forward exchange rate (spot rate plus forward points).	Fair value hedge
Currency risk in loan agreements	Loans with fixed or floating interest in foreign currency.	Interest and currency swaps that switch loans from foreign currency to loans in NOK at floating interest rates in NOK.	Currency and interest rate risk is hedged in accordance with frameworks for financial management.	Fixed-interest loans: Fair value hedge Floating-interest loans: Cash flow hedge
Currency and interest rate risk in loan contracts	Loans with fixed or floating interest in foreign currency.	Interest and currency swaps that hedge the loan in NOK at a fixed interest rate.	Currency and interest rate risk is hedged in accordance with frameworks for financial management.	Fixed-interest loans: Fair value hedge Floating-interest loans: Cash flow hedge
Interest rate risk on Norwegian loans	Floating-rate loans in NOK.	Interest swap with floating interest switched to fixed interest.	Interest rate risk is hedged in accordance with frameworks for financial management.	Cash flow hedge
Interest rate risk on Norw. loans	Fixed-rate loans in NOK.	Interest swap with fixed interest switched to floating interest.	Interest rate risk is hedged in accordance with frameworks for financial management.	Fair value hedge

Note 15 Derivatives and hedge accounting

Description of hedge effectiveness and how this is measured for various risk categories:

Risk category	***Assessment of effectiveness***	***Measurement of effectiveness***
Currency risk in major contracts with multiple uncertain payment milestones	Different settlement dates for milestones in the hedged item and hedging instrument create ineffectiveness that must be measured.	Dollar offset method
Currency risk in major contracts with fixed payment milestones	Qualitative assessment based on the Principal Terms Match method provided that critical factors in the hedged item and hedging instrument are matched. Critical factors: • currency • amount • payment date Provided that critical factors are matched, the hedge is considered to be approximately 100 per cent effective. Ineffectiveness arises when the payment date is changed and the hedging instrument must be rolled over.	When critical factors are not matched: Dollar offset method
Interest rate and currency risk on loans	Qualitative assessment based on the Principal Terms Match method provided that critical factors in the hedged item and hedging instrument are matched. Critical factors: • principal amount (amount and currency) • maturity date • interest dates Provided that receipts from the interest and currency swap match payments on the loan, the hedge will be 100 per cent effective.	When critical factors are not matched: Dollar offset method

Fair value measurement
Foreign exchange forward contracts are measured at fair value based on observable forward rates on contracts with similar terms on the balance sheet date. Fair value for interest and currency swap contracts is the present value of future cash flows based on observable market rates and foreign currency rates at the balance sheet date. Fair value of interest swaps contracts is the present value of future cash flows based on observable market rates on balance sheet day.

Accounting treatment of derivatives

Cash flow hedges
All derivatives defined as hedging instruments in cash flow hedges are booked at fair value in the balance sheet while the effect are booked as cash flow hedge reserve and this year's change is presented through OCI – other income and expenses. When the cash flow is due, prior periods fair value changes related to the hedging instruments are removed from equity to ensure that the hedging instrument and the hedged items affects the result in the same period.

Fair value hedges
In fair value hedging, both the hedging instrument and hedged item are recognised at fair value through profit or loss.

In fair value hedging of loans, the estimated fair value of the hedging instrument will also be used as the fair value of the hedged item when all critical factors are matched and the hedge is deemed 100 percent effective. There has not been any ineffectiveness in fair value hedging of loans in the accounting year.

In fair value hedging of major procurement contracts in foreign currency, fair value is calculated for both the hedging instrument and the hedged item. Different maturity dates for the hedging instrument and hedged item and rolling of the hedging instrument will result in ineffectiveness that is recognised in profit or loss under Other operating expenses. Realised effects of the hedge for the hedging instrument and the hedged item affect profit or loss in the same period.

Note 15 Derivatives and hedge accounting

Economic hedge - derivatives not included in hedge accounting
Statnett also holds derivatives that does not qualify for hedge accounting under IFRS. These derivatives are measured at fair value and all changes in value are recognized in profit or loss. This type of derivatives are referred to as "Free standing derivatives".

Embedded currency derivatives
For major procurements contracts, Statnett will separate embedded derivatives if agreed payment is in a currency different from the contract parties own functional currency, and that the contract is not considered to be commonly used for the relevant economic environment defined as the countries involved in the transaction. Embedded derivatives are recorded at fair value in the income statement.

Repayment profile for derivatives related to debt

Parent Company and Group

Amounts in NOK million	**Under 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 15 years**	**> 15 years**	**Total market value**	**Type of hedge accounting**
Assets							
Interes swap fixed to floating	2	59	246	3	-	310	Fair value hedge
Interest rate floating to fixed	-	13	2	-	-	15	Cash flow hedge
Interest and currency swap	-	846	1 149	1 999	292	4 286	Fair value hedge
Interest and currency swap	-	-	-	96	-	96	Cash flow hedge
Interest and currency swap	-	2	-	-	-	2	Free standing derivatives
Total assets 31.12.2019	**2**	**920**	**1 397**	**2 098**	**292**	**4 709**	
Total assets 31.12.2018	**118**	**679**	**1 427**	**1 438**	**196**	**3 858**	
Liabilities							
Interes swap fixed to floating	-	-	-	-24	-	-24	Fair value hedge
Interest rate floating to fixed	-	-58	-12	-	-	-70	Cash flow hedge
Interest and currency swap	-	-	-	-46	-	-46	Fair value hedge
Total liabilities 31.12.2019	**-**	**-58**	**-12**	**-70**	**-**	**-140**	
Total liabilities 31.12.2018	**-**	**-102**	**-30**	**-356**	**-**	**-488**	

Note 15 Derivatives and hedge accounting

The table below presents the effect of cash flow hedges that are presented as a hedging reserve in equity (negative figures reduce the Group's equity). During the 2018 and 2019, no effects relating to hedge ineffectiveness or hedging instruments that no longer qualify for hedge accounting were recognised in the income statement.

Development in cash flow hedge reserve

Amounts in NOK million	31.12.2019	31.12.2018
Cash flow hedge reserve before tax at 1 January	-88	-355
Additions, market value new cash flow hegde derivatives	-	-28
Change in market value	129	295
Cash flow hedge reserve before tax at 31 December	**41**	**-88**
Deferred tax on cash flow hedge reserve	9	-19
Cash flow hedge reserve after tax at 31 December	**32**	**-68**

Derivaties related to investments in foreign currency

Forward exchange options

Statnett makes use of forward exchange contract in order to hedge the currency risk on major acquisitions in currencies other than NOK.

Overview of derivatives related to investments in foreign currency
Parent Company and Group

Amounts in NOK million	Currancy	Nominal amount currency	Hedging rate	Market rate	Under 1 year	1 to 5 years	Total market value
Assets							
Fair value hedge	EUR	20	10,34	10,01	6	-	**6**
Fair value hedge	SEK	416	0,94	0,95	6	-	**6**
Embedded derivatives	SEK	11	-	-	1	-	**1**
Total assets		**-**			**13**	**-**	**13**
Liabilities							
Fair value hedge	EUR	45	10,14	10,02	-5	-	**-5**
Embedded derivatives	EUR	12	-	-	-2	-2	**-4**
Total liabilities		**-**			**-7**	**-2**	**-9**
Net value of foreign currency derivatives					**6**	**-2**	**4**

Note 15 Derivatives and hedge accounting

Changes in market value and income statment effects of currency hedging derivatives related to procurement contracts, embedded derivatives and free standing derivatives

Parent Company and Group	**Hedging instrument**			**Hedged item**			**Income statement effects**		
Amounts in NOK million	**31.12.2019**	**31.12.2018**	**Change in market value**	**31.12.2019**	**31.12.2018**	**Change in market value**	**Unrealised ineffectivenes**	**Realised ineffectiveness**	**Realised forward premium**
Currency hedging derivatives	8	60	-52	-9	-61	53	-	-1	-22
Embedded derivatives	-4	-11	7	-	-	-	7	7	-
Free standing derivatives	-	1	-1	-	-	-	-	-	-

Note 16 Interest-bearing liabilities

This note presents current and non-current interest-bearing liabilities for the Group, including financial derivatives classified as interest-bearing liabilities. The composition and level of interest-bearing liabilities are managed through the company's financing activities and are described in more detail in note 15 Derivatives and hedge accounting.

Principle

Interest-bearing liabilities are recognised at received funds, net after transaction costs. Loans are subsequently recognised at amortised cost using the effective interest method, where the difference between net funds and the redemption value is recognised in profit or loss over the loan term.

As a general rule, derivatives are recognised at fair value through profit or loss. Derivatives relating to cash flow hedges are recognised at fair value through other comprehensive income. See also note 15 for a more detailed discussion of derivatives.

At initial recognition 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. 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. 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.

Specification of interest-bearing debt

Parent company *(Amounts in NOK million)*	2019		2018	
Debt	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Long-term interest-bearing debt	41 137	41 430	39 901	39 012
Long-term interest-bearing debt Group companies	26	27	32	33
Long-term lease liabilities	161	161	-	-
Derivatives	140	140	488	488
Total long-term interest-bearing debt	**41 464**	**41 757**	**40 421**	**39 533**
Short-term interest-bearing debt	8 656	8 678	5 349	6 581
Short-term lease liabilities	30	30	-	-
Total short-term interest-bearing debt	**8 686**	**8 708**	**5 349**	**6 581**

Group *(Amount in NOK million)*				
Debt				
Long-term interest-bearing debt	41 163	41 456	39 900	39 012
Long-term lease liabilities	205	205	-	-
Derivatives	140	140	488	488
Total long-term interest-bearing debt	**41 508**	**41 801**	**40 388**	**39 500**
Short-term interest-bearing debt	8 658	8 680	5 349	6 581
Short-term lease liabilities	33	33	-	-
Total short-term interest-bearing debt	**8 691**	**8 712**	**5 349**	**6 581**

Derivatives are measured at fair value at valuation level 2. Please see description of measurement hierarchy in note 15.

Note 16 Interest-bearing liabilities

Changes in liabilities arising from financing activities

Parent company 2018	Parent company 2019	*(Amounts in NOK million)*	Group 2019	Group 2018
39 546	45 769	Liabilities in debt portfolio 01.01 - previously reported	45 737	39 189
-	211	Additions of lease liabilities at transition to IFRS 16	260	-
39 546	45 980	Liabilities in debt portfolio 01.01	45 997	39 189
9 862	6 259	Borrowing of new debt (cashflow)	6 259	9 862
-4 355	-4 175	Repayment of debt (cashflow)	-4 175	-4 355
510	1 380	Changes in CSA liabilities (cashflow)	1 380	510
537	727	Changes in in fair value (non-cashflow)	727	537
8	10	Amortizations (non-cashflow)	10	8
-9	-7	Changes in intercompany liabilities (cashflow)	-	-
-316	-	Changes in intercompany liabilities (ingen kontanteffekt)	-	-
-14	-24	Other (non-cashflow)	1	-14
45 769	**50 150**	**Liabilities in debt portfolio 31.12**	**50 199**	**45 737**

Parent company

Repayment profile for interest-bearing debt

The loans are measured at amortised cost adjusted for the effect of fair value hedging.

Maturity date *(Amounts in NOK million)*	**Under 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 15 years**	**15 years +**	**Total**
Fixed rate loans						
Certificate issues	3 000	-	-	-	-	3 000
Bond issues	747	5 811	11 834	13 110	666	32 168
Lease liabilities	30	83	34	12	32	191
Total fixed rate loans 31.12.2019	**3 777**	**5 894**	**11 868**	**13 122**	**698**	**35 359**
Total fixed rate loans 31.12.2018	**1 119**	**4 069**	**11 524**	**14 806**	**569**	**32 088**
Floating rate loans						
Collateral under CSA agreements	4 685	-	-	-	-	4 685
Other interest-bearing debt	-	83	12	71	-	166
Bond issues	-	2 186	-	-	-	2 186
Loans from financial institutions	224	1 794	3 036	2 454	246	7 754
Total floating rate loans 31.12.2019	**4 909**	**4 063**	**3 048**	**2 525**	**246**	**14 791**
Total floating rate loans 31.12.2018	**4 229**	**2 011**	**3 991**	**3 450**	**-**	**13 681**
Total debt 31.12.2019	**8 686**	**9 957**	**14 916**	**15 647**	**944**	**50 150**
Total debt 31.12.2018	**5 349**	**6 080**	**15 515**	**18 256**	**569**	**45 769**

Maturity of fixed interest of the loan portfolio *(Amounts in NOK million)*	**Under 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 15 years**	**15 years +**	**Total**
Interest-bearing debt 31.12.2019	41 759	1 934	6 342	83	32	50 150
Interest-bearing debt 31.12.2018	40 074	821	3 627	1 247	-	45 769

Group

The repayment profile for interest-bearing debt of the Group differs from the parent company's repayment profile with intra-group loans that are eliminated from the Group statement. Statnett has one intra-group loan of NOK 26 million, payable on demand and classified as long-term debt.

Note 16 Interest-bearing liabilities

Specification of interest-bearing debt and derivatives	**Principal debt Currency**	**Principal debt NOK**	**Principal swap NOK**	**Interest rate loan**	**Interest rate swap**	**Fair value swap**
Secured liabilities - fair value hedging	*(Amounts in million)*	*(Amounts in NOK million)*	*(Amounts in NOK million)*			*(Amounts in NOK million)*
NOK	4 360	4 360	4 360	4,20%	2,52%	286
CHF	150	923	923	2,39%	2,25%	481
SEK	1 700	1 553	1 553	0,98%	2,36%	60
USD	1 080	7 208	7 208	3,17%	2,70%	2 619
EUR	1 070	10 025	10 025	1,15%	2,42%	1 080
Secures liabilities - cash flow hedging						
NOK	3 493	3 493	2 693	5,26%	3,47%	-45
USD	360	3 039	3 039	2,79%	2,77%	96
EUR	312	4 813	3 000	0,88%	2,49%	-10
Unsecured liabilities						
NOK - floating interest rate	6 400	6 400	-	2,50%	0,00%	-
NOK - fixed interest rate	5 662	5 662	-	2,36%	0,00%	-
Free standing derivatives						
SEK	200	180	180	0,05%	1,80%	2
CSA						
NOK	2 097	2 097	-	*	-	-
EUR	262	2 588	-	**	-	-
Total	**-**	**-**	**-**			**4 569**

* *NOWA (Norwegian Overnight Weighted Average rate) - daily interest for deposits in NOK*
** *EONIA overnight - daily interest rates announced by the European Banking Federation (EBF)*

Note 17 Trade accounts payable and other short-term debt

This note presents trade payables and other current non-interest-bearing liabilities. Trade payables are directly related to operational activities, while other current liabilities relate to other payables such as public taxes and charges, salaries and holiday pay, accrued interest, etc.

Principle

Non-interest-bearing liabilities are classified as current when they are part of ordinary operations, are used for trading purposes and due by 12 months. Other liabilities are non-current. Trade and other current liabilities are measured at amortised cost using the effective interest method. The interest element is ignored since it is deemed to be immaterial for the overwhelming majority of the Group's current non-interest-bearing liabilities.

Derivatives are valued at fair value at valuation level 2. Both the derivatives and the measurement hierarchy are described in more detail in note 15.

Specification of trade accounts payable and other short-term liabilities

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
572	524	Trade accounts payable	559	571
-	26	Short-term liabilities Group companies	-	-
25	147	Public fees	155	28
376	252	Payroll	258	381
-2	6	Non interest-bearing derivatives	6	-2
272	338	Accrued interest	338	272
2 566	1 648	Other short-term debt	3 818	4 404
3 809	**2 942**	**Trade accounts payable and other short-term debt**	**5 135**	**5 653**

Provisions related to progress measurement of investment projects are classified as other current liabilities. Such progress measurement is further described in note 9 Plants under construction.

Note 18 Financial risk management

Financial risk

The objective of Statnett SF's financial policy is to ensure that the enterprise achieves the necessary financing of planned operational and investment programmes in accordance with external legal requirements and internal risk tolerance. A detailed framework is developed for the execution of the finance function in order to minimize the enterprise's credit, interest rate and foreign exchange risks. Statnett SF uses financial derivatives to manage the financial risks.

Capital management

The loan agreements do not impose any capital requirements on the enterprise which are expected to restrict the capital structure in the Group. Nor are there any explicit equity requirements other than those stipulated in applicable laws and regulations. The main objective of Statnett's capital management structure is to ensure that the enterprise has a sound financial position, which enables the enterprise to operate and develop the main grid in a socio-economically profitable manner in line with plans and the owner's expectations. It is a priority with the Statnett Board of Directors to maintain a robust A rating or better. To satisfy major investment requirements, the enterprise received an equity contribution in 2014 while the dividend was reduced from 50 percent to 25 percent of the Group’s underlying result for the period 2013–2018. For the financial year 2019 there is a proposal of dividend of 50 percent of the Group’s underlying result. The underlying result is the Group’s net result for the year after tax adjusted for changes in the net higher/lower revenue after tax. Moreover, the capital structure is managed by raising and paying off short-term and long-term debt, as well as through changes in liquid assets. There have been no changes to capital management guidelines or objectives through the year.

Overview of capital included in capital structure management

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
40 421	41 464	Long-term interest-bearing liabilities	41 508	40 388
5 349	8 686	Short-term interest-bearing liabilities	8 691	5 349
2 910	1 727	Liquid assets and investment in market-based securities	2 424	3 750
42 860	**48 423**	**Net liabilities**	**47 775**	**41 987**

Liquidity risk

Statnett SF aims to be able to carry out 12 months of operations, investments and refinancing without raising any new debt. This will make Statnett less vulnerable during periods of low access to capital in the financial markets and periods with unfavourable borrowing conditions. Liquidity is followed up continuously through weekly reporting.

Statnett reduces liquidity risk related to maturity of financial liabilities by having an evenly distributed maturity structure, limits on the proportion of the loan portfolio that can fall due within a 12-month period, access to several sources of funding in Norway and abroad, and sufficient liquidity to cover scheduled operations, investment and financing needs without incurring any new debt within a time horizon of 12 months.

31 December the liquidity consists of bank/time deposits, investments in market-based securities and a credit facility of NOK 8 billion, running until January 2022. The credit facility has not yet been utilised. Up to NOK 4 billion of the credit facility can be drawn at very short notice. Together with other sources of liquid assets, Statnett has a good ability to handle large liquidity needs that may occur at short notice, e.g. related to collateral for derivatives under CSA agreements with weekly settlement. In addition Statnett has a loan agreement of EUR 300 million. EUR 100 million was undrawn as of year-end, but was drawn up in January 2020. Statkraft also has an overdraft facility of NOK 200 million at the enterprise’s main bank.

Statnett SF has a high credit rating. Standard & Poor's and Moody's Investor Service have given Statnett SF credit ratings for non-current borrowings of A+ and A2 respectively. The high credit ratings provides Statnett SF good borrowing opportunities.

Note 18 Financial risk management

The table below presents all gross cash flows related to financial liabilities. The cash flows have not been discounted and are based on interest rates and exchange rates at the end of the reporting period.

(Amounts in NOK million)

Parent company

	Under 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 years +	Total
Interest-bearing debt and interest payments	9 583	13 798	17 049	15 393	1 021	56 844
Other liabilities	-	290	89	-	-	379
Trade acc.payable and other short-term debt	2 942	-	-	-	-	2 942
Derivatives	2 064	5 884	8 332	10 463	471	27 214
Financial liabilities 31.12.2019	**14 589**	**19 972**	**25 470**	**25 856**	**1 492**	**87 379**
Financial liabilities 31.12.2018	**14 155**	**14 911**	**27 721**	**28 346**	**1 541**	**86 674**

Derivatives	Under 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 years +	Total
Received	2 063	6 654	9 338	12 236	757	31 048
Disbursed	-2 064	-5 884	-8 332	-10 463	-471	-27 214
Net derivatives 31.12.2019	**-1**	**770**	**1 006**	**1 773**	**286**	**3 834**
Net derivatives 31.12.2018	**316**	**991**	**1 718**	**2 001**	**312**	**5 338**

(Amounts in NOK million)

Group

	Under 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 years +	Total
Interest-bearing debt and interest payments	9 583	13 798	17 049	15 393	1 021	56 844
Other liabilities	-	290	89	-	-	379
Trade acc.payable and other short-term debt	5 135	-	-	-	-	5 135
Derivatives	2 064	5 884	8 332	10 463	471	27 214
Financial liabilities 31.12.2019	**16 782**	**19 972**	**25 470**	**25 856**	**1 492**	**89 572**
Financial liabilities 31.12.2018	**15 966**	**14 911**	**27 721**	**28 346**	**1 541**	**88 485**

Derivatives	Under 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 years +	Total
Received	2 063	6 654	9 338	12 236	757	31 048
Disbursed	-2 064	-5 884	-8 332	-10 463	-471	-27 214
Net derivatives 31.12.2019	**-1**	**770**	**1 006**	**1 773**	**286**	**3 834**
Net derivatives 31.12.2018	**316**	**991**	**1 718**	**2 001**	**312**	**5 338**

Note 18 Financial risk management

Credit risk

Credit risk refers to the risk that the counterparty will default on its contract obligations and resulting in a financial loss for the Group.

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
1 545	1 044	Liquid assets	1 327	1 956
1 365	683	Investment in market-based securities	1 097	1 794
3 940	4 723	Derivatives	4 723	3 940
4 347	4 065	Long-term receivables, excl. derivatives	50	43
2 355	1 582	Trade accounts and other short-term receivables, excl. derivatives	1 673	2 432
13 552	**12 097**	**Total maximum credit exposure**	**8 870**	**10 165**

Statnett SF is exposed to credit risk through investment of surplus liquidity with issuers of securities and through the use of different interest rate and currency derivatives. To limit this risk, Statnett has frameworks establishing requirements for creditworthiness and maximum exposure for each individual counterparty. Furthermore, the enterprise ensures that credit risk in hedging relationships is extremely low by entering into collateral agreements based on Credit Support Annexes (CSA) for its most important derivative counterparties.

All placements of liquid assets are made within sector limits and maximum limits for individual counterparties with a high credit rating, where higher credit ratings result in higher limits. Market-based securities consist of multiple, well-diversified investment grade fixed interest funds.

A CSA is a legal document that regulates credit support (collateral) for derivative transactions with weekly settlement of unrealised gains/losses. Unrealised gains on derivatives result in Statnett receiving settlements that increase the company’s bank balances and current liabilities. Conversely, unrealised losses on derivatives result in Statnett paying settlements to its counterparties that reduce the company’s bank balances and increase current receivables.

The table below shows the relationship between collateral pledged under the CSAs, unrealised values of derivatives in scope of the CSA agreements and unrealised values of all derivative transactions with external counterparties. Deposits are recognised in a separate account, but are not classified as restricted funds. This means that bank balances may not always fully reflect the amounts actually received from counterparties.

Specification of the relationship between collateral and derivatives

(Amounts in NOK million)	**Totaly paid**	**Market value derivatives under CSA agreements**	**Market value all derivatives**
Received collateral under CSA agreements	4 685	4 460	4 577
Collateral under CSA posed to counterparty	-	-	-

Internal limits define minimum ratings that counterparties in CSAs should have received with leading rating agencies. Higher rating requirements are defined for counterparties without a CSA arrangement.

The Group’s customer base primarily consists of municipal energy companies, Norwegian industrial customers and other Nordic TSOs. Historically losses on trade receivables have been low and as a starting point this situation is not expected to change. Please however refer to note 29 for a description of possible effects in relation to Events subsequent to the balance sheet date. In the event of default, the Group has efficient routines for rapid and close follow-up of customers, stringent sanction options and the opportunity to demand collateral as part of the network agreement. Consequently, the Group deems credit risk for trade receivables to be very low.

At the reporting date, Statnett SF had extended loans to subsidiaries and associates of NOK 4,280 million in the parent company and NOK 5 million in the Group. The creditworthiness of the relevant subsidiaries is closely linked to Statnett SF’s own credit rating due to ownership, the pledging of guarantees and/or receipt of services. Statnett SF also provides loans if needed to the eSett Oy (associated) and Fifty AS (jointly controlled). Credit assessments are carried out when loan terms are established. All companies are monitored through

Note 18 Financial risk management

board representation. Some of the loan agreements impose requirements on the equity ratios. No conditions have been registered that indicate potential impairments of loans.

Recognition and measurement of expected credit losses
The Group recognises provisions for expected credit losses on financial assets measured at amortised cost or at fair value under Other comprehensive income in accordance with IFRS 9. The loss provision is based on the Group's assessment of the financial assets' credit risk.
For banks, derivative counterparties and other credit institutions, creditworthiness is regularly assessed during the year through monitoring of official ratings. Counterparty risk is monitored and reported on an ongoing basis to ensure that the enterprise's exposure does not exceed established credit limits and complies with internal rules. Credit risk for trade payables, other current receivables and non-current receivables is assessed monthly in the event of default or should other information become available that indicates that the borrower may not be able to redeem all or parts of its liabilities. A financial instrument is deemed to be in default if it has not been settled at the agreed date. Impairments are recognised using the following methods:

1. Expected credit loss over the asset's lifetime

The expected credit loss resulting from all potential default events during a financial instrument's lifetime.

If the credit risk for a financial instrument has materially increased since initial recognition, the loss provision for that financial instrument is recognised in an amount corresponding to the expected credit loss over the lifetime.

2. Expected credit loss over 12 months

The portion of the expected credit loss during the lifetime relating to the expected credit loss attributable to potential default events for a financial instrument within 12 months after the reporting date.

If the credit risk for a financial instrument has not materially increased since initial recognition, the loss provision for that financial instrument is recognised in an amount corresponding to the expected credit loss over 12 months.

The Group has defined the following categories for credit scoring to assess credit risk.

Category	Description	Method of impairment recognition
Performing	No overdue liabilities and no increase in credit risk since initial recognition.	Expected credit loss over 12 months.
Doubtful	Liabilities more than 30 days overdue, or there has been a significant increase in credit risk since initial recognition.	Expected credit loss over the asset's lifetime; effective interest is calculated on the gross amount.
In default	Liabilities more than 90 days overdue, but there are indications that the asset is creditworthy.	Expected credit loss over the asset's lifetime; effective interest is calculated at amortised cost.
Write-off	There are indications that the creditor's financial problems are so great that the receivables must be deemed lost.	The receivable is written off in full.

See also note 11 Trade and other current receivables and note 14 Non-current financial assets, for loss assessments.

Foreign exchange risk
Foreign exchange risk is the risk of fluctuations in foreign exchange rates that will result in changes in Statnett's income statement and balance sheet. Currency risk relating to major procurement contracts and loans in foreign currency are hedged within the framework defined for the execution of the finance function. Please refer to note 15 for further information. At the reporting date, currency reserves that were not swapped or reserved for future liabilities amounted to NOK 229 million with the parent company and NOK 383 million with the Group. This reserve consists of bank deposits. The Group also has foreign equity funds and shares of NOK 36 million.

Interest rate risk
The Group is exposed to interest rate risk through its loan portfolio, liquid assets and financial hedges. Statnett SF is also exposed to interest rate levels on which the revenue cap for the grid operations is based (the NVE interest rate).

In order to reduce the interest rate risk and minimise fluctuations in the result, the interest rate on Statnett's debt must correlate to the extent possible with the NVE interest rate. The NVE interest rate is calculated based on daily averages of the five-year swap interest rate. In addition, the NVE interest rate comprises a fixed interest rate portion with the addition of inflation and a surcharge for credit risk. To achieve the desired fixed-interest period on the enterprise's debt, interest rate swap agreements linked to the underlying debt are used.

Note 18 Financial risk management

Average effective interest rate

The table below presents the average effective interest rate for the various types of financial instruments.

Parent company			Group	
2018	**2019**		**2019**	**2018**
1,29%	2,09%	Investment in market-based securities	1,91%	1,26%
0,24%	-1,36%	Bank deposits	0,14%	0,76%
-	-	Shares and equity funds	21,55%	-3,64%
2,00%	2,33%	Loans	2,33%	2,00%

Sensitivity analysis

Interest rate sensitivity

(Amounts in NOK million)

Parent company		Change in interest rate level	Group	
2018	**2019**	*Percentage points*	**2019**	**2018**
-11	-9	+ 1	-16	-18
11	9	- 1	16	18

The table presents the sensitivity for parent company and the Group due to potential changes the in interest rate on asset placements. It shows the effect on the result of a change in the interest rate levels with 1 percentage point as at 31 December.

Exchange rate sensitivity

(Amounts in NOK million)

Parent company		Change in NOK exchange rate	Group	
2018	**2019**	*Percent*	**2019**	**2018**
-13	-13	+ 5	-19	-20
13	13	- 5	19	20

The table presents the company's sensitivity to potential changes in the exchange rate of the Norwegian Krone, if all other factors remain unchanged. The calculation is based on an identical change in relation to all relevant currencies. The effect on the result is due to a change in the value of monetary items that are not fully hedged. Other monetary items and all foreign currency debt are hedged, and the change in value is matched by a change in the value of the derivative.

Note 19 Taxes

Income tax is calculated in accordance with ordinary tax rules and by applying the adopted tax rate. The tax expense in the income statement comprises taxes payable and changes in deferred tax liabilities/tax assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of tax losses and interest expenses carried forward.

Principle

The tax expense in the income statement comprise both the annual taxes payable and changes in deferred tax liabilities/tax assets. Taxes payable are calculated on the basis of the taxable income of the year. Deferred tax assets/liabilities are calculated on the basis of temporary differences between the accounting and tax values, and the tax losses and interest expenses carried forward.

Deferred tax liabilities and deferred tax assets are recognised net provided that these are expected to reverse in the same period. Deferred tax assets are recognized to the extent that it is probable that they will be utilised. Deferred tax liabilities/tax assets are recognized using the nominal tax rate.

Tax related to items recognised in other comprehensive income is also recognised in other comprehensive income, while tax related to equity transactions is recognised in equity.

Note 19 Taxes

The tax expense comprises the following

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
-	-	Income tax	18	19
-374	-1	Income tax previous years	2	-375
945	440	Change in deferred tax/tax benefit	514	933
-85	-	Change in tax rates	-	-89
486	**439**	**Tax**	**534**	**488**

Tax payable in the balance sheet

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
-	-	Tax payable for the year	18	19
-	-	Tax payable on group contribution	-15	-16
-	**-**	**Tax payable**	**3**	**3**

Reconciliation of nominal tax rate and effective tax rate

The following table provides a reconciliation of reported tax expense and tax expense based on nominal tax rate of 22 percent for 2019 (23 percent for 2018).

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
2 648	2 069	Profit before tax	2 440	2 701
610	455	Expected tax expense at nominal rate	537	621
		Effect on taxes of:		
-	-16	Permanent differences	-5	-11
1	1	Share of profit/loss in associates	1	1
-40	-1	Changes in previous years taxes	1	-33
-85	-	Changes in tax rates	-	-89
487	**439**	**Tax**	**534**	**488**
18%	**21%**	**Effective tax rate**	**22%**	**17%**

Note 19 Taxes

Breakdown deferred tax

The following table provides a breakdown of the net deferred tax. Deferred tax assets are recognised in the balance sheet to the extent it is probable that these will be utilised. The tax rate used when assessing deferred tax is 22 percent as of 31 December 2019 (22 percent as of 31 December 2018).

Parent company

(Amounts in NOK million)	**31.12.18**	**Recognised**	**Other comprehensive income**	**Group contribution**	**31.12.19**
Current assets/current liabilities	7	-3	-	-	4
Fixed assets	3 394	137	-	-	3 532
Pension liabilities	-68	8	19	-	-41
Other long term items	599	-20	28	-	607
Tax loss carried forward	-2 108	316	-	6	-1 786
Total	**1 824**	**439**	**47**	**6**	**2 316**

Group

(Amounts in NOK million)	**31.12.18**	**Recognised**	**Other comprehensive income**	**Group contribution**	**31.12.19**
Current assets/current liabilities	-55	-20	-	-	-76
Fixed assets	3 527	206	-	-	3 734
Pension liabilities	-70	8	19	-	-43
Other long term items	629	17	28	-	674
Tax loss/interest expenses carried forward	-2 156	320	-	-	-1 836
Total	**1 876**	**531**	**47**	**-**	**2 454**

Statnett has changed its principle with regard to tax deduction of certain maintenance costs. The change has been made effective for prior years and is reflected in the balance sheet as of 1.1.2019. The change of principle has no impact on neither the Statement of comprehensive income nor the equity. The change has resulted in increased tax benefit of tax loss carried forward and deferred tax liabilities of fixed assets

Deferred tax recognised in other comprehensive income

Parent company			Group	
31.12.18	**31.12.19**	*(Amounts in NOK million)*	**31.12.19**	**31.12.18**
20	19	Change in estimate deviations of pension liabilities	19	20
62	28	Changes in fair value for cash flow hedges	28	62
82	**47**	**Total deferred tax recognised in other comprehensive income**	**47**	**82**

Note 20 Investments in subsidiaries, jointly controlled company and associates

The activities of Group companies are mainly concentrated in the parent company. The Group also includes seven subsidiaries, one jointly owned company and ownership interests in certain associated companies. Reference is made to note 22, related parties, for a description of the activities of the subsidiaries.

Principle

Consolidated companies
The consolidated financial statements comprise Statnett SF and subsidiaries in which Statnett SF alone has a controlling influence. Normally, Statnett SF is assumed to have controlling influence when direct or indirect ownership interests make up more than 50 percent of the voting shares. If Statnett owns less than 100 percent of the voting shares, or, through an agreement, has less than 100 percent of the votes, the Group assesses whether the Group has actual control.

The consolidated financial statements are prepared using the acquisition method and show the Group as if it was one unit. The cost price of shares in the subsidiaries is eliminated against the equity at the time of acquisition. Any excess value beyond the equity of the subsidiaries is allocated to assets to which the excess value can be attributed. The part of the cost of purchasing a business that cannot be attributed to specific assets, is presented as goodwill.

Statnett SF's Pension Fund is not part of the Statnett Group. Contributed equity to the pension fund is valued at fair value and classified as financial fixed assets.

Jointly controlled company
Currently, one jointly controlled company in the Group, Fifty AS, is considered to be a joint operation. Firstly, the company is considered to be a joint arrangement since Statnett, together with another party, is bound by contract, and the contract gives the parties joint control over Fifty AS. Secondly, the company is considered a joint operation since the parties have rights to the assets and responsibility for the obligations in Fifty AS. The investment in the jointly controlled company is recognized on the basis of proportional consolidation, implying that Statnett accounts for its share of revenues, expenses, assets and liabilities.

Investment in associated companies
Associates are companies where Statnett has significant influence, i.e. Statnett can influence financial and operational decisions in the company, but does not have control of the company. Normally, these will be companies where the Group owns between 20 and 50 percent of the voting shares. Associates are recognized using the equity method. This means that the Group's share of profit/loss and amortisation of any excess value is recognised in the income statement. The financial statements of associates are restated in accordance with IFRS. In the consolidated balance sheet, ownership in associates are recognised as financial fixed assets at historic cost plus accumulated profit/loss, less dividends and impairment if applicable.

Purchase/sale of subsidiaries, jointly controlled companies and associates
In the case of acquisition or sale of subsidiaries, jointly controlled companies or associates, the companies are included in the consolidated financial statements for the part of the year which they have been part of or associated with the Group.

Investments in subsidiaries, jointly controlled companies and associates in Statnett SF (parent company accounts)
Investments in subsidiaries, jointly controlled companies and associates are recognised in accordance with the cost method in the parent company accounts. Group contribution paid (net after tax) is added to the cost price of investments in subsidiaries. Group contribution and dividends received are recorded in the income statement as financial income, as long as the Group contribution and dividends are within the earnings accrued during the period of ownership. Dividends in excess of earnings during the ownership period are accounted for as a reduction in the share investment. Group contributions and dividends are recorded in the year they are adopted.

Impairment
At each reporting date, the Group assesses whether there are objective indications of impairment. If such indications exist, the investment is tested for impairment. The investment is impaired if the recoverable amount (higher of fair value less sales costs or value in use) is lower than the carrying value.

Business combinations
Business combinations are recognised according to the acquisition method. Acquisition costs are the total of the fair value on the acquisition date of assets acquired, liabilities incurred or taken over as compensation for control of the acquired enterprise. Transaction costs attributable to business combinations are recognized in the income statement.

Note 20 Investments in subsidiaries, jointly controlled company and associates

The acquired enterprise's identifiable assets, liabilities and contingent liabilities, which satisfy the conditions for recognition according to IFRS 3, are recognised at fair value on the acquisition date. Goodwill arising from acquisitions, is recognised as an asset measured as the excess of the total consideration transferred and the value of the minority interests in the acquired company, beyond the net value of acquired identifiable assets and assumed liabilities. If the Group's share of the net fair value of the acquired enterprise's identifiable assets, liabilities and contingent liabilities exceeds the total consideration after re-assessment, the surplus amount is immediately recognised in the income statement.

Statnett SF had the following investments at 31 December 2019:

Company	Business nature	Year of acquisition	Registered office	Ownership interest	Voting rights	Carrying value
Subsidiaries						*(Amounts in NOK thousand)*
Statnett Transport AS	Transport and shipping	1996	Drammen	100%	100%	108 021
Statnett Forsikring AS	Insurance	1998	Oslo	100%	100%	30 200
Nord Link Norge AS	Develop and operate national transmission grid	2010	Oslo	100%	100%	2 090 262
NorGer AS	General Partner	2010/2011	Oslo	100%	100%	2 701
NorGer KS	No activity	2010/2011	Oslo	100%	100%	2 776
Nydalshøyden Bygg C AS	Real estate	2013	Oslo	100%	100%	4 965
Elhub AS	Data hub for electricity meetering data	2014	Oslo	100%	100%	209 719
Total subsidiaries						**2 448 644**
Joint controlled company and associates						
Fifty AS	Develop and operate regulation and market systems	2017	Oslo	50%	50%	5 000
Nord Pool Holding AS	Marketplace	2002/2008	Bærum	28%	28%	36 320
eSett OY	Nordic imbalance settlement	2013	Finland	25%	25%	12 669
KraftCERT AS	IT security	2014	Oslo	33%	33%	587
Total jointly controlled company and associates						**54 576**
Total subsidiaries, jointly controlled company and and associates						**2 503 220**

Group value of companies recorded according to the equity method

(Amounts in NOK thousand)

2019	Group value at 1 Jan.	Deduction	Result for the year	Dividend	Group value at 31 Dec.
Nord Pool Holding AS, 28.2%	92 569	-	10 812	-12 942	90 439
eSett OY, 25,0% (33,3% until may 2019) *	17 892	-4 411	3 421	-	16 902
KraftCERT AS, 33.3%	692	-	266	-	958
Total associates	**111 153**	**-4 411**	**14 499**	**-12 942**	**108 299**

* Ownership in eSett OY was redused from 33,3 to 25 per cent in May 2019 when Energinet.dk entered the company as a shareholder.

2018	Group value at 1 Jan.	Deduction	Result for the year	Dividend	Group value at 31 Dec.
Nord Pool Holding AS, 28.2%	85 328	-	16 598	-9 357	92 569
eSett OY, 33.3%	8 750	-	9 142	-	17 892
KraftCERT AS, 33.3%	420	-	272	-9 357	692
Total associates	**94 498**	**-**	**26 012**	**-**	**111 153**

Note 21 Joint operations

The Group has entered into agreements with transmission system operators in the Netherlands, Denmark, Germany and England to construct and operate subsea cables to the continent and the UK. These agreements are regarded as joint operations under IFRS.

Principle

A "joint operation" is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The Group recognises its share of assets, liabilities, revenues and operating expenses relating to its involvement in a joint operation.

Subsea cables

TenneT TSO BV and Statnett SF have constructed a subsea cable to transport energy between Norway and the Netherlands, known as the NorNed cable. Each party owns its physical half of the cable, with Statnett SF owning the northern part and TenneT the southern part. The NorNed cable became operational in May 2008. Costs and trading revenues from the operation of the NorNed cable are shared equally between TenneT and Statnett.

Statnett SF owns Skagerrak cables 1-3 whereas Energinet.dk holds a long-term lease agreement for half of the cable capacity. Income from the lease is included in "Other operating revenue". At the end of December 2014, the Skagerrak Cable 4 became operational. Statnett SF and Energinet.dk each own its physical half of the cable, with Statnett SF owning the northern part and Energinet.dk owning the southern part. Costs and trading revenues related to the operation of the Skagerrak cables are shared equally between Energinet.dk and Statnett SF.

In the autumn 2012 Statnett SF signed a cooperation agreement with the German companies TenneT and KfW in order to realize an HVDC interconnector between Norway (Tonstad) and Germany (Wilster). The project's name is NordLink. NordLink has a transmission capacity of 1400 MW. The interconnector consists of 53 km overhead line on the Norwegian side, a 514 km subsea cable and a 55 km land cable on the German side. The ownership will be shared equally, where Statnett SF will own the northern part through the wholly owned subsidiary NordLink Norge AS, and TenneT and KfW will own the southern part through a jointly owned German company. Costs and trading revenues are to be shared equally between Germany and Norway. Trading and technical licenses were granted for the cable in October 2014. Final investment decision was taken in February 2015. Placement of the subsea cable between Norway and Germany was finalized in Norwegian territory in 2018, and in Danish and German territories in 2019. Testing of the converter station at Ertsmyra was finalized in 2019, completing the deliverables in Norwegian territory. The converter station in Wilster and the land cable on the German side is expected to be completed in 2020, whereby the interconnector will be in trial operation from the end of 2020.

Statnett SF’s assets in the cables are included in the asset group Land and subsea cables in the note related to fixed assets and intangible assets.

Subsea cables under construction

In the winter 2015 Statnett SF signed a cooperation agreement with the British company National Grid North Sea Link Ltd (NNL) with the purpose to realize an HVDC interconnector between Kvilldal in Norway and Blyth in North-East England. The North Sea Link project will have a transmission capacity of 1400 MW, and the interconnection consists of converter stations in Blyth and Kvildal, 714 km subsea cables, 6 km land cable on the Norwegian side and 2 km land cable on the British side. The ownership will be shared equally, with Statnett SF as the owner of the eastern part and NLL the western part. Costs and trading revenues shall be shared equally between the parties. 2/3 of the subsea cable is completed, and the second of four laying campaigns was completed in December. The converter stations on both sides are to be delivered in 2020, and the project completed by 2021.

The value of work performed on the subsea cables under construction is included in the line Plants under construction in the balance sheet.

Note 22 Related parties

Principle

Two parties are related if a party can influence the other party's decisions. Transactions between related parties are conducted at market terms.

Owner

As at 31 December 2019, Statnett SF was wholly-owned by the Norwegian State through the Ministry of Petroleum and Energy (MPE). Statnett has the following relations with MPE both as owner and regulatory authority.

Regulatory authority

The Norwegian parliament (Storting) is the legislative authority that passes legislation based on bills put forward by the government. Regulations are adopted by the King in Council. The MPE administers its areas of responsibilities and delegates the administration of the greater part of the Energy Act to The Norwegian Water Resources and Energy Directorate (NVE). Pursuant to the Norwegian Public Administration Act, any administrative decision made by the NVE can be appealed to the MPE as the superior authority.

Other related parties

Investments in subsidiaries, joint venture and associates are listed in note 20

Parent company

Statnett SF is the borrower of the Group's external loans. The central treasury function in Statnett SF coordinates and manages financial risks related to currency, interest rates and liquidity within the Group. Loan agreements have been entered into between Statnett SF and its subsidiaries. In addition, there are agreements entered relating to services between companies within the Statnett Group. All agreements are part of normal commercial operations, and the transactions are conducted at market terms. Transactions with subsidiaries relate mainly to the following:

Statnett Forsikring AS

Statnett Forsikring AS is licensed to provide insurance coverage and reinsurance, though limited to companies within the Statnett Group where the ownership exceeds 50 percent. In addition, Statnett Forsikring AS operates both as a direct personal insurance company and a non-life insurance company.

Statnett Transport AS

Statnett Transport AS provides transportation services, transporting heavy machinery/equipment on land and at sea. Statnett Transport AS has a subordinated loan from Statnett SF and the loan ranks behind other creditors. Statnett also provides administrative services within ICT, legal, purchasing and finance. The operations in Statnett Transport AS will be transferred to Statnett SF with effect from 1 July 2020.

NordLink Norge AS

NordLink Norge AS is the developer and owner of the northern part of NordLink, an electricity cable connecting the German and the Norwegian high-voltage electricity grids. The German companies TenneT and KfW, through a jointly owned German company, will build and own the southern part of NordLink. NordLink will be the first direct interconnector between the Norwegian and German electricity markets. NordLink will be operated by the transmission system operators, Statnett and TenneT respectively.

Statnett SF is committed to providing the necessary funding for the project. The funding committed is equal to NordLink Norge AS 50 percent share of the total investments costs related to the project. The drawdown will be made at intervals ensuring that NordLink Norge AS will be in a position to fulfil its own obligations. Statnett SF has issued payment guarantees towards the main suppliers on NordLink Norge AS' behalf according to the terms and conditions in the agreements entered into with the respective suppliers. The guarantee fee is at market terms. NordLink Norge AS has no employees. Statnett SF provides project services in the construction phase in addition to certain administrative services to support the operation of the company.

Elhub AS

Elhub AS operates and develops the central datahub for metering values and market processes in the Norwegian electricity market. Its main function is automated metering processing and distribution of same, as well as processing of market processes such as change of electricity supplier, transfers and reporting. The datahub became operational in February 2019.
Elhub AS has a loan from Statnett SF. Statnett SF also provides certain administrative services within ICT, legal, purchasing and finance.

NorGer AS and NorGer KS

Statnett SF owns 100 percent of the shares in NorGer AS and 90 percent of the shares in NorGer KS. In addition, NorGer AS owns 10 percent of the shares in NorGer KS. This entails that Statnett SF, including indirect ownership, controls 100 percent of the shares in NorGer KS. The companies have limited operation.

Note 22 Related parties

Nydalshøyden Bygg C AS
The company is titleholder to the property Nydalen Alle` in Oslo, where Statnett SF has its head office. The company has granted Statnett SF a loan of NOK 26 million.

Fifty AS
Fifty AS is a jointly controlled company between Statnett SF and Affärsverket svenska kraftnät, where each company owns 50 percent of the shares in Fifty AS. Fifty AS maintains and develops ICT solutions to support the balancing of the Nordic power system. Fifty AS delivers licences-, development- and maintenance services to Statnett SF. Fifty AS has no employees. Statnett SF provides project services related to the development of ICT systems in addition to certain administrative services to support the operation of the company. Transactions between Statnett SF and Fifty AS is listed in the table below, as jointly controlled company.

Nord Pool Holding AS
Nord Pool Holding is an associated company owned 28,2% by Statnett SF. The associated company owns Nord Pool AS. Statnett SF purchases transmission losses on Nord Pool AS on a daily basis and settle at the power exchange's market prices.

eSett OY
eSett OY delivers services related to imbalance settlement of electricity markets in Finland, Sweden and Norway. May 14th, an agreement was signed between the Danish transmission system operator Energinet and Svenska kraftnät, Fingrid and Statnett, stating that Denmark will join Nordic imbalance settlement and Energinet will become eSett's new shareholder. The transaction makes Energinet a shareholder in eSett Oy and the share capital is divided equally between the four shareholders, with each party holding 25 percent. The agreement means that Energinet will be part of the Nordic cooperation on settlement of imbalances in the power market, with an expected start in early 2021.

Statnett SF and the other owners provided identical loans to the company. As of December 31, 2019 the loan from Statnett SF to eSett OY amounted to NOK 13 million.

Dividend and group contribution
In 2019, Statnett SF has received dividends and group contribution from subsidiaries and associates totalling NOK 70 million.

Statnett SF inter-company accounts

	Trade accounts		Lending		Borrowing		Trade acc. Payable	
(Amounts in NOK million)	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**
Subsidiaries	11	31	4 300	4 272	32	26	12	57
Jointly controlled company	68	107	-	-	-	-	-	-1

Interest rates

Interest rates on long-term borrowing and lending have been agreed at six months' NIBOR with a mark-up in the interval 0.5 - 2.5 percent.

Statnett SF's intra-group trading

	Regulated operating revenue		Other oper. revenues		Operating costs	
(Amounts in NOK million)	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**
Subsidiaries	-16	-564	76	50	-101	-124
Jointly controlled company	-	-	21	43	20	-2

	Financial income		Financial costs	
(Amounts in NOK million)	**2018**	**2019**	**2018**	**2019**
Subsidiaries	126	173	-4	-1

	Group contribution received		Dividend received	
(Amounts in NOK million)	**2018**	**2019**	**2018**	**2019**
Subsidiaries	-	17	68	53

Note 23 Remuneration to Group Management

The Board's statement regarding salaries and other remunerations to Group management 2019
The statement concerning remuneration to the President and CEO and the Group management has been prepared in accordance with the enterprise's articles of association, provisions in the Public Limited Liability Companies Act as well as the Ministry of Trade, Industry and Fisheries "guidelines for salary and other remuneration for group management in enterprises and companies with state ownership" as of 13 February 2015.

Management remuneration policy
The Group's guiding principle is to keep remuneration and other benefits for the Group management at a competitive level to ensure that the Group attracts and retains high-quality senior executives, though not taking a leading position when it comes to salary. However, the salary must be competitive for our industry and compared to other companies recruiting in the same market as Statnett. Also, the salary must reflect individual experience, area of responsibility and achieved results. The management remuneration policy is applicable for Statnett SF and subsidiaries.

Guidelines for salary and other remuneration
Based on the Ministry of Trade, Industry and Fisheries "guidelines for salary and other remuneration for group management in enterprise and companies with state ownership" the Board of Directors has set a framework for elements to be included in the Group's future salary and remuneration package for new members of Group management. The following guidelines are applicable:

Fixed salary: Fixed salary is determined based on an assessment of the specific position and the market, measured against Statnett's policy. When the fixed salary is determined, the total remuneration should be used as basis.
Pensions: Membership in Statnett's defined contribution plan. This entails no new individual pension agreements.
Personnel insurance: Arrangements applicable for other employees including group life-, accident-, sickness insurance as well as occupational injury- and travel insurance, are also applicable for Group management.
Car arrangement: Car allowance can be offered. In exceptional cases company car can be offered if needed in the line of duty.
Other remunerations: Coverage of newspapers, mobile phone and broadband communication in accordance with established standards.
Internal board members: Internal board members do not receive remuneration. However board insurance exists for all board members. This is applicable for Statnett SF and subsidiaries and will also be applicable for 2020.

Existing arrangements for Group management
The remuneration to the Group management is prepared in accordance with the guidelines describe above. The Group management may have different remuneration due to individual agreements entered before the guidelines were determined.
In addition to a fixed salary, the Group management is entitled to a company car or car allowance, pension benefits and individual pension arrangements for salary beyond 12 times the Norwegian national insurance scheme basic amount. Three members of Group management have a company car. This is in compliance with agreements entered at an earlier stage. There is no bonus scheme or other incentive based schemes for Group management. In accordance with entered agreements, the retirement age for the President and CEO and four members of Group management is at 65 years of age. The two new members of Group management in 2019 do not have a similar provision in their agreements. Statnett practices 70 years as an age limit for mandatory retirement. It is a mutual understanding and acceptance that it is possible to address the need or desire for transition to another position at any time after the age of 60.

The President and CEO has a pension agreement securing 66 percent of the pension base upon resignation. The President and CEO is entitled to 12 months' severance pay in the event of dismissal from the company, after a notice period of 6 months. No other members of Group management have agreements for salaries after the termination of their employment. The general manager in two subsidiaries are entitled six months' severance pay, after a notice period of six months.

Execution of remuneration principles in 2019
The remuneration approval for Group management in 2019 was conducted in accordance with the above guidelines in Statnett and subsidiaries. There were entered two new remuneration agreements with members of Group management in 2019. The Board of Directors approves the annual salary adjustment for the company's president and CEO, and adopts a framework that the president and CEO uses to adjust the for the rest of the salaries Group management team. The salaries for the president and CEO and Group management, were in 2019 adjusted within the same limits as the rest of the Group.

When the Board of Directors approved the annual salary adjustment for 2019, it was decided to conduct an evaluation of the positions to the Group management during the fall 2019. This was necessary because it is five years since previous evaluation, the company's significant growth in volume and complexity and the reorganization as of 1 May 2019. The result of the analysis will be presented to the Board of Directors, who will consider the need for salary measures at the same time.

Note 23 Remuneration to Group Management

The Board of Director's assessment is that the remuneration to Group management, is in compliance with requirements in the Ministry of Trade, Industry and Fisheries "guidelines for salary and other remuneration for group management in enterprises and companies with state ownership".

Organisation

The Board of Directors has established a remuneration committee, consisting of two owner-appointed board members and one employee representative. The remuneration committee is an advisory and preparatory body for the Board of Directors, and will put forward proposals for salary adjustments in accordance with the guidelines specified above. Separate instructions has been prepared for the remuneration committee. The president and CEO is a regular member of the committee. The Senior Vice President Employer Relations acts as committee secretary.

Remuneration to the Board *(Amounts in NOK)*		**Board remuneration**	
Board members		**2019**	**2018**
Per Hjorth (until June 2018)	Chair	-	216 000
Jon Fredrik Baksaas (from June 2018)	Chair	444 000	216 000
Synne Larsen Homble (until June 2019)	Vice Chair	151 000	294 000
Tove Elisabeth Pettersen (from June 2018)	Vice Chair **)	309 000	135 000
Kirsten Indgjerd Værdal (until June 2018)	Board member	-	135 000
Egil R Gjesteland	Board member	296 000	290 000
Maria Sandsmark	Board member	281 000	275 000
Einar Strømsvåg	Board member	296 000	290 000
Steinar Jøråndstad	Board member *)	276 000	270 000
Nils Ole Kristensen (until June 2018)	Board member *)	-	117 500
Karianne Burhol (until June 2018)	Board member *)	-	135 000
Pernille Dørstad (from June 2018)	Board member *)	293 500	117 500
Ole Bjørn Kirstihagen (from June 2018)	Board member *)	223 500	135 000
Total board remuneration		**2 570 000**	**2 626 000**

All figures are exclusive of employer's NICs.

Board members receive compensation for their participation in the audit committee, remuneration committee or project committee.

Board remunerations may therefore vary.

*) In the case of employee representatives, only board members' fees are stated.

**) Tove Elisabeth Pettersen entered the board in June 2018 and became the Vice Chair from June 2019.

Remuneration/benefits to the Group management 2019 *(Amounts in NOK)*		**Salary**	**Other remun-eration*)**	**Pension cost**	**Total remun-eration**
President and CEO					
Auke Lont		3 142 030	183 859	2 416 504	5 742 393
Executive Vice Presidents					
Håkon Borgen	Technology & Development	2 170 460	140 580	590 343	2 901 383
Øivind Kristian Rue ****)	System & Market	1 133 282	60 166	418 123	1 611 570
Knut Hundhammer	CFO & Chief of staff	2 840 317	140 873	820 659	3 801 849
Peer Olav Østli ***)	Operations	2 159 212	155 462	851 484	3 166 158
Elisabeth Vike Vardheim	Construction	2 321 077	213 867	708 460	3 243 404
Beate Sander Krogstad **)	IT	1 425 290	99 396	131 760	1 656 446
Gunnar G. Løvås **)	System & Market	1 601 128	95 790	108 075	1 804 993
Total remuneration		**16 792 796**	**1 089 993**	**6 045 408**	**23 928 196**

All figures are exclusive of employer's NICs.

*) Included value of company car or fixed car allowance, phone, news papers and personal insurance.

**) As from 1. May Beate Sander Krogstad and Gunnar G. Løvås became Executive Vice Presidents.

Note 23 Remuneration to Group Management

***) AS from 1 May Per Olav Østli changed divisjon from IT to the Operations division.

****) Øivind Kristian Rue has retired from 1 May 2019.

Remuneration/benefits to the Group management 2018 *(Amounts in NOK)*		**Salary**	**Other remun-eration*)**	**Pension cost**	**Total remun-eration**
President and CEO					
Auke Lont		3 051 146	185 596	2 401 516	5 638 258
Executive Vice Presidents					
Håkon Borgen	Technology & Development	2 097 502	141 590	622 626	2 861 718
Øivind Kristian Rue	Market & Operations	2 293 449	137 084	1 352 711	3 783 244
Bente Monica Haaland	Strategy & Communication	1 828 388	152 003	402 450	2 382 841
Knut Hundhammer	CFO & Chief of staff	2 448 160	135 273	753 185	3 336 618
Peer Olav Østli	IT	1 981 918	153 971	943 267	3 079 156
Elisabeth Vike Vardheim	Construction	2 043 850	216 883	631 829	2 892 562
Total remuneration		**15 744 414**	**1 122 399**	**7 107 584**	**23 974 397**

All figures are exclusive of employer's NICs.

*) Included value of company car or fixed car allowance, phone, news papers and personal insurance.

Terms and conditions, senior executives

Title/name	**Terms and conditions for retirement age, early retirement pension, retirement pension and severance pay**
President and CEO: Auke Lont	From the age of 65, the full annual retirement pension is 66 percent of the pension base. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. From the age of 67, the annual retirement pension of 66 percent will be co-ordinated with the retirement pension disbursed from Statnett SF's Group Pension Fund and the Norwegian National Insurance Scheme. Upon death, any surviving spouse and children under the age of 21 will receive a pension. Should the President become disabled before the age of 65, he will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 65. The disability pension disbursement will be reduced according to disability. The President and CEO is entitled to 12 months' severance pay in the event of dismissal from the company, after a notice period of 6 months.
Executive Vice Presidents: Håkon Borgen Øivind Kristian Rue	The retirement age is 65, but with the right to retire with an early retirement pension after the age of 62. In the event of retirement between 62 and 65 an annual payment of 66 percent of the pension base will be disbursed. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. In the event that income is received from others and this, together with the early retirement pension disbursed by Statnett, exceeds the final salary the early retirement pension will be reduced by 50 percent of the amount that exceeds the final salary. From the age of 65, the full annual retirement pension is 66 percent of the pension base. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. Upon death, any surviving spouse and children under the age of 21 will receive a pension. Entitlements to pension benefits beyond what is gained through the collective pension scheme will lapse if they are no longer employed by Statnett SF on their 62nd birthday.

Note 23 Remuneration to Group Management

	Should any of the above persons become disabled before reaching the age of 65, he or she will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 65. The disability pension disbursement will be reduced according to disability. Øivind Rue retired on 1 May 2019, and receives a pension in accordance with the pension agreement. Håkon Borgen is included in the enterprise's defined contribution scheme and related compensation plan.

Terms and conditions, senior executives

Title/name	**Terms and conditions for retirement age, early retirement pension, retirement pension and severance pay**
Executive Vice President: Peer Olav Østli	The retirement age is 65, with the right to retire with an early retirement pension at any time after 62. The full contribution period is 30 years. In the event of retirement between ages 62 and 65, an annual payment shall be disbursed of 66 percent of the pension base, less one percentage point for each year between 62 and 65. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. Pension disbursement may be reduced if the member receives any salary, pension or remuneration from other companies in the Statnett Group. From the age of 65, the full annual retirement is 66 percent of the pension base. The pension base is adjusted annually by the same percentage increase as in the basic amount under the National Insurance Scheme. From the age of 67, the annual retirement pension is covered through the National Insurance Scheme and Statnett's group pension scheme, plus 66 percent of the part of the pension base that exceeds 12 times the basic amount, provided that there is a full contribution period (30 years). Upon death, any children under the age of 21 will receive a children's pension. If the Vice President leaves the company before retirement age, a pension rights certificate will be issued, which will secure retirement pension benefits from age 65. The pension rights certificate will be adjusted by 75 percent of the increase in the basic amount for each year until retirement. Upon disability before reaching the age of 65, the Vice President will receive a disability pension. The full disability pension equals the retirement pension awarded at the age of 67, based on the pension base at the time the disability occurred. The disability pension disbursement will be reduced according to disability
Executive Vice Presidents: Knut Hundhammer Elisabeth Vike Vardheim	The retirement age is 65. A pension agreement has been entered into in addition to the ordinary membership in the enterprise's group pension scheme, where the pension is secured through a bank saving account balance, including interest, disbursed to Vice Presidents. Statnett will, each year until retirement or resignation, pay up to 30 percent of the difference between the ordinary salary and 12 times the Norwegian national insurance scheme basic amount to the pension fund scheme. Upon death, the surviving spouse or spouse equivalent will receive an amount corresponding to the remaining savings balance including interest from Statnett SF. This lump sum will be taxable for the receiver. Knut Hundhammer og Elisabeth Vike Vardheim are in addition entitled to pension from the enterprise's defined benefit scheme from 67 years of age. Bente Monica Haaland is included in the enterprise's defined contribution scheme and related compensation plan.
Executive Vice Presidents: Beate Sander Krogstad Gunnar G. Løvås	The Executive Vice Presidents have ordinary membership in Statnett's defined contribution pension scheme. Beate Sander Krogstad is also included in the related compensation plan.

No loans have been made or security provided for members of the Group Management or Board of Directors.

Note 24 Other liabilities

Other liabilities mainly consists of asset retirement obligations related to grid facilities.

Principle
Estimates of costs related to retirement of tangible assets are recorded as liabilities from the time the Group deems that a legal or actual retirement obligation exists. Asset retirement obligations are discounted using estimates of future inflation and NVE interest rate. Changes in estimates due to asset retirement obligations approaching the estimated time of settlement are recorded as interest costs (accretion expenses).

See note 8 Tangible and intangible assets for a further description of the recording of asset retirement obligations.

Specification of changes in other liabilities

Parent company/Group

(Amounts in NOK million)	**Asset retirement obligations**	**Other liabilites**	**Total**
Liabilities at 1 January 2018	**546**	**32**	**578**
New or changed estimates	97	43	140
Amounts charged against liabilites	-63	-	-63
Reduction due to divestments	-136	-	-136
Accretion expenses	16	-	16
Reclassification to short-term liability	-80	-	-80
Liabilities at 31 December 2018	**381**	**75**	**455**
New or changed estimates	98	13	112
Amounts charged against liabilites	-43	-	-43
Reduction due to divestments	-53	-	-53
Accretion expenses	19	-	19
Reclassification to short-term liability	-25	-	-25
Liabilities at 31 December 2019	**378**	**88**	**466**

There are no differences between parent company and Group.

For expected timing of cash outflows, see note 18 Financial risk management.

See note 3 Accounting estimates and assumptions for an explanation of the most significant causes to uncertainty in the estimates.

Note 25 Secured debt and guarantees

The parent company may not pledge the enterprise's assets or provide other security, apart from providing security to financial institutions in connection with day-to-day banking transactions, and providing the customary security as part of the day-to-day operations. For guarantees issued on behalf of subsidiaries, see the note on related parties for details.

Note 26 Contingent assets and liabilites

Principle
Contingent assets and liabilities are a potential asset or obligation where the existence is uncertain, and will be confirmed by a future event that may or may not occur, for example the outcome of a legal case or an insurance payment. Contingent liabilities are recorded in the annual financial statements, based on best estimate, if it is likely (more than 50 percent) that an obligation has occurred. When the probability is lower, information is disclosed if the potential obligation is significant and likelihood of payment is very low. A contingent asset will only be recorded in the balance sheet if it is highly probable (more than 90 percent) that the Group will receive the asset. If the probability is less than 90 percent, but there is a certain probability that the asset will benefit the Goup, this will be disclosed in the financial statements.

Higher/lower revenues are contingent liabilities/assets in accordance with IFRS and are not recorded in the balance sheet. Please see note 4 for further details.

There are not recorded contingent assets or liabilities in the financial statements.

In 2014 Statnett sold its former head office at Husebyplatået in Oslo to Husebyplatået AS with a recorded gain of NOK 56 million. In 2016 Statnett sold Noreveien 26 with a recorded loss of NOK 39 million, to the same buyer. The settlement is not final, and is dependent on the utilisation of the property granted to Husebyplatået AS as part of the future construction permit. Statnett estimates that the entity will receive payments of approximately NOK 800 million during the period 2023 – 2028 if the construction plans for Husebyplatået are realised. These expected payments are not recognized, and the estimates are uncertain.

Note 27 Other operating costs

Other operating costs comprise cost types that are not classified on the other lines under operating costs.

Principle

Other operating costs are recognized when incurred.

Propety tax is classified as other operating costs and recognized in the financial year when an invoice that applies to the current year is received from the municipalities.

Implementing IFRS 16

The Group has implemented IFRS16 (Leasing) from 2019. See note 2 (Changes in accounting policies and new accounting standards) for further details.

Parent company			Group	
2018	**2019**	*(Amounts in NOK million)*	**2019**	**2018**
83	54	Lease rental payable *	55	86
368	321	Contracted personnel/consultants/purchase of services	473	389
96	91	Insurance	80	69
253	448	Materials and subcontractors	359	192
248	281	Property tax	300	259
174	164	IT costs	172	180
312	332	Miscellaneous	319	316
1 534	**1 691**	**Total other operating costs**	**1 758**	**1 491**

* For 2019, only rental costs that do not qualify under IFRS16 are included.

Auditor's fee (current auditor - Deloitte)

Parent company			Group	
2018	**2019**	*(Amounts in thousand kroner)*	**2019**	**2018**
519	1 436	Statutory audit	1 807	641
320	214	Other attestation services	254	364
373	138	Tax-related assistance	150	373
942	1 256	Other assistance	1 274	989
2 154	**3 044**	**Total fees (excl. VAT)**	**3 485**	**2 367**

Note 27 Other operating costs

Auditor's fee (previous auditor - EY)

Parent company			Group	
2018	**2019**	*(Amounts in thousand kroner)*	**2019**	**2018**
584	-	Statutory audit	-	813
298	-	Other attestation services	-	313
17	-	Tax-related assistance	-	17
899	**-**	**Total fees (excl. VAT)**	**-**	**1 143**
3 053	**3 044**	**Total auditor's fee**	**3 485**	**3 510**

Note 28 Other comprehensive income

Other comprehensive income is part of Total comprehensive income, and is also part of Statement of changes in equity. Other comprehensive income to be reclassified to profit or loss in subsequent periods, is recorded as Other items in the Statement of changes in equity, while Other comprehensive income not to be reclassified to profit or loss in subsequent periods, is recorded as Other equity accrued in the Statement of changes in equity.

Spesification of other comprehensive income

Parent company/Group *(Amounts in NOK million)*	Fair value of financial instruments	Cash flow hedge reserve see note 15	Total Other compre-hensive income recorded in Other items	Estimate deviations of pension liabilities	Total Other compre-hensive income recorded in Other equity accrued	Total Other compre-hensive income
Carrying value 1.1.18	**1**	**-272**	**-271**	**-225**	**-225**	**-496**
Changes, gross	-1	267	266	79	79	345
Tax effect	-	-62	-62	-20	-20	-82
Carrying value 31.12.18	**-**	**-68**	**-68**	**-166**	**-166**	**-234**
Carrying value 1.1.19	**-**	**-68**	**-68**	**-166**	**-166**	**-234**
Changes, gross	-	129	129	86	86	215
Tax effect	-	-28	-28	-19	-19	-47
Carrying value 31.12.19	**-**	**32**	**32**	**-99**	**-99**	**-67**

Note 29 Events subsequent to the balance sheet date

Principle

New information on the company's positions on the balance sheet date is incorporated into the annual financial statements. Events after the balance sheet date that do not affect the company's position on the balance sheet date, but will affect the company's position in the future, are disclosed if they are material.

Sale from associated company

On January 15, 2020, TSO Holding AS (previously Nord Pool Holding AS) sold 66 percent of the shares in Nord Pool Holding 2 AS to Euronext Nordics Holding AS. Nord Pool Holding 2 AS is the sole owner of the shares in Nord Pool AS and European Market Coupling Operator AS. The transaction price was NOK 640.2 million.

For Statnett SF, the transaction has no effect for the accounting. The Group will recognize a gain from the sale, estimated to NOK 180 million (without considering transaction costs).

Breakdown of a cable in the Oslo Fjord

On February 16, three power cables were damaged in the Oslofjord by a ship with the anchor out of control. The oil insulated cable was sealed, and the oil leak was stopped on February 23. Statnett's net costs are estimated at approx. NOK 30 million.

The coronavirus

The outbreak of COVID-19 (coronavirus) is affecting our society, and has also affected Statnett. Statnett has clear priorities in dealing with the epidemic. Our social mandate is to secure the power supply at any time and in any situation.

The current operational and financial effects of the corona virus are, thus far, limited for Statnett, but we see that both the global and Norwegian economies will be affected.
This will also impact the power sector.
In the short term, lower activity in industry and commmerce could result in a somewhat lower power consumption. Furthermore, it is possible that both ongoing and planned projects for new production could be postponed. How the measures to control the pandemic will affect the development in the longer term, is uncertain, and Statnett will continuously monitor this development.

Statnett's project portfolio is dependent on global suppliers and manpower. Progress in the various projects is continuously assessed against the challenges that arise. If the supply chains are negatively impacted over time, while at the same time operational-critical tasks are prioritized over investment activities, this could adversely affect progress, increase costs and create deferred income.

The financial markets are characterized by increased risk premiums and low liquidity. However, Statnett has few loan maturities in the coming months and has received significant so-called CSA payments (collateral from derivative counterparties) as a result of falling NOK exchange rates and our currency hedging. This means the liquidity situation is good. Statnett has in addition the unused credit facility of NOK 8 billion with regard to situations where the loan market is performing poorly. This will be drawn upon if necessary.

Statnett continuously assesses possible consequences and necessary measures to limit the negative effects on operations and financial position.

There have not occurred other events after the balance sheet date that would have affected the financial statements or related assessments in any significant manner.

Deloitte.

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To the General Meeting of Statnett SF

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Statnett SF, which comprise:

- The financial statements of the parent company Statnett SF (the Company), which comprise the balance sheet as at 31 December 2019, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Statnett SF and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit are:

- Investments in tangible fixed assets and plants under construction

Deloitte.

Investments in tangible fixed assets and plants under construction

Key audit matter	How the matter was addressed in the audit
Refer to the notes 8, 9 and 21 in the group financial statement for specification and description of accounting principles for Statnett's investments in tangible fixed assets and plants under construction. Refer also to note 3 for a description of related estimates and assumptions, and description of the impact investments have on the permitted revenue in note 4. At 31 December 2019, the carrying value of tangible fixed assets amounts to NOK 54,637 million and the carrying value of plants under construction amounts to NOK 11,514 million. The Group's investments amount to NOK 9,437 million in 2019. Investments include additions and construction interest capitalized on plants under constructions and facilities purchased in the period. For investments management must make assumptions about: • whether costs should be capitalized or expensed, for accounting and tax purposes • estimate accrued costs and stage of completion of the cableprojects at the end of the reporting period For plants under construction, management must make assumptions about when projects are transferred from plants under construction to tangible asset, "the asset is ready to use". For assets that are ready to use and facilities purchased, management must make assumptions about identification of significant components of the asset and remaining useful life for the components. Due to size and complexity of tangible fixed assets and plants under construction, the level of management judgement involved and the impact on the permitted revenue, investments in tangible fixed assets and plants under construction is identified as a key audit matter.	We have assessed Statnett's process for following up investment projects. We have tested the design and implementation of controls established when transferring projects from plants under construction to tangible assets, identification of significant components for projects and purchased facilities, estimating remaining useful life and stage of completion and estimating when the asset is ready to use. We have evaluated and challenged management's assessment about: • whether costs should be capitalized or expensed, for accounting and tax purposes • when projects are transferred from plants under construction to tangible asset • remaining useful life • degree of identification of significant components • method for estimating stage of completion of the cables, and • estimated accrued costs at the end of the reporting period. We have tested a sample of this year's additions and evaluated if they are correctly capitalized or expensed. We have also tested a sample of estimated stage of completion and accrued costs at the end of the reporting period. For assets ready to use in 2019 we have for a sample tested when the project is transferred from plants under construction to tangible asset, identification of significant components and estimated remaining useful life. For facilities purchased in 2019 we have for a sample tested identification of significant components and estimated remaining useful life. We have assessed the adequacy of the related disclosures in the financial statement.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Deloitte.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

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- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 2 April 2020
Deloitte AS

Gry Kjersti Berget
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

CSR accounts

We have collected detailed information on the three main categories described in the CSR report.

Information on social conditions

Safety

Serious Incident Frequency[1)] SIF	2019 Number	2019 SIF value	2018 Number	2018 SIF value	2017 Number	2017 SIF value
Total	16	3,1	15	2,6	33	5,9

Lost-time injuries (LTIF)	Number of injuries	LTIF value	Number of injuries	LTIF value	Number of injuries	LTIF value
Employees	6	2,3	5	1,9	4	1,6
Subcontractors	16	6,2	28	8,6	16	5,3
Total	22	4,2	33	5,6	20	3,6

Injuries (TRIF)	Number of injuries	TRIF value	Number of injuries	TRIF value	Number of injuries	TRIF value
Employees	14	5,4	16	6,1	9	3,5
Subcontractors	34	13,2	50	15,4	46	15,0
Total	48	9,2	66	11,3	55	9,6

Fatalities	2019	2018	2017
Employees	0	0	0
Subcontractors	0	0	0

Lost day rate (LDR)	Number of lost days	LDR value	Number of lost days	LDR value	Number of lost days	LDR value
Employees	61	23,0	120	45,0	92	36,0
Subcontractors	155	60,0	366	113,0	426	140,0
Total	216	42,0	486	83,0	518	92,0

Total recordable injuries (TRIF) and lost-time injuries (LTIF) are not differentiated by gender or region. The lost-time injuries frequency (LTIF) shows the frequency of work-related lost-time injuries per million working hours. The total recordable injury frequency (TRIF) shows the total number of work-related injuries per million working hours. The serious incident frequency (SIF) indicator captures the most serious incidents/conditions involving injuries, near misses, environmental harm and recorded hazardous conditions per million working hours relating to electrical safety and working at height. Absence days are defined as lost working days in relation to the total number of working days the injured person is away from the first day after the work injury occurred. Lost day rate shows the absence rate or the frequency of absence due to the work injury per million hours worked. A fatal accident is considered as 365 days absence, two fatal accidents from 2016 have been added to the F-value, which gives high values in 2017.

Sanctions, health and safety	Unit	2019	2018	2017
Cases where legal or administrative sanctions have been issued for serious breaches of health and safety legislation	Number	0	0	0
Fines or charges for serious breaches of health and safety legislation	MNOK	0	0	0

[1]Values for 2017 and 2018 have been updated since the 2018 reporting.

Supply chain

Payment to suppliers	2019		2018		2017	
	MNOK	**Number of suppliers**	**MNOK**	**Number of suppliers**	**MNOK**	**Number of suppliers**
Development and operation	5 666	842	6002	869	6784	980
ICT	903	440	936	462	823	475
Administrativt	490	2463	517	2589	486	2876
Consultants	733	332	983	377	1076	373
Other	2 105	1471	1513	1399	1228	1386
Totalt	9 898	5548	9951	5696	10397	6090

Decent working life

Trade unions	Unit	2019	2018	2017
Percentage of employees with collective agreements as at 31.12	%	80	77	76

Penal sanctions, human rights	Unit	2019	2018	2017
Cases where legal or administrative sanctions have been issued for material breaches of human rights legislation[1]	Number	0	0	0
Fines or charges for material breaches of human rights legislation	MNOK	0	0	0

[1] Material legal sanctions for discrimination, forced labour, child labour or breaches of freedom of association, indigenous rights or employee rights.

Working environment

Employees	Unit	2019	2018	2017
Employees as at 31 Dec	Number	1445	1426	1378
Employees in subsidiaries as at 31 Dec[1)]	Number	48	38	37
Employees in full-time positions as at 31 Dec	%	98,8	98,3	98,3
Turnover	%	4,7	3,0	2,4
Apprentices as at 31 Dec	Number	30	36	39
Trainees as at 31 Dec	Number	10	10	11

Age distribution	Unit	2019	2018	2017
Employees under 30	%	8,3	9,0	9,0
Employees aged 30–50	%	47,2	48,0	50,0
Employees over 50	%	44,5	43,0	41,0
Average age, all employees	Years	46,8	45,7	45,3
Average age, men	Years	47,3	46,3	45,8
Average age, women	Years	45,3	43,9	43,7

Gender equality	Unit	2019	2018	2017
Female quota, Group	%	26,2	27,0	26,0
Female quota, management positions	%	25,9	29,0	30,0
Female quota, Group Management	%	28,6	28,6	28,6
Female quota, Board of Directors	%	37,5	43,0	43,0
Female quota, new employees	%	26,6	40,0	29,0
Female quota, new managers	%	35,3	29,0	23,0
Female quota, full-time employees	%	25,3	26,0	25,0
Female quota, part-time employees	%	75,0	63,0	74,0

Equal pay[2)]	Unit	2019	2018	2017
Average salary for women as a percentage of average salary for all employees	%	99,0	99,3	98,2
Average salary for men as a percentage of average salary for all employees	%	100,4	100,2	100,6
Average salary for female managers as a percentage of average salary for all managers	%	99,8	-	-
Average salary for male managers as a percentage of average salary for all managers	%	100,1	-	-

Sickness absence	Unit	2019	2018	2017
Short term, 1–16 days	%	1,4	1,4	2,0
Long term (>16 days)	%	1,5	1,8	1,4
Women	%	4,5	5,2	5,4
Men	%	2,5	2,6	2,8
Totalt	%	2,9	3,2	3,4

Statnett as employer	Unit	2019	2018	2017
Employee satisfaction and motivation				
Employee engagement[3]	Scale of 1-5	4,2	4,3	4,3
Response rate	%	89	90	93
Employees who have had an annual appraisal	%	81	81	85

[1] Elhub and Statnett Transport

[2] Reported for the first time in 2019; not all historical figures are available.

[3] From Statnett's annual internal organisation survey.

Environmental and climate information

Environment

Form of protection	2019 Number of protected areas	2019 Kilometres of power lines	2019 Areal (km2)	2018 Number of protected areas	2018 Kilometres of power lines	2018 Areal (km2)
Biotope protection under the Norwegian Wildlife Act	4	85	6	4	85	6
Animal protection area	11	44	3	11	44	3
Landscape protection area	14	141	11	14	132	9
National Park	0	0	0	0	0	0
Nature reserve	65	117	8	64	117	8
Protected plant area	0	0	0	0	0	0
Total	**94**	**387**	**28**	**93**	**378**	**26**

Waste type[1)2)]	Unit	2 019	2018	2017
Biological waste and sludge	tonnes	2 646	3 778	-
Paper and cardboard	tonnes	69	68	31
Glass	tonnes	5	40	-
Metals	tonnes	556	1 132	1 721
WEEE	tonnes	551	74	181
Soil and inorganic materials	tonnes	1 193	924	-
Plastics	tonnes	46	21	14
Chemicals	tonnes	2	2	-
Batteries	tonnes	13	3	-
Hazardous waste	tonnes	103	474	314
Total source-separated waste	tonnes	5 183	6 516	4 709
Mixed waste	tonnes	674	732	634
Source separation rate	per cent	87	89	87
Estimated reported	per cent	85	85	85

[1)] Statnett clasifies waster in accordance to NS9431

[2)] New system for waste reporting introduced in 2018, only comparable historical values included

Sanctions, environment	Unit	2019	2018	2017
Cases where legal or administrative sanctions have been issued for material breaches of environmental legislation	Number	1	0	0
Fines or charges for breaches of environmental legislation	MNOK	0,6	0	0

Environmental incidents[1)]	Unit	2019	2018	2017
Statnett				
Serious environmental incidents[2)]	Number	1	3	5
Less serious environmental incidents [3)]	Number	18	628	631
Contractors				
Serious environmental incidents	Number	0	-	-
Less serious environmental incidents	Number	869	-	-
Total	Number	888	631	636

1) The method for reporting environmental incidents was changed in 2019. Incidents for which contractor is responsible and incidents for which Statnett is responsibleis are split.

2) Incidents that cause serious or irreversible environmental impacts.

3) Incidents that cause minor or moderate negative environmental impacts.

Climate

Energy consumption	Unit	2019	2018	2017
Electricity				
Own consumption	GWh	17,1	15,4	13,5
Grid losses	GWh	2 238,0	2 444	2 363
Grid losses as percentage of power transported in the transmission grid	%	2,4	2,4	2,4
Fossil fuels				
Natural gas, gas-powered plants	Ton	23	184	70
Fuel, own cars and machinery	m^3	934	930	913
Fuel, business car travel	m^3	48	59	70
Percentage of electric cars used for business car travel	%	12	8	5
Fuel, Statnett Transport	m^3	586	1 421	
Fuel, own helicopter use	m^3	308	220	315
District heating and cooling				
Own consumption	kWh	2 441	2 460	2 396
Of which renewable	%	67	66	69

Emission intensity	Unit	2019	2018	2017
Total greenhouse gas emissions	tCO_2	61 292	63 958	55 576
Total power transmission in the main grid	TWh	95	101	98
GHG emission intensity	tCO_2/TWh	644	635	**568**

Greenhouse gas emissions[1)]	Unit	2019	2 018	2 017
Direct emissions (scope 1)	tCO_2 equivalents	**13 159**	**16 522**	**11 898**
From fuel consumption[2)]	tCO_2 equivalents	2 205	2 230	2 302
From company car travel[3)]	tCO_2 equivalents	108	134	158
From helicopter use (Statnett)[4)]	tCO_2 equivalents	781	558	800
From fugitive emissions (SF6)[5)]	tCO_2 equivalents	8 389	9 173	8 446
Fra Statnett Transport	tCO_2 equivalents	1 612	3 930	
From reserve power facilities (natural gas)	tCO_2 equivalents	63	498	192
Indirect emissions (scope 2)[6)]	tCO_2 equivalents	**42 638**	**40 351**	**38 007**
Electricity	tCO_2 equivalents	323	253	215
Grid losses	tCO_2 equivalents	42 298	40 082	37 792
District heating and cooling[7)]	tCO_2 equivalents	17	16	1
Other indirect emissions (scope 3)	tCO_2 equivalents	**5 495**	**7 086**	**5 671**
From company air travel[8)]	tCO_2 equivalents	2 685	3 165	2 426
From helicopter use[4)]	tCO_2 equivalents	2 811	3 921	3 245
Total emissions	tCO_2 equivalents	**61 292**	**63 959**	**55 576**

1) Greenhouse gas emissions relate to Statnett, with the exception of helicopters (contractors). Consolidation is based on operational control. The figures in the table have been calculated in accordance with the GHG protocol and show emissions using the location-based method of calculation. In 2019, total scope 2 emissions using the market-based method, which corrects for sales of guarantees of origin, amounted to 1,191,719 tonnes of CO2 (emission factor per NVE equates to 520 tonnes CO2/GWh).

2) Emission factor: SSB Sales of petroleum products and gov.uk Greenhouse gas reporting

3) Emission factor: OFV AS

4) Emission factor JET A-1 (Kerosene): Asplan Viak report "Notodden airport - GHG emissions". The emissions for helicopter use are based on estimated average hourly usage per kilometer line section, which means there is some uncertainty in the numbers.

5) Emission factor: United Nation GWP potential, GWP 23,900

6) Emission factor: NVE electricity disclosure 2017

7) Source: Avantor. A larger proportion of Statnett's buildings that use district heating and cooling have been included in 2019. Figures for previous years have been restated using the new method.

8) Source: Via Egencia. A new method (Defra) has been introduced for calculating greenhouse gas emissions from flights. Figures for previous years have been restated using the new method.

Levels and emissions, SF_6	Unit	2019	2018	2017
Levels as of 31 Dec[1)]	kg	146 713	143 599	129 281
SF6 emissions	kg	351	384	353
Substations with gaseous components	Number	152	145	141
Of which gas-insulated substations	Number	30	30	30

1) Levels include SF6 in stations and stock.

Sustainable economic information

Business ethics and anti-corruption

Whistle-blowing cases	Unit	2019	2018	2017
Total number of concerns reported	Number	52	55	60
Of which linked to business ethics and anti-corruption[1]	Number	22	-	-
Of which linked to working environment[2]	Number	30	-	-

Sanctions, business ethics and anti-corruption		2019	2018	2017
Cases where legal or administrative sanctions have been issued for material breaches of business ethics legislation[3]	Number	0	0	0
Fines or charges for material breaches of business ethics legislation	MNOK	0	0	0

[1] Concerns linked to business relationship, for example work-related crime and impartiality

[2] Concerns linked to employees, for example conflicts of interest and discrimination.

[3] Material legal sanctions for accounting fraud, corruption.