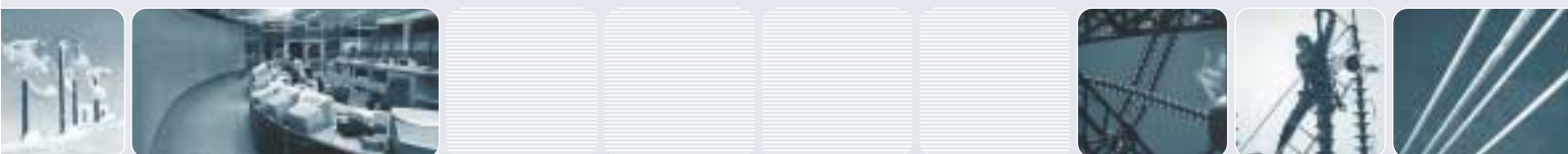




STATNETT AIMS TO CREATE CONDITIONS CONDUCIVE TO AN EFFICIENT ENERGY MARKET



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MAIN FIGURES FOR STATNETT SF

(Amounts in NOK million)	2002	2001	2000	1999	1998
Operating revenues	4 624	4 503	3 387	3 390	3 381
Operating profit	905	917	884	765	807
Profit before tax	574	481	666	551	569
Profit for the year	417	348	477	402	389
Total assets	11 970	10 995	10 980	11 361	11 344

KEY RATIOS FOR STATNETT SF

	2002	2001	2000	1999	1998
Return on assets before tax	8.6%	9.1%	9.0%	7.8%	8.1%
Return on equity after tax	9.6%	8.2%	11.4%	10.0%	10.1%
Equity ratio	36.3%	39.4%	38.4%	36.4%	34.4%

DEFINITION OF KEY RATIOS

Return on total assets: $\frac{\text{Operating profit} + \text{financial income}}{\text{Average total assets}}$

Return on equity: $\frac{\text{Profit for the year}}{\text{Average equity}}$

Equity ratio: $\frac{\text{Equity at 31 December}}{\text{Total assets at 31 December}}$

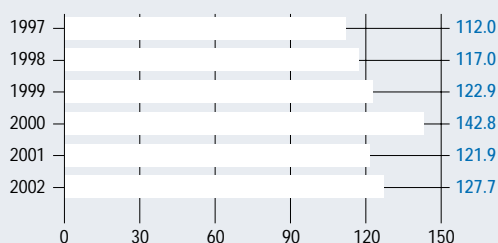
KEY INFORMATION, STATNETT SF

- No. of employees: 523
- Rating, short-term: A-1+ (Standard & Poor's)
- Rating, long-term: AA+ (Standard & Poor's)
- State guarantee: Applies to obligations undertaken prior to 31 December 2002
- Insurance valuation of assets in the grid: NOK 32.5 billion on 31 December 2002
- Dividend policy: Proposition no.1 to the Storting (1999-2000) proposes a dividend of approximately 50 per cent of the Group's profits after tax. Dividends in real terms may vary depending on the National Budget dispositions.

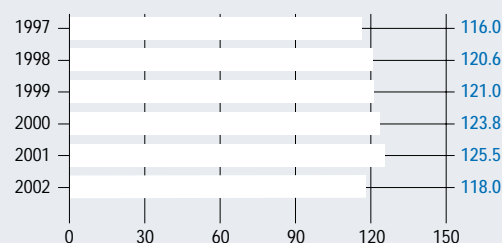
NORWAY'S PRODUCTION, CONSUMPTION AND IMPORT/EXPORT OF ELECTRICITY

(Figures in TWh)

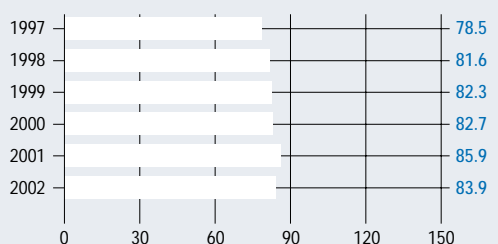
Total production



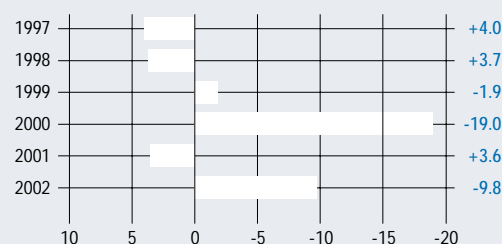
Total consumption



General consumption



Net power exports/imports



(+) exchange = import and (-) exchange = export

ELECTRICITY CANNOT BE STORED AND MUST BE USED THE MOMENT IT IS GENERATED

A transmission system operator must ensure that supply and demand are in balance at all times. In Norway, Statnett is the Transmission System Operator (TSO) in Norway, and thereby responsible for coordinating supply and demand in the power system. In this capacity, Statnett owns and operates large sections of the main Norwegian power grid and the Norwegian section of power lines and subsea cables to other countries.

Statnett's head office is located in Oslo and its regional offices are at Alta, Sunndalsøra and in Oslo.

Employees' meeting points for substations can also be found at various locations around the country. The newly established Statnett Transport AS is a wholly owned subsidiary with transport capacities both overland and by sea.

RESPONSIBILITY FOR THE POWER SYSTEM'S HIGHWAYS

Statnett is responsible for the continual, day to day balance in the Norwegian power system. Pursuant to the Energy Act, Statnett is the transmission system operator (TSO) in Norway and must therefore ensure that there is always a balance between the amount of power generated and the amount that is consumed at any one time. Our vision is to be Europe's most efficient and leading transmission system operator. And no less.

Statnett's position in the power market was subject to a thorough review by the Storting at the end of last year and the start of this year. The company's role and organisation as the transmission system operator received broad-based support and was deemed to be a good solution for Norwegian society. The solution chosen in Norway – with Statnett as the TSO – mirrors the organisation model chosen through-out the Nordic system. This has now become a model for the rest of Europe.

Statnett owns the grids that are vital to the transmission of electricity. In Norway, Statnett owns approximately 87 per cent of the Main Grid, in the form of more than 9 000 kms of power lines and approximately 100 transformer and switching stations. Responsibility for operations of the Main Grid is one of Statnett's prime tasks. Similarly, Statnett is to secure a reliable functioning of the power system.

The Energy Act and associated regulations set out the framework for Statnett's systemwide responsibility. The power exchange, Nord Pool, and the regulating power market both play a very important role in the efficient execution of this

responsibility. Statnett must remain neutral and non-discriminatory in its work to facilitate the market. Statnett implements market and technical solutions that contribute to establishing a more efficient utilisation of the power system.

Statnett's business idea is to create conditions conducive to an efficient energy market. The company must ensure the reliable and stable transmission of electricity. At the same time, Statnett has to execute its systemwide responsibility in a socio-economically rational manner.

In order to fulfil its responsibility in the best possible way, Statnett has been delegated statutory authority. Market participants adhere to decisions that the transmission system operator might make in line with its responsibility.

Key elements of the systemwide responsibility are to develop the infrastructure, based on socio-economic criteria, and to ensure the availability of transmission routes through good maintenance.

Statnett also owns an extensive fibre grid that is spun along the high voltage transmission lines.

A RESOURCE FOR STATNETT

- "Our main task is to ensure that participants in the market are treated as equally and fairly as possible", says Helge Stanghelle, chairman of Statnett's User Council. He represents the Confederation of Norwegian Business and Industry through the Federation of Norwegian Process Industries (PIL). With him on the Council are representatives for other large user groups such as the Norwegian Electricity Industry Association (EBL), the Federation of Statnett Customers (SFO), the Consumer Council of Norway, the Forum For Strategic Grid Development (FSN) and the Federation of Trade and Services (HSH).

The User Council is a supplement to the authorities' monopoly control and deals with issues relating to regulated monopoly and regulatory tasks in Statnett. The User Council



is a forum for communication and discussion and a resource and support for Statnett in connection with important tariff and grid issues.

Helge Stanghelle: – Equality and justice.



The Statnett Control Center represents the core of the daily coordination and control of the Norwegian Power System. A continuous coordination and monitoring of electricity "highways" is carried out on a 24hrs basis. Kristoffer Sletten (left) and Kjell Sand are seen in the midst of coordination procedures.

Statnett is a public enterprise, owned by the State through the Ministry of Petroleum and Energy and regulated by the State Enterprise Act. The enterprise's supreme authority is the general meeting. It is the owners' decision-making body, with similarity to the general assembly in stock companies.

The general meeting deals with ordinary general meeting issues, including amendments to the articles of association, loan and guarantee limits and mergers. Statnett's Board of Directors and Corporate Management are responsible for Statnett's strategy and the day-to-day running of the enterprise.

Amendments were made to several important points in the Public Enterprises Act in 2002. Hereafter, the State will no longer be liable for the enterprise's obligations. Instead, the enterprise has a limited liability in line with the rules in the Companies Act. In addition, from January 2003, a public enterprise can be subject to bankruptcy/debt negotiations on a par with any other type of company.

Statnett's core activities are not exposed to competition in the normal sense. The enterprise's highest earnings come primarily from monopoly-based activities that are regulated by a revenue ceiling set by the Norwegian Water Resources and Energy Directorate (NVE).

NVE has a mandatory responsibility to carry out active control of Statnett's activities. In addition, Statnett has a User Council that deals with all aspects of Statnett's monopoly-based activities that are of importance to Statnett's customers and partners.

The enterprise makes investments based on rational socio-economic principles and strives to achieve its goal of ensuring that framework conditions are such that the correlation between socio-economic profitability and Statnett's own profitability is as close as possible.

GOVERNING BODIES

THE GENERAL MEETING

Statnett SF is a state owned enterprise administered by the Ministry of Petroleum and Energy. Its supreme authority is the general meeting, i.e. the Minister of Petroleum and Energy.

THE BOARD OF DIRECTORS

Pursuant to the decision of the general meeting, the Board shall consist of between seven and nine members, one of which must be a representative of the Main Grid users. Two or three members of the Board must be elected by and among Statnett SF's employees.

Statnett's Board of Directors had the following members on 31 December 2002:

Grete Faremo (*Chairman*)
Kjell Olav Kristiansen (*Deputy Chairman*)

Anne Kverneland Bogsnes
Elisabeth Wille
Grethe Høiland
Sverre Aam

Elected by the employees:

Rolf Magne Nyheim, (*Steinar Jøråndstad, deputy member*)

Jan Eskedal, (*Elisabeth Haug, deputy member*)

Ole Bjørn Kirstihagen, (*Bjørn Solberg, deputy member*).

AUDITOR:

Ernst & Young AS, represented by State authorised public accountant, Jan Erik Haga.

THE USER COUNCIL

Statnett's Memorandum and Articles of Association stipulate that it shall have a User Council. The purpose of the User Council is to contribute to the efficient control of Statnett's affairs. According to its mandate, the User Council shall play an important role in liaising between Statnett and users of the Main Grid.

The User Council's mandate states that:

"Statnett shall be a transmission system operator and neutral service enterprise for users of the Norwegian power system.

If Statnett makes any decisions that conflict with the User Council's recommendations, a majority vote in the Council can submit the case to the Ministry of Petroleum and Energy for consideration by the general meeting".

The User Council, in which the most important Main Grid users' groups are represented, has the right to make proposals and recommendations to Statnett's governing bodies. The User Council shall comprise six members, to be appointed by the general meeting.

Statnett's User Council has had the following members since August 2002:

Chairman: Helge Stanghelle, *nominated by NHO (Confederation of Norwegian Business and Industry) through PIL (Federation of Norwegian Process Industries)*

Deputy Chairman: Ada Solberg, *nominated by SFO (The Federation of Statnett Customers)*

Håkon Gjerde, *nominated by NHO through EBL (Norwegian Electricity Industry Association)*

Karstein Sandvik, *nominated by the Consumer Council of Norway*

Caroline Lund, *nominated by the Forum for Strategic Grid Development (FSN)*

Cathrine Møller Faaberg, *nominated by the Federation of Trade and Services (HSH).*

ENERGY SITUATION

November

After a dry autumn, water reservoirs sank to 65 per cent of the maximum level. Statnett warned: "This situation gives grounds for grave concern". Statnett announced that new Elspot area divisions would apply from 15 December and consequently Norway would be divided into four Elspot areas till June 2003.

December

Reservoir levels in Norway sank at a worrying rate. On 2 December, water levels were down to 60.5 per cent, which is a good 20 percentage points lower than the normal levels at this time of the year. Statnett was in regular contact with the authorities. Reservoir levels were falling by more than two percentage points a week.

POWER ABROAD

January

The subsea cable project NSI (North Sea Interconnector) between Norway and the UK was selected as one of twelve priority projects that the EU Commission believes to be of great importance to Europe.

STATNETT'S ROLE AND RESPONSIBILITIES

February

The Norwegian Parliament (Storting) debated Statnett's organisation and responsibilities. The company's role was clarified: Statnett will continue to be an integrated transmission system operator, owned by the State. Statnett's responsibilities were extended.

December

On 16 December, the Storting decided to remove the provision regarding state guarantees for state owned enterprises from 1 January 2003.

PLANS AND LICENCES

August

Statnett granted a licence by the Norwegian Water Resources and Energy Directorate (NVE) to build and operate a new transformer station at Viklandet near Sunndalsøra. NVE also approved the alteration of the power grid in this area.

September

Statnett was granted a licence by (NVE) to construct a power line from Klæbu in South Trøndelag to Sunndal in Møre and Romsdal. The new line will be 130 kilometres long. An appeal was submitted to the Ministry of Petroleum and Energy in Orkdal Municipality regarding the plans.

November

Notification of plans for a new 420 kV power line from Istad near Molde to Aukra Municipality was sent to NVE.

NEW FACILITIES/ACQUISITIONS/SALES

September

Skagerak Nett AS and Statnett entered into a working agreement on the development and utilisation of the electricity grid in Vestfold and Telemark with effect from 1 January 2003.

December

Eidsiva Energinett AS and Statnett entered into a working agreement on improving efficiency in connection with the development and utilisation of the electricity grid in Oppland and Hedmark from 1 January 2003. At the same time, Eidsiva Energinett took over Statnett's regional grid facilities in the area.

ORGANISATION

January

Changes in Engineering and Construction: Statnett Rederi AS changed its name to Statnett Transport AS and incorporated transport operations from Statnett Entreprenør into its own operations. All transport operations – including sea transport – in the Group are now collected in one wholly-owned company, Statnett Transport AS.

February

Statnett Entreprenør AS reorganised its operations. The facilities in Melhus and Lillesand were closed down. Three new departments (Project, Maintenance and Tele) were established.

September

On 18 September, The Brazz Brothers and Statnett marked the launch of a new music academy, Statnett-akademiet. The academy focuses on learning by ear and primarily offers courses for music school teachers.

For more information, visit the Statnett web site: www.statnett.no

VALUE CREATION AT SUNNDALSØRA

Hydro Aluminium is currently building "New Sunndal" at Sunndalsøra - a manufacturing enterprise that will be the largest aluminium plant in Europe when it is completed in 2005.

The new electrolysis halls at Øra will extend over a total distance of more than one kilometre. "Our power requirements will then be 4.8 TWh a year," states Harald M. Bø, plant director at Hydro Aluminium Sunndal. He beams with satisfaction - safe in the knowledge that power transmission to the plant has now been secured.

Statnett's role in the project - before, during and after 2002 - is to provide the stable power supply needed to produce thousands of tonnes of extrusion ingots and foundry alloys.

In 2003, another line of pylons is to be installed along the route, creating a new skyline for Sunndalsøra.



The pylons that are being used are single-structure teleskop pylons, produced in France. These are put together like building sets on the ground and then raised into place - one by one.

The new pylon corridor will replace the old 132 kV lines from Aura transformer station to Hydro Aluminium's plant.

It was Magne Maurset in Statnett's Engineering Division who suggested this particular type of pylon. The solution was chosen because it frees up ground space for the development of local industry and allows for the protection of the natural environment on the river delta.

A bold and innovative plan. "Nothing ventured, nothing gained," says Magne Maurset.

Statnett has divided its business operations into three areas:

- Grid operations
- Engineering and construction
- Power exchange

Besides Statnett's business operations the company carries out work on behalf of the consumers and authorities: The Main Grid Commercial Agreement, shared regional grids and the power balance settlement.

As a transmission system operator, Statnett is at all times responsible for there being a balance between electricity supply and demand.

GRID OPERATIONS

Statnett's grid operations include both administrative tasks and commercial activities. The administrative work is part of Statnett's system responsibility pursuant to legislative amendment in 2002, whereas the commercial activities are connected to Statnett's ownership of transmission facilities.

Statnett is assigned a revenue ceiling for grid operations. The revenue ceiling sets an upper limit for Statnett's total income from activities in this area of operation. In addition, Statnett has a separate revenue ceiling for physical electricity transport losses in the transmission grid. Statnett's revenues are generated through the Main Grid Commercial Agreement and the leasing of facilities in regional and distribution grids (see Main Grid Commercial Agreement).

The rationalisation programme, Statnett 2000, was completed in 2002 and contributed to a reduction in Statnett's operating costs.

Systemwide responsibility – new provisions

Statnett shall ensure that the generation and consumption of power in Norway are in balance at all times.

Statnett has implemented a number of measures to tackle situations where the output balance is limited. Contracts have been signed with power generators in the established market for regulating power options, to "put aside" a certain amount of reserves which will only be used to tackle unforeseen situations, for example, if consumption rises more than expected. Similarly, contracts have also been drawn up with manufacturing companies that can reduce consumption, if total consumption approaches the limits of how much power can be obtained.

System utilisation and telematics

In 2002, the protection system for "Nordlands-snittet" (Nordland interface) was extended to include several telecommunications lines, including some in Sweden, thereby increasing the transmission capacity from Northern and Central Norway to Sweden by around 300 MW. The protection system is now used more often to disconnect surplus areas than to disconnect power plants. The protection system can detect the seven worst faults in the grid and gives automatic instructions about what measures need to be taken in order to avoid damage or grid failure.

Statnett leases out capacity on its telecommunications network to BaneTele AS.

Rational ownership structure in the grid

Statnett is actively contributing to the rationalisation of the overall grid ownership structure in Norway. Statnett's goal is to own 100 per cent of the Main Grid. In order to achieve this, the enterprise has to acquire Main Grid facilities and sell regional and distribution grid facilities.

In 2002, Statnett started to sell its regional and distribution grid facilities and at the same time entered into working agreements with regional grid operators. The working agreements cover grid development and utilisation and should result in a more cost-effective development and operation of the total transmission grid within a geographically specified area, including joint use of existing power line corridors. Statnett has entered into such agreements with Skagerak Nett AS for Vestfold and Telemark, and with Eidsiva Energinett AS for Hedmark and Oppland.

Increase in capacity and investment

Rising industrial and general consumption and the inflow of some production capacity put demands on the further development of the grid. This will involve a considerable increase in investment in the years ahead in Trøndelag,

STATNETT COLLECTS POWER LINE DATA BY PLANE

A laser mounted on a plane "sweeps" the ground and collects three-dimensional data (3D) from the terrain under and beside the power lines. When the data are analysed, the software identifies different



elements: the ground level, vegetation/ forest, lines and pylons, line crossings and houses built near power lines. All the elements are recorded with a high degree of precision, making it possible to measure the distance between, for example, treetops and power lines.

This is used, among other things, to:

- Pinpoint critically high trees near the line and for clearance planning.
- Measure the distance between the power lines and ground level as a basis for upgrades.
- Generate planting data for new power lines.

The project is one of several that demonstrates how Statnett's R&D investment contributes to both environmental and efficiency gains.

Above foto: Statnett's surveyor, Kolbjørn Mittet, sets up laser equipment for collecting measurement data along the 420 kV power line between Viklandet and Istad, Møre. Laser data provides information for planning the new power line.



Møre and Romsdal and Sogn and Fjordane, among other places.

Investment in the grid must be profitable in socio-economic terms. In order to evaluate this, it is therefore necessary to identify the costs and utility value to society of each project.

In 2002, Statnett started construction on the 132 kV power line from Fardal to Mel in Sogn and Fjordane, which will be ready in October 2003. There was also considerable activity in

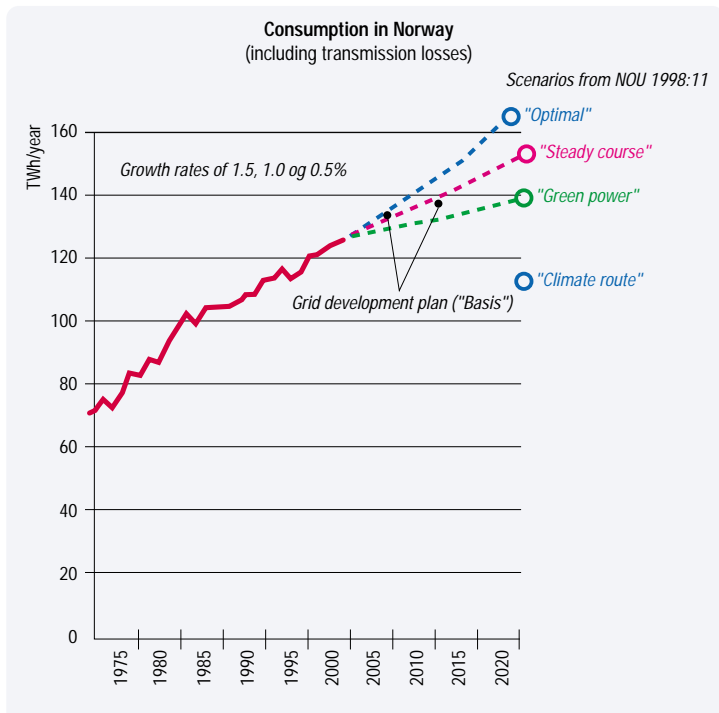
connection with the installation of new transformers between the Main Grid and regional grids.

In 2002, Statnett decided to construct a new 420 kV power line between Klæbu and Viklandet with all the necessary transformers and switching facilities. Construction of the line will begin in May 2003, with completion planned for June 2005.

Statnett has its own specialised engineering centre that works with power transmission and

the major development of transformer stations, power lines and subsea power cables. Operations also include consultancy and advisory services, as well as control, follow-up and project management.

Turnover in grid operations amounted to NOK 3 396 million in 2002. Grid operations recorded a profit for the year after tax of NOK 452 million.



Future electricity consumption in Norway, according to a few scenarios (NOU 1998:11) and the basic scenario that was outlined in the Statnett Grid Development Plan.

TOP MARKS FOR STATNETT'S PLANNING PROCEDURES

Good, open planning procedures and close cooperation with the local community are prerequisites for the successful planning and construction of new power lines.

For Statnett projects, this is emphasized. The new 420 kV power line between Trøndelag and Møre (Klæbu – Viklandet) is a good example. In order to find out what the affected parties thought of the procedure and Statnett's work, Opinion carried out a major study in autumn 2002, where 425 affected landowners were interviewed.

Participants were asked about their attitude to the development plans, the quality and content of information, their opinion of Statnett's orderliness and integrity, and whether they felt they had any influence on the choice of solutions.

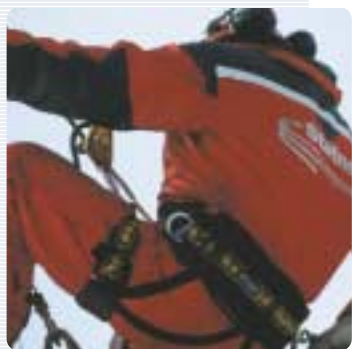


The study showed positive results. According to Opinion, they were far better than any earlier studies for companies involved in similar, large development projects. In most questions, respondents' satisfaction with Statnett was over 75 per cent.

As many as 87 per cent of those asked thought that the information from Statnett was satisfactory or very satisfactory. A total of 77 per cent answered that they had had a good relationship with Statnett during the process. Of those asked, 38 per cent felt that local landowners and affected parties had had considerable influence on which construction solutions were chosen and 61 per cent had the impression that Statnett wanted to find solutions that were acceptable to all parties.

Even though Statnett got top marks for its construction procedures on this project, there is always room for improvement. The experience gained from the project will therefore be used when planning the new projects on which Statnett is currently involved.

STATNETT ENTREPRENØR AS - POWERFUL CHANGE BEFORE SALE



For Statnett Entreprenør AS, 2002 was dominated by reorganisation and consolidation. The aim was to achieve a more cost-effective and market-oriented organisation through greater concentration in its core activities.

All involvement in telecommunications, through the IT & Telecom Division and Optocomm, was phased out. Transport operations were demerged in 2002 and merged with Statnett Transport AS.

In April 2003, Statnett decided to sell Statnett Entreprenør AS to Eltel Networks AS.

Organisation

Activities were primarily focused on the construction and maintenance of energy transmission installations in the Nordic countries. In selected areas, Statnett Entreprenør has also been a global actor.

In terms of operations, Statnett Entreprenør has been organised into three divisions, the Projects Division, the Maintenance Division and the Offshore Division. The enterprise also holds a 51 per cent stake in Elkom Entreprenør AS.

The company had 236 employees at year-end 2002.

Activities in 2002

The company faced many challenges in 2002. In the autumn, 92 kilometres of 420 kV power lines were laid in Finland. With a contract value of around NOK 110 million, it was the company's largest commission to date.

One of Statnett Entreprenør's business areas has been the clearing of power lines using helicopter saws. Statnett Entreprenør was the only company in Norway to offer forest clearance using saws that have been specially adapted to helicopters (Helimatic).

Helimatic was wound up as a separate company in 2002 and was organised as a separate unit within the Maintenance division, Statnett Entreprenør.

By year-end 2002, the company had 236 employees. Out of the total of permanently appointed workers, 160 were paid by the hour. Absence due to illness averaged 6.3 per cent.

The activities of Statnett Entreprenør had a relatively modest influence on the external environment.

Turnover and profit

Statnett Entreprenør AS achieved a turnover of NOK 319 million in 2002. Profit after tax amounted to NOK -13.7 million.

Performance improvement measures

A number of measures were implemented in the course of the year to improve profit performance. Extensive organisational changes and cost reducing measures at all levels of the organisation deserve particular mention. The company's properties in Lillesand, Hokksund and Melhus were put up for sale. The property in Lillesand was taken over by the new owners in February 2003. The sale resulted in a positive accounting profit.

In December 2002, the company's main office moved into new premises at Bryn in Oslo.

Prospects

In autumn 2002, Statnett SF decided to evaluate whether to sell Statnett Entreprenør, on the condition that it is possible to find a new owner that can provide the company with more expertise and greater market opportunities. The outcome of this process was a decision, announced in early April 2003 by the Statnett Board of Directors, to sell Statnett Entreprenør AS to Eltel Networks AS in Norway. The company is a Norwegian subsidiary of Eltel Networks Corporation, based in Espoo in Finland.

Further information could be sought in Statnett Entreprenør's Annual Report 2002.

STATNETT TRANSPORT AS – PULLING THE HEAVY LOADS

Statnett Rederi AS changed its name to Statnett Transport AS at the end of 2001, at the same time that transport operations from Statnett Entreprenør AS were merged with the company. Statnett Transport has the market's lightest equipment for transporting units of up to 350 tonnes on public highways and up to 500 tons in enclosed areas.

In combination with the "roll on - roll off" transport vessel M/S Elektron, this equipment allows the company to undertake complicated, heavy transport commissions to locations that are not easily accessible, primarily for the Norwegian power supply, but also for other parties. The company also has an 18-axeled freight train carriage for the transport of units up to 210 tons.

The company had a busy year in 2002, with a large number of preparedness and other transport commissions in connection with the power supply. In competition with other companies, Statnett Transport AS also achieved a considerable volume of transport contracts from other principals, such as Nexans, ABB, the British Ministry of Defence, Norsk Hydro, Ganz Transelektro, Smith and others.



A technically advanced, though massive trailer, climbing steep winter roads to Liertoppen and Sylling transformer station in Southern Norway. The transformer payload in question gave this equipment a combined weight of 400 tons. Safety is an absolute condition.

In 2002, the company recorded a profit after tax of NOK -637.000. Total turnover was NOK 33,3 million. The company is based at Brakerøya in Drammen, which will also become its business address in the course of 2003.

Statnett Transport AS has 24 employees.

THE NORDIC POWER EXCHANGE - A MODEL FOR EUROPE

Nord Pool ASA, the Nordic Power Exchange for trade in physical and financial power contracts, celebrates its 10th anniversary in 2003.

Since October 2000, the area covered by the Nordic Power Exchange has included all the Nordic countries with the exception of Iceland. For geographical reasons, it is difficult for Iceland to participate.

Volumes in the spot market reached 124 TWh in 2002. Nearly one third of all Nordic electricity consumption was traded in the spot market in Nord Pool. Power contracts with a total value of NOK 26.7 billion were traded in the spot market in 2002, against NOK 21.3 billion in 2001.

Nord Pool Spot recorded an annual profit after tax and financial items of NOK 14.1 million for 2002. Proportionate shares for associated companies form part of Nord Pool ASA's accounts.

Spot trade in physical power contracts in Nord Pool ASA was hived off in 2002. Nord Pool Spot AS was registered as a separate company on 2 January and was granted a licence by the Norwegian Water Resource and Energy Directorate (NVE) to organise and operate a market place for trade in physical power contracts. Nord Pool Spot was also granted a licence by the Ministry of Petroleum and Energy to organise power exchange between Norway and abroad.

Following changes in the ownership structure in July 2002, Statnett SF and the other Nordic transmission system operators all have shares in Nord Pool Spot AS, as does Nord Pool ASA. These shares are distributed as follows:

■ Nord Pool ASA	20%
■ Statnett SF	20%
■ Svenska Kraftnät	20%
■ Fingrid Oy (Finland)	20%
■ Eltra Amba (Denmark)	10%
■ Elkraft System (Denmark)	10%

At the same time, ownership of the Finnish EL-EX Sähköpörssi Oy, was transferred from Fingrid and Svenska Kraftnät to Nord Pool Spot.

THE FINANCIAL MARKET

Nord Pool's financial market is the only Nordic market place with a licence for trading in financial power contracts in the form of forwards and future contracts, and power options. Nordic power companies and other participants use these contracts for hedging and risk management purposes. This business area is a part of Nord Pool ASA.



Total turnover on the financial market in Nord Pool came to 1 018 TWh in 2002, a volume increase of approximately 12 per cent on 2001. The traded volume had a total value of NOK 180 billion.

The financial market recorded an operating profit of NOK 8.5 million in 2002. Operating profit for other commercial activities in Nord Pool ASA was NOK 5.4 million.

CLEARING SHOWS MARKET GROWTH

In March 2002, the then Nordic Electricity Clearing House ASA (NECH) was granted a licence to operate as a clearing house.

In January 2003, the company's name was changed to Nord Pool Clearing ASA, a wholly-owned company in Nord Pool ASA.

The share of traded power contracts to be cleared also showed growth in 2002, compared with previous years. A total of 1 018 TWh was sold via the Power Exchange, whereas cleared contracts from the bilateral market amounted to 2 089 TWh. The volume in cleared contracts from the bilateral market rose by close to 20 per cent, compared with 2001.

For more information about the Nordic Power Exchange and associated companies, see Nord Pool ASA's Annual Report, or the company's website www.nordpool.com

FIRST RUSSIAN EXCHANGE MEMBER OF NORD POOL

"It will be exciting to see where this leads," was the immediate response of Torgeir Lien, CEO of Nord Pool, when the Russian company, RAO "UES of Russia", became an Exchange Member of Nord Pool and Clearing Member of Nord Pool Clearing, through its Finnish subsidiary, RAO Nordic Oy (RAO Nordic). RAO is the largest producer and distributor of electricity in Russia.

In 2002, the Nordic countries imported a combined total of 8.2 TWh from Russia, a 0.3 TWh increase on 2001.



Photo:

The substation at Boris Gleb hydro power plant in Northern Russia feeds electricity into the Nordic grid. In 2002, the Russian company RAO registered at Nord Pool and thereby became the first Russian participant in the Nordic Power Exchange.

The Main Grid in Norway consists of power lines and substations of importance to one or more regions or the entire country. The Norwegian Water Resources and Energy Directorate (NVE) stipulates which facilities shall be defined as Main Grid facilities.

The Main Grid Commercial Agreement is a system for collective pricing and settlement (invoicing) of transmission services in the Main Grid. All market participants that are linked to facilities in the Main Grid are customers in the Main Grid Commercial Agreement, be they producers, consumers (processing industry) or regional power companies that sell on power to the end-user.

Statnett is the operator for the Main Grid Commercial Agreement. The operator is responsible for drawing up and updating connection contracts with customers, for renting all grid facilities included in the Agreement, for setting annual tariffs and measuring and settling customers' consumption in accordance with the set tariffs.



Figure 1 – Main Grid Commercial Agreement costs 2000–2002 (nominal amount)

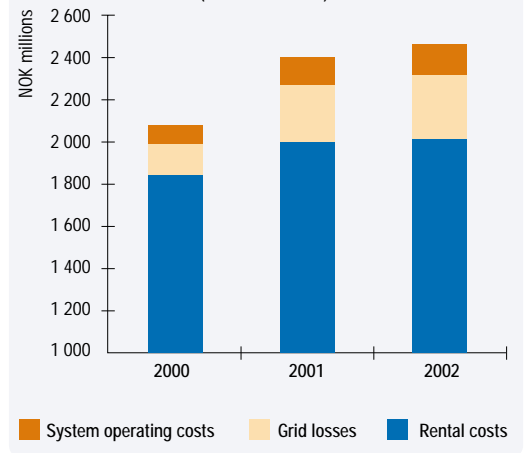
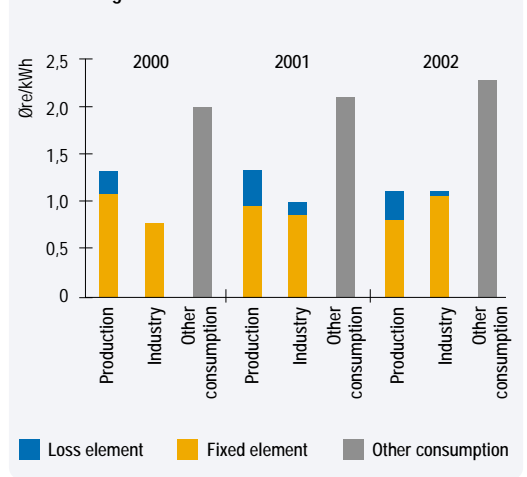


Figure 2 – Main Grid costs for 2000–2002



In 2002, there was a total of 54 customers in the Main Grid Commercial Agreement.

The set tariffs shall cover costs in the Main Grid Commercial Agreement. These costs (rental of installations, including system costs and transmission losses) are regulated by NVE through an annually stipulated revenue ceiling.

Changes in costs in the Main Grid in the period 2000-2002 are shown in Figure 1. The increase from 2000 to 2001-2002 is primarily due to higher costs, grid losses (higher energy prices) and higher system costs (increased purchases of regulating power options).

The formulation of tariffs influences the distribution of Main Grid costs over the different customer groups. Figure 2 shows changes in Main Grid revenues by customer group in the

period 2000-2002. The figure shows the unit revenue in relation to utilisation of the grid.

In 2002, there were a total of 24 infrastructure owners in the Main Grid. Total rental costs amounted to NOK 2.2 billion. As an infrastructure owner, Statnett accounts for approximately 87 per cent of these rental costs.

Annual accounts are prepared for the Main Grid Commercial Agreement. On 31 December 2002 there was a recorded accumulated excess revenue of NOK 46 million. The excess revenue will be taken into consideration when setting the tariffs for 2003.

In 2002, the Main Grid Commercial Agreement's total turnover was NOK 2 568 million. The Main Grid Commercial Agreement's performance does not affect Statnett SF's annual results.

THE REGULATING POWER SYSTEM AND BALANCE SETTLEMENT

As Norway's transmission system operator, Statnett is responsible for the regulating power and balance settlement system. Statnett is responsible for regulating the power system so that there is always a balance between generation and consumption of electricity.

Statnett compares actual and planned energy volumes and settles any discrepancies in relation to the price in the regulating power market – balance settlement.

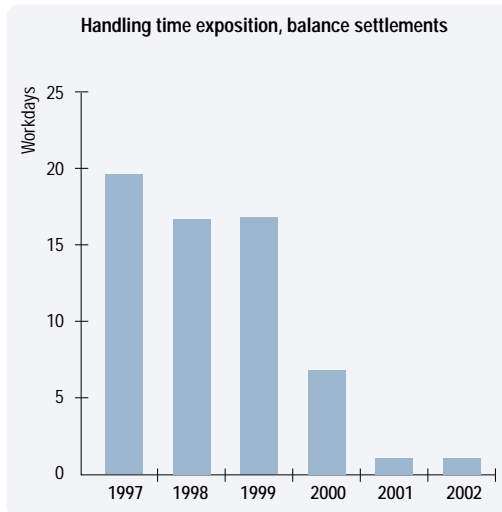
In 2002, 136 regulating power generators received financial settlement from the balance settlement system.

This system is financed through a volume charge on trading and should break even over time by efficient operations. Rationalisation measures and increased turnover have resulted in Statnett halving the volume fees in recent years. However, turnover now appears to be stabilising at approximately 8 TWh/year.

In recent years, another gain from the rationalisation focus has been a considerable reduction of the lapse of time in balance settlement procedures. Handling time has gone down from three weeks to 24 hours.

Balance settlement has been extended in recent years to include system support (SSE) for Ediel, the power sector's international standard for electronic data communications. SSE is a service available to all participants in the power market and is intended to ensure that agreed standards are adhered to when information is exchanged. The service has over time become an important element in the smooth-functioning of the power market.

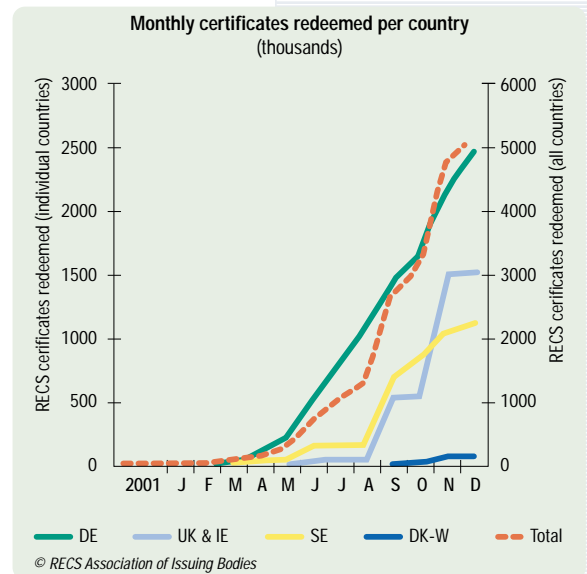
In 2002, the balance settlement system recorded a reduction in revenues of NOK 5 million and



Handling time by number of work-days. Balance settlement procedures have become less time consuming. Currently, data are received by Wednesdays after which settlements take place within 24 hours.

the accounts now show an accumulated excess revenue of NOK 13 million, which will be transferred to the accounts for 2003.

In 2002, the total balance settlement turnover was NOK 1 696 million.

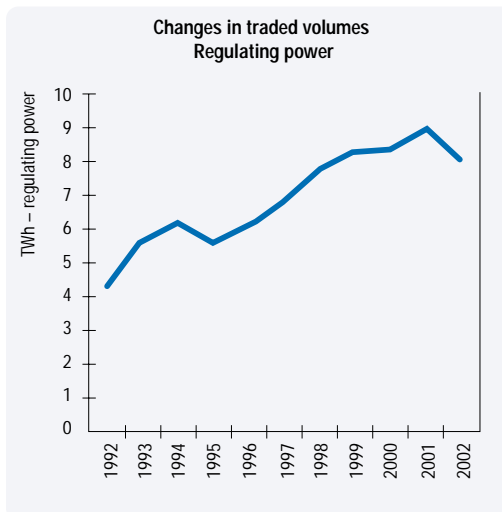
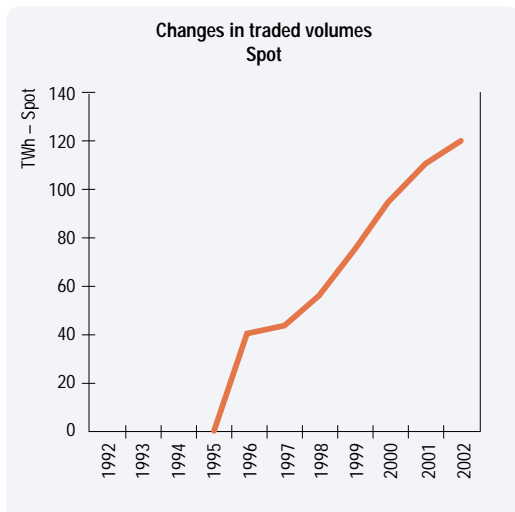


GREEN POWER VIA STATNETT

Statnett issued green certificates equivalent to 3.3 TWh of generated energy in 2002. The resulting wealth creation for Norwegian market participants is estimated at NOK 150 million.

In the course of the year, 260 Norwegian power stations were approved for participation in the European cooperation, Renewable Energy Certificate System (RECS). RECS provides the framework that makes it possible to trade in such energy. Green certificates are issued on the basis of actual energy generated by the registered plants.

Statnett is the organisation that approves generator plants for partici-



The regulating power volumes seem to have stabilised around 8 TWh per year, while there is still a steep increase in spot volumes traded.

ipation in RECS in Norway. Statnett has been involved in the RECS co-operation in Europe since 2000 and has invested substantial resources in the work.

In 2002, 70% of the certificates were sold to the Netherlands, where a state-run incentive programme to promote renewable energy has generated high demand.

The graph: The above graph shows how many certificates each RECS member country sold in 2002. Sales were primarily to the Netherlands and there were also some internal sales of certificates in each country.

In February 2002, the Norwegian parliament (the Storting) gave Statnett new trust and strengthened the company's role as a transmission system operator. In this context emphasis was placed on Statnett being responsible for the coordination of the entire Norwegian power system, with special focus on the Main Grid and the regional grids.

The Parliament also underlined that Statnett should own the entire Main Grid and cables to other countries and operate these as efficiently as possible.

Extended systemwide responsibility

Last year the Norwegian Water Resources and Energy Directorate (NVE) agreed on a new regulation concerning systemwide responsibility and which will replace the previous guidelines. The regulation extends the systemwide responsibility in comparison to previously, which for Statnett's part involves a corresponding broadening of its areas of responsibility. This presents many challenges for Statnett, both externally and internally.

As it is now, it is clear in both our business concept and in the new regulation that Statnett shall *create the conditions conducive to an efficient energy market and a satisfactory quality of supply in the power system.*

Further development of the market

In many ways, winter 2002-2003 was a test of how the power market in the Nordic region works. In my opinion the main conclusion is clear: the market passed the test! The prices fluctuated in relation to supply and demand.

However, several weaknesses were also uncovered which we must address. In my opinion, placing society in a situation whereby there is doubt as to whether we need to ration power is not in line with the expectations we should have for the power supply and the power market in a modern society.

At Statnett we wish to actively participate in the debate arising after this winter and it is our aim to be active and make proposals for solutions to the challenges that face us concerning energy politics. As such it is important to emphasise that we need to meet the market on its own terms. Statnett wants measures that will equip us to handle the situation better the next time nature reduces our reservoir inflow.

The necessary process in order to attain the measures which need implementation will be very comprehensive and accordingly must involve all players in the energy debate in Norway and to some extent in the Nordic region. One should also distinguish between short-term and long-term measures. I am quite satisfied to note that the discussion is already underway



President and CEO, Odd Håkon Hoelsæter

and that there are signs that the dialogue between the authorities, Statnett and the market players is a constructive one.

Moreover, there are already indicators to some of the themes that will naturally be part of the discussion:

- The energy balance in Norway and the Nordic region
- The power exchange capacity between Norway and abroad
- The introduction of more direct use of gas
- The closer integration of the cooperation between the transmission system operators in the Nordic region
- The system coordinators' means, or lack thereof, to take action when the system is pushed to its limits.

An underlying question to which we must find a clearer answer is what delivery quality we should have in the Norwegian power system. This problem must also be seen in connection with our neighbouring countries' demands for security of supply.

Again, I would like to point out that today's power market is a shared Nordic concern and that in practice this situation is now irreversible. For this reason, it is important that we don't choose solutions that put the Nordic cooperation under unnecessary pressure. It is also important to remember that the power market has a European dimension. Some elements here are EU developments which can have direct consequences for tariffs, handling of transmission between countries and how congestion revenues are shared and utilised.

New interconnections

Long-term measures that form part of the debate include Statnett having responsibility for increasing

the transmission capacity in Norway and to other countries, when this is socio-economically correct. In practice this involves Statnett working on several cable projects to other countries. The cable link to England is the project that has come the furthest and is planned to have a capacity of 1200 MW.

Statnett's view is that it is important to lay one or more such cables. The cables will have their economic foundation in the trade between the markets they link together, but they will also serve as a dry year provision and thereby help reduce the risk of a power shortage.

Today 99 per cent of Norway's power is based on hydroelectric generation and has a low power exchange capacity with other countries. Fluctuations in the reservoirs can vary from year to year, and during a normal year Norway is a net importer of power. Because of this it is important that we have sufficient power exchange capacity with countries abroad. One or more cables would increase the power exchange capacity and thereby reduce the vulnerability in our hydropower-based system. Increased power exchange capacity would also mean that the price fluctuations would be evened out.

New tariff structure

Prior to the discussions concerning the tariff for 2003, several sides to the Main Grid tariff were highlighted through an internal project in Statnett. Special attention was paid to finding a new model for sharing the fixed elements of the Main Grid tariff.

In autumn 2002 and following thorough discussions with the customers' organisations, this lead to Statnett agreeing to a new Main Grid tariff for 2003. A new model for handling fixed elements has now been introduced where production and consumption are calculated separately (the k-factor model), which is the opposite of the previous model. As previously, it is still cheaper to withdraw power at points with both production and withdrawal than at points where there is withdrawal only. But in addition, the new model takes into account the characteristics of industrial consumption, which involves parts of the industry ending up better off tariff-wise than previously and better off than for withdrawals in general. By introducing the new model for the sharing of fixed elements, Statnett observes having a simpler Main Grid tariff which is more in accordance with underlying tariff objectives.

Customer satisfaction and other interests

Statnett works to create value for Norway and our customers, and invests according to socio-economic criteria, which means that the sum of the customers' and society in general's needs are prioritised.

There will, however, often be discussions concerning Statnett's choices in terms of investments and in other cases affecting our customers and other parties with interests in Statnett. Varying interests make it difficult to reach agreement on every single question. From time to time Statnett's decisions will possibly be perceived as negative for certain parties or groups. Therefore, Statnett works hard to place the relevant facts and opinions from the different interest groups in the open, and at the same time present and justify Statnett's view before making final decisions in each case.

In order to achieve this we depend on a close, trusting and open dialogue between all relevant parties. It is our opinion that this dialogue has developed positively, especially throughout 2002. I consider this very pleasing and we at Statnett will work for this to continue. It is on the basis of a common understanding of the problems that Statnett and other parties can develop the Nordic power market.

SUBSEA CABLE TO THE UK - A HEDGE AGAINST DRY YEARS

In cooperation with its UK partner, National Grid Transco, Statnett has developed the plans for a subsea cable connection to the UK, the North Sea Interconnector (NSI), for the exchange of electricity. The cable has a planned capacity of 1200 MW and a route length of 746 km, from Suldal Municipality in Norway to Hawthorn Pit, Easington in the UK. The maximum sea depth along the route is 585 metres.

The collapse of Enron in December 2001 and ensuing consequences for energy markets all over the world resulted in considerable challenges and delays for the project, not least in connection with financing. The earliest start date for the project will now be 2007, one year later than originally planned.

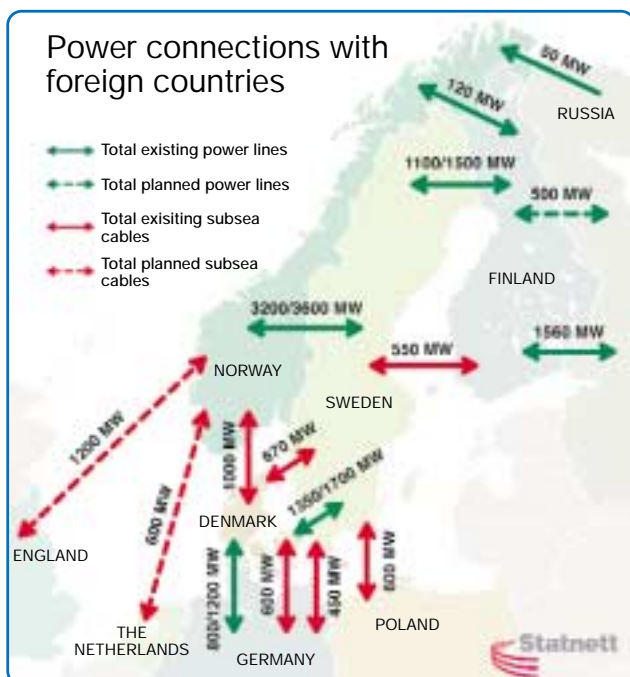
There has been a lot of activity over the past year on the further develop-



ment of the project. Licence conditions are expected to be clarified and tenders for purchasing agreements concluded in the course of 2003. The project has received financial support from the EU.

The NSI connection will to a large extent help Norway to hedge against dry years, a necessary provision in order to ensure the reliability of the supply and achieve high socio-economic profitability.

In 2003, Statnett expects to come to a decision regarding the implementation of the project.



New subsea power cables will have their financial foundations in the trade between the markets they connect, but the cables will also serve as dry-year insurance and help reduce the risk of electricity shortages.

Last year was dominated by a number of important milestones for Statnett. The energy situation at the end of the year gave reason for considerable concern.

The most important events for Statnett, the power system and the power market in 2002 were:

- The clarification of Statnett's role by the Storting (Parliament) and entry into force of provisions relating to its systemwide responsibility.
- The amendment to the State Enterprise Act. Loans raised in 2003 and thereafter will not be guaranteed by the State.
- A dry autumn and cold start to the winter led to the probability of power shortages.
- The energy situation resulted in high prices and thereby a sharp focus on the power market.

STATNETT'S FINANCIAL SITUATION

Profits

The Statnett Group recorded a profit after tax of NOK 445 million in 2002, compared with NOK 341 million in 2001. The improvement in profits must be viewed in light of the fact that Enitel ASA's compulsory liquidation in 2001 resulted in an accounting loss of NOK 197 million.

The rationalisation programme, Statnett 2000, contributed to a total reduction in costs of NOK 168 million in the 2002 accounts, compared with the base year 1997. This is in line with the programme target. Continued growth in Nord Pool ASA also contributed to the positive performance in 2002.

Statnett SF recorded a profit after tax of NOK 417 million, against NOK 348 million in 2001.

Grid operations and systemwide responsibility

All commercial activities within grid operations are connected to Statnett's transmission lines and substations in the Main Grid. On a par with other power grid owners, Statnett is subject to a revenue ceiling stipulated by the Norwegian Water Resources and Energy Directorate (NVE). This sets an upper limit for earnings. The framework set by NVE applies to both the commercial operation of Statnett's facilities and Statnett's statutory responsibilities in connection with its overall responsibility for the power system (systemwide responsibility).

The Main Grid and shared regional grids

Statnett is responsible for the Main Grid Commercial Agreement and the administration of the Main Grid and two shared regional grids and the balance settlement system.

The Main Grid's accounts should break even over time on a cost basis. On 31 December 2002, the Main Grid generated an accumulated excess revenue of NOK 46 million after financial costs. Any excess revenue is balanced in the following year's Main Grid tariffs, in the form of adjusted prices for electricity transmission in the Main

Grid. In 2002, operating costs for the Main Grid amounted to NOK 2 521 million, whereas total revenues were NOK 2 568 million.

Power Exchange

Nord Pool ASA was separated into three different companies on 1 January 2002: Nord Pool ASA, Nord Pool Spot AS and Nordic Electricity Clearing House ASA. Clearing operations were given a new name, Nord Pool Clearing ASA, on 7 January 2003.

Nord Pool ASA, the market place for financial futures, is owned by Statnett SF and Svenska Kraftnät, which both have a 50 per cent holding.

Nord Pool Spot is the market place for organised trade in physical power contracts in the Nordic countries. From 1 July 2002, Svenska Kraftnät in Sweden, Statnett in Norway, Fingrid in Finland and Nord Pool ASA each have a 20 per cent stake in the company. The remaining 20 per cent is divided equally between the two Danish transmission system operators, Eltra Amba on Jutland and Elkraft System on Zealand. Statnett thereby directly and indirectly owns 30 per cent of Nord Pool Spot AS.

The Nord Pool Group (Nord Pool ASA and its wholly owned subsidiary Nord Pool Clearing ASA) contributed NOK 32 million after tax to Statnett's profits in 2002. The Nord Pool Group recorded a profit after tax and financial items of NOK 65.3 million in 2002, compared with NOK 51 million in 2001. The new company Nord Pool Spot recorded a profit of NOK 14 million in its first year of operations. Nord Pool Spot contributed NOK 4.8 million to the Statnett Group's results in the second half of the year.

Engineering and construction operations

Operations in Statnett Entreprenør AS have been affected by low demand in the installation market in recent years. In 2002, the company was reorganised in order to achieve substantial cost cuts. Statnett has been reviewing its ownership of Statnett Entreprenør.

Statnett Transport AS carries out heavy transport commissions on sea and land for Statnett and other companies. In 2002, Statnett Transport AS was separated from Statnett Entreprenør AS. The combined profit for engineering and construction operations was NOK -21 million in 2002, compared with NOK -12 million in 2001.

Equity ratio

At end-2002, the parent company, Statnett SF, had total assets amounting to NOK 11 970 million, compared with NOK 10 995 million at end-2001. Liquid reserves totalled NOK 1 127 million at the end of the year. In addition, the company has a drawing facility of NOK 1 000 million. This was not used in 2002.

Statnett SF's equity ratio is satisfactory. Equity capital totalled NOK 4 342 million after the proposed dividend, equivalent to 36.3 per cent of total assets, against 39.4 per cent in 2001 and 38.4 per cent in 2000. At end-2002, Statnett's total assets had increased by NOK 975 million as a result of, among other things, acquisitions in the Main Grid and other investments.

The profit for the year in 2002 was 9.6 per cent of average total equity.

Statnett SF has sound capital strength, healthy finances and good prospects. It is hereby confirmed that the accounts have been prepared on a going concern basis, in accordance with §3-3 of the Accounting Act.

THE ENERGY SITUATION

Power market put to the test

There was very little precipitation in the autumn and a cold start to the winter in the Nordic countries in 2002.

The depleted reservoirs and extremely high electricity prices became key issues for the energy sector in 2002.

As the transmission system operator, Statnett's summaries of the situation were given considerable attention during the period. There is an increasing imbalance between the supply and demand for electricity in Norway, particularly in parts of South Norway. Statnett has highlighted this imbalance on a number of occasions in recent years.

Hydropower producers in Sweden and Northern Finland are facing a similar resources situation, which limits the possibility to cover the deficit through an internal exchange of power in the Nordic market.

Statnett has kept the authorities up to date regarding the situation and monitors developments continuously.

Statnett attaches considerable importance to learning from the experience gained in the winter 2002-2003.

Thus far, experience has shown, among other things, that the enterprise's means of fulfilling its responsibility regarding the power system are limited in such situations. The need for clearer guidelines or regulations as to how Statnett can best manage its systemwide responsibility in special situations should therefore be assessed.

STATNETT'S ROLE AND OPERATING FRAMEWORK

Clarification of Statnett's role

In February, the Storting debated Statnett's organisation and responsibilities. There was broad-based agreement regarding the enterprise's role. Statnett will continue to be an integrated transmission system operator, owned by the State. The enterprise's responsibilities were extended and defined in more detail than previously.

The former guidelines for systemwide responsibility were replaced in May 2002 by regulations stipulated by Norwegian Water Resources and Energy Directorate (NVE), pursuant to the provisions in the Energy Act of 7 December 1990. The regulations will ensure that the systemwide responsibility is fulfilled in a "socially rational manner".

Amendment to the State Enterprise Act

In December 2002, the Storting adopted an amendment to the State Enterprise Act with effect from 1 January 2003. From this date, state-owned enterprises will no longer have a state guarantee. However, the State will continue to be liable for loans raised by Statnett SF prior to 31 December 2002. These are guaranteed by the State and will continue to be so until the loans mature. Statnett SF pays the State a guarantee premium for loans that are governed by the guarantee provision. The guarantee premium is 0.6 per cent of loans with a maturity of less than 7 years and 1.0 per cent of loans with a maturity of more than 7 years.

Following the Storting's decision, Standard & Poor changed its long term rating for Statnett from AAA to AA+.



Nearly drained, this Norwegian hydro electric power reservoir, Zakariasdammen in the Roldalsvassdraget showed a cubic content of only 11 million m³ in April, 2003. Maximum capacity is 70 million m³. The reservoir is located in the Møre area and belongs to Tafjord Kraft.

USEFUL R&D PROJECT PROVIDES NEW CAPACITY WITHOUT INTERVENTION

Three years' investment in the research and development of upgrading power lines has now paid off. In 2002, an independent R&D project on upgrades was completed and the results will now be used.

In some places where capacity has to be increased, it is unnecessary to construct new power line corridors. Statnett will now utilise existing lines to a greater extent than previously. The enterprise will invest in new technology in order to upgrade power lines in South and Central Norway to the highest voltage level, 420 kV.

A pilot project on the Flesaker-Sylling power line in Buskerud will start in summer 2003. The research results can then be tested and Statnett will collect operating data and experience from similar projects



Photo: Trond Ohnstad (left) and Dag Lysheim, two Statnett spearheads into the upgrading project, surveying the power line that is targeted for a pilot project, starting in 2003.

elsewhere in the country. The trial will involve a six-kilometre stretch, where the lines will get fortified pylons and insulators in a composite material. The power lines themselves will be upgraded from simplex to duplex phase lines.

The composite has a considerably higher electrical durability than glass and is therefore not so liable to flashover as a result of pollution. Shorter insulator chains can be used making it possible to meet requirements for minimum electrical distances. The phase distance will be 8.8 metres.

Calculations show that Statnett can upgrade the stretch in question from 300 to 420 kV for less than half of what it would cost to pull down and rebuild the power line.

INNOVATION

New transmission capacity abroad

Statnett's most obvious means of hedging against dry years and making the market more flexible in the medium term, is the development of new transmission capacity abroad.

Since the mid-1990s, considerable resources have been invested in constructing several subsea power transmission cables between Norway and other European countries. The two current projects are the NorNed Project, where the planned cable to the Netherlands will have a capacity of 600 MW, and the North Sea Interconnector (NSI) with a planned capacity of 1200 MW to the UK.

Activity on the NorNed Project has been low in anticipation of statements from the EU and Dutch competition authorities. A clarification is also required between the Norwegian and Dutch power generators that will use the cable. Final clarification is expected in the first half of 2003. The NSI cable is at the planning stage. The Board of Directors intends to discuss and make an investment decision in the second half of 2003.

RESEARCH AND DEVELOPMENT

Increased capacity in the grid

The solution to the current energy situation in Norway and the Nordic countries requires innovation. Statnett set up a separate research programme in order to increase the transmission capacity of existing power lines as quickly as possible.

The programme was completed in 2002. One of the results opens up the possibility of increasing power transmission on several power lines that currently have voltage levels of 132 and 300 kV. Upgrading to higher voltages, which affords environmental and financial advantages in relation to constructing new lines, will increase the transmission capacity. The reduced need for new power lines avoids any potentially controversial interference with the environment.

In 2002, Statnett carried out a project where the entire spectrum of possibilities to increase system utilisation was studied in more depth. In terms of power transmission to Norway, the project has already resulted in an increase in transmission capacity between South Norway and Sweden of 350 MW or 21 per cent, regarding power transmission into Norway.

In line with Statnett's policy, increases in transmission capacity in recent years have primarily been the result of capacity upgrades in existing lines and installations. This applies to transmis-

sion capacity both within Norway and to and from other Nordic countries.

The possibility of disconnecting power stations in the event of faults in the grid, combined with current upgrades of critical power lines, has been of particular use in this work. When power lines are given a current upgrade, higher amperage can be obtained on that line. For example, the capacity for transmitting electricity from Sweden via Hasle in Østfold has been gradually increased, from 1 500 MW in 1992 to 2 200 MW in 2003, without having to construct any new power lines. In 2002, capacities on the regional connections between Nea – Järpen and Nedre Røssåga – Ajaure were increased by roughly 150 MW and 100 MW, respectively.

VALUE CREATION FOR NORWEGIAN MANUFACTURING INDUSTRY

Power for industrial development

In October 2002, Statnett was granted a licence by NVE to construct a new power line between Klæbu in South Trøndelag and Sunndalsøra in Møre and Romsdal. According to plan, the line will be ready in 2005. An appeal was made to the Ministry of Petroleum and Energy regarding the decision. A final decision from the Ministry is expected in 2003. The planned power line is directly consistent with Norsk Hydro's investments at Sunndal Verk.

An installation is to be built at Aukra for the treatment of natural gas from the Ormen Lange field in the North Sea. This requires that the Main Grid is strengthened on the stretch from Sunndalsøra to Molde by 2006.

The approved, planned developments in Central Norway require a total investment from Statnett of over NOK 2 billion in the years 2003 – 2006. This investment is necessary in order to lay the groundwork for future industrial development in the region.

Acquisitions and sales of transmission facilities

Following a decision by the Board of Directors in 2002, Statnett sold grid facilities for a total value of approximately NOK 200 million and acquired facilities for a total of roughly NOK 30 million. The agreements entered into force on 1 January 2003. These measures were taken to promote a more rational ownership structure in the transmission grid. Completed and planned transactions to reduce Statnett's share in regional grids are based on the company's policy. Statnett's goal is to own the Norwegian Main Grid and selected facilities in regional grids. At end-2002, Statnett owned a good 87 per cent of the Main Grid.



SOCIAL RESPONSIBILITIES

Environmental work

Statnett is currently wrapping up a project for oil spill contingency plans in transformer stations that has run for several years. The aim is to reduce the risk of oil spills. All of Statnett's transformer stations will be protected against such spills. Measures were implemented in 19 stations in 2002, and are still to be implemented in a further 8 stations.

Statnett supports and keeps up to date with independent research into any effects that electromagnetic fields may have on public health. When choosing routes for new power lines, the company applies a moderate degree of caution. Environmental considerations are an overriding goal for Statnett in terms of planning and operations.

Statnett carried out inspections and introduced additional safety measures at its transformer and switching stations in 2002, following a tragic accident at one of its switching stations in spring 2002.

Employees

At end-2002, Statnett SF had 523 permanent employees, compared with 510 one year earlier. The total number of FTEs was 499, against 485 in 2001.

Absence due to sickness was 3.5 per cent in 2002, an increase on the 3.1 per cent recorded in 2001. Total absence due to sickness in the Group was 4.4 per cent. There was no absence due to injury in Statnett SF in 2002. The injury-absentee frequency (H value) was 0.0 for Statnett SF and 4.4 for the Group.

The wholly-owned subsidiary Statnett Entreprenør AS had a total of 236 employees at end-2002. On average, absence due to sickness was 6.3 per cent. Short-term absence is very low. Six injuries with subsequent absence were reported in the construction company in 2002, but none had serious consequences. The H value for the year was 14.5 in Statnett Entreprenør.

Equal opportunities for women and men

Women account for 44.4 per cent of Statnett SF's Board of Directors and 67 per cent of the representatives appointed by the owners. There are five men and two women in the Group management team.

Half of the office management positions in Statnett are filled by women. The enterprise has a total of 90 management positions with personnel responsibility, of which women hold 18. The total share of women in Statnett SF was 25 per cent in 2002.

The share of women in Statnett's trainee programme and mentor programme for managers was 50 per cent.

Good relations - a resource for Statnett

Statnett's activities have an effect on people, society and the environment. Our social responsibilities also include an obligation to nurture the social and cultural aspects of our activities, both internally and externally. This is a prerequisite for good business operations and helps to create value.

Statnett's policy in this area is set out in a separate relations-building plan. The biggest project in this area to date is the enterprise's cooperation with The Brazz Brothers, with the motto "Powerful interplay".

The working agreement with The Brazz Brothers has received broad recognition and has been highlighted by the Ministry of Trade and Industry and the Ministry of Culture and Church Affairs as an example to be followed.

PROSPECTS

Efficiency

Statnett has participated, and will continue to participate in international benchmarking to measure the efficiency of the operational and financial performance of grid. Comparisons show that at the start of 2003, the enterprise was one of the most efficient transmission system operators in Europe.

Statnett SF's Board of Directors, from left:

Jan Eskedal,
Anne Kverneland Bogsnes,
Sverre Aam,
Ole Bjørn Kirstihagen,
Elisabeth Wille,
Kjell Olav Kristiansen
(Deputy Chairman of the Board),
Rolf Magne Nyheim,
Odd Håkon Hoelsæter
(President and CEO),
Grete Faremo (Chairman of the Board) and
Grethe Høiland.

SWINGING STATNETT

Statnett is a dynamic management enterprise that not only allows employees and teams to go new ways – it recognises that innovation and efficiency go hand in hand.

"It's exciting to work this way," says Tor Inge Akselsen, Vice President Corporate Communications. "It is much easier to achieve results that benefit the Norwegian population as a whole."

"Powerful interplay are key words for us," says Akselsen, referring to Statnett's agreement with The Brazz Brothers. The popular jazz sextet from Møre's outlying islands has helped to raise the temperature in the public enterprise for two years now. "This is our third year of co-operation and we are really starting to see results." In 2002, a music academy where students learn to play by ear was established, with Statnett as a partner.



In other words: It's swinging!

We will continue to focus on cost efficiency and value creation.

Investment

Statnett plans to invest around NOK 1.0 billion annually in the Main Grid in the years ahead. If a decision is made to lay new subsea power cables abroad, investment will be considerably higher.

Control of financial risk

To control financial risk, currency fluctuations on loans and investments are financially secured.

Statnett's core operations are not exposed to competition. Core operations include the systemwide responsibility and the development and operation of the Main Grid, which provides equal access to the grid for all participants.

As the transmission system operator, Statnett is assigned a revenue ceiling by the regulator (NVE) and is required to adapt its activities and costs accordingly. The revenue ceiling is based on the assumption that the company is operated efficiently.

Statnett's revenue ceiling for the accounting year 2003 should have been stipulated by NVE in 2002. However, at the start of 2003, it had still not been set.

Corporate Governance

The Board of Directors will review Statnett's corporate governance principles in the first half of 2003. The Board will pay particular attention to any problems relating to independence in terms of roles and decision-making. The composition of the Board of Directors and Statnett's User Council is of key importance to how Statnett's integrity is viewed externally. And the same is true of the layout and content of information distributed through the company's channels.

The Board has placed considerable emphasis on extra transparency and will ensure that all relevant company information is readily available. Reporting will also include non-financial information. Statnett's annual and tertial reports, the company publication and the Internet are all important channels for company information.

ALLOCATION OF PROFITS

When deliberating the Government Budget for 2003, the owner stipulated a dividend from Statnett of NOK 401 million for the accounting year 2002. The Board therefore proposes that the profit in Statnett SF be allocated as follows:

<i>Amounts in NOK million</i>	
Dividend	401
Retained profits	16
Total	417

Oslo, 20 March 2003

Grete Faremo
Grete Faremo
Chairman of the Board

Anne Kverneland Bogsnes
Anne Kverneland Bogsnes

Kjell Olav Kristiansen
Kjell Olav Kristiansen
Deputy Chairman

Elisabeth Wille
Elisabeth Wille

Sverre Aam
Sverre Aam

Grethe Høiland
Grethe Høiland

Ole Bjørn Kirstihagen
Ole Bjørn Kirstihagen

Jan Eskedal
Jan Eskedal

Rolf Magne Nyheim
Rolf Magne Nyheim

Odd Håkon Hoelsæter
Odd Håkon Hoelsæter
President and CEO

PROFIT AND LOSS ACCOUNT

INCLUDING THE MAIN GRID COMMERCIAL AGREEMENT

PARENT COMPANY					GROUP		
31.12.02	31.12.01	31.12.00	(Amounts in NOK million)	Notes	31.12.02	31.12.01	31.12.00
OPERATING INCOME							
3 006	2 943	2 565	Power transport	4, 22, 23	2 981	2 921	2 565
1 547	1 475	735	Power sales	4	5 957	11 941	6 177
71	85	87	Other operating income	4	497	412	537
4 624	4 503	3 387	Total operating income		9 435	15 274	9 279
OPERATING COSTS							
1 763	1 661	823	Power purchases and system-wide services	5	6 215	12 291	6 358
454	391	236	Transmission losses		386	205	143
261	351	357	Leasing of transmission facilities		261	351	357
133	99	99	Materials and subcontractors	6	224	129	138
187	194	201	Wages costs	6, 7, 8	329	317	314
601	558	522	Depreciation of tangible fixed assets	9	617	571	532
26	43	20	Write-downs of tangible fixed assets	6, 9	28	43	21
294	289	245	Other operating costs	6	453	430	386
3 719	3 586	2 503	Total operating costs		8 513	14 337	8 249
905	917	884	Operating profit		922	937	1 030
-	-163	35	Gains/losses on former associated companies	11	-	-197	33
905	754	919	Profit before financial items and tax expenses		922	740	1 063
85	82	88	Financial income	10	118	101	95
416	355	341	Financial costs	10	427	356	343
331	273	253	Net financial items		309	255	248
574	481	666	Profit before tax		613	485	815
157	133	189	Tax	17	168	144	234
417	348	477	Profit		445	341	581
INFORMATION ON ALLOCATIONS							
401	240	390	Dividend		401	240	390
1	7	6	Group contributions made after tax		-	-	-
-	-	10	Group contributions received after tax		-	-	-

BALANCE SHEET

INCLUDING THE MAIN GRID COMMERCIAL AGREEMENT

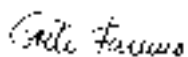
PARENT COMPANY					GROUP		
31.12.02	31.12.01	31.12.00	(Amounts in NOK million)	Note	31.12.02	31.12.01	31.12.00
ASSETS							
INTANGIBLE ASSETS							
196	214	141	Deferred tax benefit	17	200	214	136
-	-	-	Goodwill		-	2	-
196	214	141	Total intangible assets		200	216	136
TANGIBLE FIXED ASSETS							
9 190	8 875	8 785	Tangible fixed assets	9	9 236	8 934	8 829
586	360	295	Plant under construction	6	586	467	379
9 776	9 235	9 080	Total tangible fixed assets		9 822	9 401	9 208
FINANCIAL FIXED ASSETS							
213	137	130	Investment in Group companies	11	30	30	30
17	18	163	Investment in other shares and holdings	11	79	67	208
50	114	90	Loans to companies in the same Group	16	-	-	-
1	3	4	Other long-term receivables	12	1	3	5
62	33	25	Pension funds	8	62	33	25
343	305	412	Total financial fixed assets		172	133	268
CURRENT ASSETS							
456	256	278	Trade accounts receivable	12	507	1 084	767
17	5	18	Intercompany accounts receivable	16	-	-	-
55	24	40	Other short-term receivables	12	64	48	52
759	766	897	Investments in market-based securities	13	759	766	897
368	190	114	Liquid assets		641	596	383
1 655	1 241	1 347	Total current assets		1 971	2 494	2 099
11 970	10 995	10 980	Total assets		12 165	12 244	11 711

BALANCE SHEET

INCLUDING THE MAIN GRID COMMERCIAL AGREEMENT

PARENT COMPANY					GROUP		
31.12.02	31.12.01	31.12.00	(Amounts in NOK million)	Note	31.12.02	31.12.01	31.12.00
EQUITY AND LIABILITIES							
EQUITY							
2 700	2 700	2 700	Paid-in capital		2 700	2 700	2 700
1 642	1 626	1 518	Other equity		1 786	1 741	1 640
4 342	4 326	4 218	Total equity	18	4 486	4 441	4 340
ALLOCATIONS FOR LIABILITIES							
102	107	112	Pension liabilities	8	140	141	146
LONG-TERM LIABILITIES							
3 400	3 399	2 402	Bond loans	14	3 400	3 399	2 402
800	1 201	1 601	Government loans	14	800	1 201	1 601
1 988	970	1 294	Loans from financial institutions	14	1 990	974	1 295
35	37	39	Other long-term liabilities	15	37	38	41
6 223	5 607	5 336	Total long-term liabilities		6 227	5 612	5 339
SHORT-TERM LIABILITIES							
375	225	214	Trade accounts payable		392	1 281	788
77	77	120	Group liabilities	16	-	-	-
138	206	273	Tax payable	17	154	224	282
58	84	96	Tax payable and deductions		76	101	116
401	240	390	Provisions for dividends		401	240	390
254	123	221	Other short-term liabilities		289	204	310
1 303	955	1 314	Total short-term liabilities		1 312	2 050	1 886
11 970	10 995	10 980	Total liabilities and equity		12 165	12 244	11 711
19	19	11	Secured liabilities, guarantees	19	19	19	11
			Financial derivatives	2			

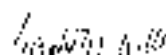
Oslo, 20 March 2003

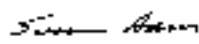


Grete Faremo
Chairman of the Board

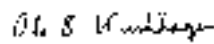

Anne Kverneland Bogsnes


Kjell Olav Kristiansen
Deputy Chairman

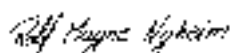

Elisabeth Wille


Sverre Aam


Grethe Høiland


Ole Bjørn Kirstihagen


Jan Eskedal


Rolf Magne Nyheim


Odd Håkon Hoelsæter
President and CEO

CASH FLOW STATEMENT

PARENT COMPANY				GROUP		
31.12.02	31.12.01	31.12.00	(Amounts in NOK million)	31.12.02	31.12.01	31.12.00
CASH FLOW FOR OPERATIONAL ACTIVITIES						
574	481	666	Profit before tax	613	485	815
-6	167	-46	Loss/gain on sale of fixed assets	-1	197	-171
627	558	522	Ordinary depreciation and write downs	645	571	532
-50	33	235	Changes in trade accounts/trade accounts payable	-312	176	347
-148	-419	-202	Changes in other accrual accounting items	-211	-414	-171
997	820	1 175	Net cash flow from operational activities	734	1 015	1 352
CASH FLOW FROM INVESTMENTS						
17	7	28	Proceeds from sale of tangible fixed assets	22	10	155
-927	-657	-398	Payments on acquisition of tangible fixed assets	-939	-686	-413
-252	-65	18	Change in stock plant under construction	-145	-88	-17
54	-23	164	Change in long-term loans receivable	2	2	60
-96	-20	-10	Change in share investments	-12	-57	3
-1 204	-758	-198	Net cash flow for investment activities	-1 072	-819	-212
CASH FLOW FOR FINANCING ACTIVITIES						
1 291	1 937	1 385	Proceeds from uptake of new long-term liabilities	1 291	1 940	1 387
-673	-1 664	-2 026	Payments on repayment of long-term liabilities	-675	-1 664	-2 026
-240	-390	-208	Payment of dividends	-240	-390	-208
378	-117	-849	Net cash flow from financing activities	376	-114	-847
171	-55	128	Net cash flow for the period	38	82	293
956	1 011	883	Cash and cash equivalents at the start of the period	1 362	1 280	987
1 127	956	1 011	Cash and cash equivalents at the end of the period	1 400	1 362	1 280

Restricted tax payable totalling NOK 30 million in the parent company and NOK 40 million in the Group is included in cash and cash equivalents as at 31 December 2002.

Unused overdraft facilities totalling NOK 1 000 million are not included in cash and cash equivalents above.

NOTE 1 – ACCOUNTING PRINCIPLES

General

The accounts for the parent company and Group are drawn up in accordance with the (Norwegian) Accounting Act of 17 July 1998 and good accounting practice.

Basis of consolidation

Consolidated companies

The consolidated accounts include Statnett SF and subsidiaries where Statnett SF has decision-making influence. This will normally be where Statnett SF, either directly or indirectly via subsidiaries, owns more than 50 per cent of the voting shares. The consolidated accounts are drawn up using the acquisition method and show the Group as though it were one unit. For the consolidated accounts, all outstanding items and internal transactions between the companies in the Group have been eliminated.

The cost price for shares in subsidiaries has been eliminated against equity at the time of acquisition. Added value greater than the underlying equity in subsidiaries is distributed among the assets the added value is connected with. The share of the cost price that cannot be attributed to particular assets represents goodwill. Goodwill is included in the consolidated accounts as an intellectual asset and is linearly depreciated over five years.

The wholly-owned subsidiary Statnett Forsikring AS is not included in the consolidated accounts as the company's operations differ substantially from those of the rest of the Group. Statnett SF's Group Pension Fund is also not a part of the Group. The companies are assessed at cost price and are classified as financial fixed assets.

Investments in jointly-controlled companies

Significant equity interests in companies where there is a cooperative agreement giving joint control together with one or more parties, is included in the respective shares of assets, debt, revenue and costs in the individual lines in the accounts (gross method).

Investments in associated companies

Equity interests in companies where the Group has significant influence are calculated using the equity method. This will normally be companies where the Group has a 20 – 50 per cent stake. This involves the Group's share of the profit after tax for the year and depreciation of any added value being entered as financial items in the profit and loss account. Added value in the affiliated companies is calculated using the same principles as for consolidation of subsidiaries. Equity interests in affiliated companies are entered in the consolidated balance sheet as financial fixed assets at the original cost price plus accumulated share of profits and with a deduction for dividends.

Acquisition/sale of subsidiaries, joint ventures and affiliated companies

The acquisition and sale of subsidiaries, joint ventures and affiliated companies are included in the consolidated accounts for the part of the year they have formed part of or been affiliated with the Group.

Investments in other companies

Investments in companies in which the Group owns less than 20 per cent of the voting shares are dealt with using the cost method.

Investments in subsidiaries, joint ventures and affiliated companies in Statnett SF (company accounts)

Investments in subsidiaries, joint ventures and affiliated companies in Statnett SF are calculated using the cost method in the company accounts. The cost price of investments in subsidiaries is to be added to the given group contribution (net after tax). The received group contribution and dividend is entered in the profit and loss account as financial income, to the extent dividend and group contribution are within the earned results in the ownership period. Dividend in excess of profits in the ownership period shall be treated as a reduction in the share investment.

Cash flow statement

The cash flow statement is drawn up using the indirect method. Cash reserves and cash equivalents consist of liquid assets and market based securities.

Principles for the recording of income and expenses in the accounts

Income/expenses are charged as they are earned/incurred.

Main Grid Commercial Agreement (power transmission)

Power transmission revenues

The input and withdrawal of power from the Main Grid is invoiced to consumers in accordance with the stipulated price system. The price system consists of a fixed element and a variable element (amount of electricity x price of electricity). The fixed element is recorded as revenue at regular intervals during the year, while the variable elements are re-recorded according to the rate of input or withdrawal of electricity from the grid.

Price regulation

The Main Grid Commercial Agreement shall break even over time. Any higher/lower revenues from the operation of the Main Grid are calculated into and recouped/covered through prices in subsequent years. Higher/lower revenues have been included in the accounts on the accruals basis as trade accounts payable and trade accounts receivable respectively.

Leasing of Main Grid facilities

Statnett owns most of the overall Main Grid. The remainder is leased from other owners. The leasing costs are recorded in the accounts as a separate item under operating costs. The leasing of Statnett's Main Grid facilities has been eliminated in the parent company accounts.

Shared regional grids

These are dealt with in the accounts in the same manner as the Main Grid Commercial Agreement.

Systems operations

Revenues

Statnett has a separate revenue ceiling for transmission losses in the Main Grid. Part of Statnett's ordinary revenue ceiling is linked to transmission losses in the regional grids. This element has been transferred to the system operator function in separate common regional grids. The revenue ceiling for transmission losses is adjusted at year-end in accordance with the actual spot price of electricity throughout the year. This correction is calculated and included in the accounts. The revenue ceilings for the operator are equivalent to costs in the Main Grid Commercial Agreement and shared regional grids. In the financial statements this has been eliminated.

Pursuant to the guidelines, the difference between the revenue ceiling for transmission losses and the actual costs shall be divided between the owners of the installations in the common grids. In the accounts, it is assumed that other operators in the Main Grid will cover a share according to their revenue ceiling for 2002.

Transmission losses (power purchases)

Expenses are charged in line with the measured difference between the input and withdrawal of electricity in the Main Grid. The amount of loss per hour will vary inter alia according to temperature, load on the grid and the price of electricity. Loss in conjunction with power transmission on the Main Grid and the common regional grids is covered by the system operator and recorded in the accounts as an ordinary operating cost.

Leasing of the grid

Recording of revenue

As of 1997, NVE has introduced a new regulatory system whereby grid revenues are regulated by means of a stipulated revenue ceiling. The revenue ceiling for 2002 is based on the cost levels in 1994/1995, adjusted for inflation, an increase in energy transmission in the grid and an efficiency factor. For the year 2002, the efficiency factor is 3.60 per cent, which is the same as in 2001. Grid owner's average return for 1997 – 2002 must be between 2 per cent and 15 per cent. Earnings above this maximum level shall be refunded to customers, while earnings below the minimum level can be charged to customers.

Statnett has facilities at the following grid levels: Main Grid, regional grids, distributional grids (from 2001) and the cables to the Continent. Distributional grids have come in connection with the purchase of Main Grid facilities and are expected to be sold. Statnett divided the

revenue ceiling between these grid levels (accounts appear under Statnett's business areas). In the course of 1999 the cables to the Continent were excluded from monopoly regulation, and the share of the original ceiling was separated with effect from 1997. From 2001 the cables to the Continent are included as part of the Main Grid and will thus be subject to monopoly control.

Revenues are recorded in the accounts as they are earned. In the case of the Main Grid and regional grids, 1/12 of the revenue ceiling is recorded in the accounts every month. Revenues from the cables to the Continent are based on contracts. Increased revenues resulting from matters that require applications to adjust revenue ceilings or interpretations of regulations for which clarification has been sought from NVE are only included in the accounts to the extent that it has been considered more than likely that the income will be a reality.

Higher/lower revenues for the Main Grid and regional grid facilities are dealt with separately in accordance with guidelines from NVE. At the end of 2002, the grid operator Statnett SF had no higher/lower revenues from Main Grid facilities. See, however, note 22 (Disputes), and note 23 (Unresolved matters).

For regional grid facilities, revenues have been in accordance with leasing rates which, taken as a whole, have been lower than the revenue ceiling. Accumulated lower revenues for such regional grid facilities at the end of 2002 totalled NOK 34 million. The difference is recorded as accrued revenue and appears in the balance sheet as a trade account receivable, and will be charged to customers in subsequent years.

Power sales/purchases

Revenues/costs are recorded as they are earned/accrued, i.e. at the time of delivery.

Customer projects

Revenues from projects are recorded on an ongoing basis. This involves recording revenues as the work is carried out in accordance with the level of completion. In other words, earned share of the projects expected income is taken as revenue. The degree of completion is determined on the basis of the production carried out.

For projects that are expected to run at a loss, the whole of the estimated loss is charged as a cost. Guarantee liabilities are charged as a cost.

Maintenance/upgrades

Maintenance costs are recorded as they are incurred. Provisions have only been made for periodic maintenance of the Group's vessels.

Costs that substantially extend the life of the facility and/or increase its capacity are recorded as investments.

Compensation

On-going compensation paid in connection with the acquisition of land etc. is charged in the year in which the liability is incurred. Lump sum compensation payments are included in the cost price of the operating asset.

Interest income/costs

Interest income/expenses are charged as they are earned/incurred.

Gains/losses on securities

Gains/losses relating to securities trading are recorded at the time of realisation since under the accounting rules the portfolio cannot be regarded as a customer portfolio.

Taxes

As of 1997, the parent company and the jointly controlled companies have been subject to standard taxation. The opening balances for taxation purposes of fixed assets are the book values at 1 January 1997.

Taxation costs in the profit and loss accounts comprise tax payable for the period and changes in deferred tax. Changes in deferred tax reflect the future payable tax resulting from the year's operations. Deferred tax on the balance sheet is the tax on the accumulated profit, but which is to be paid during later periods. Deferred tax is calculated using the debt method from the net tax-increasing interim differences between accounting and taxable balance values following the assess-

ment of tax reducing interim differences and taxation deficits on performance. If the tax reducing interim differences and taxation deficit on performance is greater than the tax-increasing interim differences, the tax benefit is only recorded if the benefit can be shown to be likely.

Property taxes are charged and paid in the taxation year. These are classified under other operating costs.

Classification of items on the balance sheet

Assets related to the product cycle, receivables that are to be paid back within one year and "assets not yet designated long-term assets or for use by business" are current assets. Other assets and fixed assets. The difference between short and long-term liability is whether there is one year to the payment due date.

The first year's instalment for long-term loans will not be reclassified as short-term liability.

Securities

Bonds and certificates are classified as current assets. Securities are managed as a portfolio and valued according to the portfolio method. The portfolio is valued at cost price or actual value (market value), whichever is lower, on the balance sheet date. Net unrealised losses on portfolio trading are recorded as costs under financial items, while net unrealised gains are recorded as income (reversed) against previously charged losses. Realised gains/losses from securities trading are recorded net under the same item. Shares classified as fixed assets are valued at cost price, or actual value if the reduction in value is not of a temporary nature.

Trade accounts receivable

Trade accounts receivable are valued at face value with deductions for estimated losses.

Supplies and bunkers

Stocks of supplies and bunkers on board the Group's two special-purpose vessels are valued at acquisition cost or actual value, whichever is lower, and are included in other short-term receivables.

Own investment work

The construction of new power lines and facilities by our own engineering and construction operations constitutes a significant part of the investments. Own investment work in the parent company is capitalised at the estimated full cost.

Preliminary projects

Engineering costs in connection with investment in the collaborative project NorNed, in which Statnett has a 50 per cent participation, is recorded in the balance sheet as plant under construction. The same applies to the North Sea Interconnector (NSI) cable project, in which Statnett is collaborating with National Grid Transco plc. The question of whether licensing conditions or other circumstances demand the complete or partial write-down of accumulated project costs is subject to continuous evaluation. Write-downs are reversed if the basis for writing down is no longer present.

Interest during the construction period

Interest on construction loans associated with own plant under construction is recorded on the balance sheet. The interest is calculated from an average rate of interest as well as the extent of the investment, as the financing is not specifically identified with individual projects.

Tangible fixed assets/depreciation

Tangible fixed assets are valued at cost price with a deduction for ordinary depreciation and write-downs.

Ordinary linear depreciation is made from the time the asset was put into normal operation and is calculated on the basis of the useful life of the asset. The same applies to operating assets acquired from other system operators. The basis for determining the useful life is based on recommendations from Enfo's publication "Depreciation in the Power Supply Industry" and NVE guidelines for the determination of transmission tariffs. Write-downs to the real value are carried out when the drop in value is due to unavoidable circumstances and is

taken to be necessary according to good accounting practice. The real value is taken to be whichever is greater, the sale price or discounted future cash flows. The write-down is reversed when the basis for writing down is no longer present.

Spare parts are capitalised with the associated operating asset, and are depreciated at the same rate.

Gains/losses from the sale of operating assets are entered as ordinary operating revenue/costs.

Financial leasing

The co-operation agreement regarding investments in fibre-optic cables and leasing for use in commercial telecommunications is treated as financial leasing. Annual payments are recorded as income for the period.

Foreign currency receivables and debts

Liquid assets denominated in foreign currencies are translated at exchange rates on the balance sheet date.

Other current assets and liabilities, which have not been hedged or swapped to NOK, are recorded at the lower or higher rates on the transaction date and the balance sheet date respectively. Unrealised losses are recorded as costs, while unrealised gains are only taken to income to the extent that they are used to cover unrealised losses in the same currency.

Long-term borrowing in foreign currencies is linked to swaps and treated as borrowing in NOK.

Liability in Norwegian kroner (NOK)

Liability in Norwegian kroner is taken at nominal value. Costs of borrowing are recorded on the profit and loss account over the period of the loan.

Financial instruments

Financial instruments comprise securities, loans from the government and financial institutions and derivatives. Financial derivatives are agreements that are made with financial institutions for the determination of future interest terms and/or exchange rates. See note 2 for further details on the various types of financial derivatives used by the parent company.

Financial derivatives are classified when entered into either as hedging transactions or trading transactions. Classification is decided by the intention of the transaction when it is made. Hedging transactions consist of contracts intended to neutralise an existing or anticipated interest risk and/or exchange risk in the balance sheet.

The accounting treatment of financial instruments follows from the reason for entering into the contract.

Gains/losses on such transactions are accounted for on an accruals basis together with the underlying object.

Hedge accounting

The aim of the parent company is to guard against losses in the following situations:

1. Losses on liabilities as a result of changes in interest rates.
2. Losses from purchase/sales contracts in foreign currencies as a result of changes in exchange rates.

Hedge accounting means that changes in the value of a hedge object and the hedging transaction will be recorded in the same period.

The parent company adopts hedge accounting when the following three criteria are met simultaneously:

1. The object or object group that is to be hedged (hedge object) must be identified specifically, and it must expose the parent company to a potential reduction in equity through changes in interest rates and/or exchange rates.
2. The instrument(s) used must be specifically designated as hedging.
3. It is highly likely that there will be a high degree of negative correlation in the real value of the hedging instrument and the object that is to be hedged.

The instruments used by the parent company to guard against losses are described in more detail in note 2 on financial market risk.

Pension costs and pension liabilities

The parent company and the subsidiaries have pension schemes entitling the employees to future benefits (benefit plans). The benefits are based on the number of years of service and the wage level at retirement age.

Pension rights earned are primarily ensured through pension schemes in Statnett SF's Group Pension Fund and the Norwegian Public Services Pension Fund. In addition, the parent company has early-retirement obligations that are covered by its operations.

Contributions to the pension fund are made in accordance with the actuarial calculation method. The funds in the pension fund are primarily invested in securities.

Pension liabilities are calculated according to NRS' Norwegian Accounting Standard on pension costs.

Pension liabilities are valued at the present value of the future retirement benefits that have accrued on the balance sheet date and which are to be covered by our own pension fund or financed by operations.

Net pension liabilities recorded on the balance sheet are, after corrections for deferred entry on the profit and loss account of the effects of changes in the estimates and pension plans, difference between actual and expected return on pension funds, not yet entered on the profit and loss account. Net pension liabilities are shown as provisions for liabilities. Over financed schemes where assets cannot be transferred to under-financed schemes are shown as pension funds (financial fixed assets).

Changes to the liability and pension funds that arise due to changes and deviation in the assumptions made for the calculations (estimate changes) are shared over the presumed average remaining contribution time if the deviation at the beginning of the year is greater than 10 per cent of the largest of gross pension liabilities and pension funds.

The net pension cost for the year is included in salaries in the profit and loss account. Premiums that have been paid are treated as investments in pension funds.

Changes from the previous year

The following changes affected the group structure in 2002:

- Statnett Helimatic AS (100 per cent) from 1 September 2002. 51 per cent owned in the period 1 January to 30 August.
- Statnett Optocomm AS was sold 31 July 2002. The company was under 50 per cent ownership until 31 December 2001. In 2002 the company was wholly owned until the sale.
- Viking Cable AS (50 per cent owned) was sold 1 January 2002.
- Nord Pool Spot AS was treated as an affiliated company in the second half of 2002 when the Group's direct and indirect ownership share was reduced from 50 per cent to 30 per cent on 1 July 2002 (jointly controlled operations in the first half of 2002).

Reclassification on the balance sheet

Accumulated holiday allowances are reclassified from the accounts line Tax payable and deductions to Other short-term liabilities.

Employer's contributions related to provisions for pensions is reclassified from Other long-term liability to Pension liability.

Figures for previous years are:

PARENT COMPANY			GROUP	
2001	2000	(Amounts in NOK million)	2001	2000
		Accumulated holiday allowances to other short-term liability	38	33
27	23	Employer's contributions to provisions for pensions	17	18
13	14			

Dividend

Dividend paid by the parent company in 2001 was NOK 70 million higher than proposed in the accounts for 2001. Balance sheet figures for the parent company and the group for 2001 have been changed in relation to dividends paid. See also note 18.

NOTES

NOTE 2 - FINANCIAL MARKET RISK

Interest rate and currency swaps

These are agreements whereby the contracting parties exchange currency and/or interest rate terms for an agreed amount over a defined future period.

The agreements below have been entered into for the existing balance sheet liabilities.

(Amounts in million) Maturity:	Principal Lending	Principal Borrowing	Interest rate terms Statnett receives	Interest rate terms Statnett pays	Call option* for opposing party
2003	NOK 50	NOK 50	Fixed	Nibor 6 months	
2003	NOK 400	NOK 400	Nibor 6 months	Fixed	
2003	NOK 300	NOK 300	Nibor 6 months	Fixed	
2003	NOK 350	NOK 350	Fixed	Nibor 6 months	
2004	USD 31	NOK 268	Zero coupon	Nibor 6 months	
2004	NOK 87	NOK 87	Nibor 6 months	Fixed	
2004	NOK 268	NOK 268	Nibor 6 months	Fixed	
2005	NOK 600	NOK 600	Fixed	Nibor 6 months	
2005	NOK 300	NOK 300	Nibor 6 months	Fixed	
2005	NOK 300	NOK 300	Nibor 6 months	Fixed	
2006	NOK 375	NOK 375	Nibor 6 months	Fixed	
2006	NOK 200	NOK 200	Nibor 6 months	Fixed	
2006	NOK 100	NOK 100	Fixed	Fixed	
2006	NOK 400	NOK 400	Fixed	Nibor 6 months	
2007	USD 10	NOK 90	Variable interest	Nibor 6 months	Yearly
2008	USD 25	NOK 188	Fixed USD	Nibor 6 months	
2008	USD 25	NOK 188	Fixed USD	Nibor 6 months	
2008	NOK 200	NOK 200	Fixed	Nibor 6 months	
2008	NOK 300	NOK 300	Nibor 6 months	Fixed	
2008	NOK 200	NOK 200	Nibor 6 months	Fixed	
2008	NOK 800	NOK 800	Fixed	Nibor 6 months	
2009	NOK 400	NOK 400	Fixed	Nibor 6 months	29 Oktober 2004
2010	JPY 1000	NOK 87	Fixed JPY	Nibor 6 months	
2017	JPY 1700	NOK 116	Variable interest	Nibor 6 months	Half-yearly
2027	JPY 1000	NOK 68	Fixed until 2004, then variable	Nibor 6 months	Half-yearly

* The opposing contractual partner is entitled to terminate the contract at given times before the maturity date. In the case of underlying loans, Statnett will have a corresponding right to terminate the loan before the maturity date.

Interest rate swaps with start in the future

(Amounts in NOK million) Start-maturity:	Principal Lending	Principal Borrowing	Interest rate terms Statnett receives	Interest rate terms Statnett pays
2003-2006	NOK 200	NOK 200	Nibor 6 months	Fixed
2003-2004	NOK 300	NOK 300	Nibor 6 months	Fixed

The following overview shows the gross amount of interest rate swaps. Many of the swaps will "go against one another" and the net amount will not be exposed to interest rate changes.

The agreements below are related to the existing balance sheet liabilities

(Amounts in NOK million) Maturity:	Principal investment	Interest swap agreement	Interest rate terms Statnett receives	Interest rate terms Statnett pays
2004	NOK 50	NOK 50	Nibor 6 months	Nibor 3 months
2004	NOK 50	NOK 50	Nibor 6 months	Nibor 3 months
2005	NOK 200	NOK 200	Nibor 6 months	Fixed
2006	NOK 50	NOK 50	Nibor 6 months	Nibor 3 months

Interest rate options

These are agreements whereby one has a right, but not an obligation, to pay (Call)/receive (Put) a given rate of interest on a given amount at a given time or within a given period of time. The following contracts have been entered into:

(Amounts in NOK million) Maturity	Amount	Instrument	Bought/sold
2003	NOK 200	Cap	Bought
2003	NOK 200	Put	Sold

Currency swaps:

At 31 December 2002 the company had no currency futures related to the buying/selling of goods and services. For currency contracts related to loans, see note 14.

NOTE 3 - INFORMATION ON BUSINESS AREAS

(Amounts in NOK million)	Statnetts operations ¹⁾	Other tasks ²⁾	Elimin. Parent Company	Statnett SF	Engineering & construction ³⁾	Power Exchange ⁴⁾	Elimin. Group	Total Group
Tariff revenues - fixed element		2 054	-62	1 992				1 992
Tariff revenues - variable element		664	-9	655			-25	630
Higher/lower revenues for year	6		-38	-32				-32
Revenue ceiling Statnett SF	2 348		-2 003	345				345
Revenue ceiling transmission losses	375		-341	34				34
Power sales	611	1 682	-746	1 547		4 478	-68	5 957
Leasing revenues from cables to Continent	13			13				13
Other operating revenues	63	14	-7	70	406	168	-148	496
Total revenues	3 416	4 414	-3 206	4 624	406	4 646	-241	9 435
Power purchases	-621	-1 682	688	-1 615		-4 478	26	-6 067
System services	-196		48	-148				-148
Transmission losses	-454	-341	341	-454			68	-386
Leasing costs, external installation owners		-249		-249				-249
Leasing costs, Statnett facilities		-1 998	1 998	0				0
Reversals higher/lower earnings installation owners		-7		-7				-7
Costs from overlying grid		-83	78	-5				-5
Materials and subcontractors	-133			-133	-172		81	-224
Wages, social security costs	-183	-4		-187	-136	-29	23	-329
Depreciation	-601			-601	-13	-6	3	-617
Write downs	-26			-26	-2			-28
Other operating costs	-205	-16	14	-207	-95	-107	43	-366
Property tax	-87			-87				-87
Total operating costs	-2 506	-4 380	3 167	-3 719	-418	-4 620	244	-8 513
Operating profit/loss	910	34	-39	905	-12	26	3	922
Financial revenues	85	4	-4	85	4	34	-5	118
Financial costs	-421		5	-416	-18	-16	23	-427
Total financial items	-336	4	1	-331	-14	18	18	-309
Profit before tax	574	38	-38	574	-26	44	21	613
Tax	-157			-157	5	-12	-4	-168
Profit/loss*	417	38	-38	417	-21	32	17	445
Higher/lower revenue in the balance sheet			38					

* Higher/lower revenues related to other tasks are recorded in the balance sheet for Statnett SF.

Total assets				11 970	209	336	-350	12 165
Total liabilities				7 628	120	104	-173	7 679
Investments in tangible fixed assets				928	5	6		939

1) Statnett's commercial operations.

2) Comprises the Main Grid Commercial Agreement, two shared regional grids and the balance settlement.

3) Comprises Statnett Entreprenør AS, Statnett Transport AS, Statnett Skagerrak AS and jointly-controlled construction companies.

4) Comprises 50 % of Nord Pool ASA, Nord Pool Clearing AS, Nord Pool Consulting AS and Nord Pool Spot AS for the first six months.

From 1 July Nord Pool Spot AS is owned 30% directly and indirectly and is therefore treated as an affiliated company.

NOTE 4 - OPERATING REVENUES

PARENT COMPANY				GROUP		
2002	2001	2000	(Amounts in NOK million)	2002	2001	2000
POWER TRANSMISSION						
2 648	2 655	2 277	Tariff revenues	2 623	2 633	2 277
			Higher revenue for year - Main Grid			
-44	-59	-235	and shared regional grids	-44	-59	-235
375	336	358	Leasing regional grid facilities	375	336	358
8	-1	-	Higher/lower revenue regional grid facilities	8	-1	-
6	-	-	Lower revenue KILE *	6	-	-
13	12	165	Leasing cables to Continent	13	12	165
3 006	2 943	2 565	Total transmission revenues	2 981	2 921	2 565
POWER SALES						
1 281	1 157	640	Sales - spot and regulating power	5 691	11 623	6 083
266	318	95	Sales - coordination of operations	266	318	94
1 547	1 475	735	Total power sales	5 957	11 941	6 177
OTHER OPERATING REVENUES						
15	11	13	Revenues from fees	148	171	130
18	21	40	External contracts	287	181	237
38	53	34	Other operating revenues	62	60	170
71	85	87	Total other operating revenues	497	412	537

* KILE: Quality-adjusted Revenue Ceilings for Undelivered Energy.

Power transmission

Prices (tariffs) for input and use of electricity from the Main Grid and shared regional grids are charged to the users in accordance with a set price system.

Leasing of regional grid facilities includes services which are not included in the Main Grid Commercial Agreement or shared regional grids.

As of 2001 cables to the Continent are included in the Main Grid. Leasing outside the Norwegian sector is invoiced separately to the Danish customer.

Disputes and Unresolved matters

Reference is made to note 22 (Disputes), and to note 23 (Unresolved matters).

KILE

As of 2001 NVE introduced the so-called KILE scheme (Quality-adjusted Revenue Ceilings for Undelivered Energy). This scheme is intended to function as an incentive to secure an acceptable quality of transmissions. NVE has calculated an expected "KILE ceiling" for grid owners which is supposed to reflect the socio-economic costs resulting from outages. At year-end there will be a difference between the actual KILE level and the framework, so-called higher/lower revenues.

Statnett shall carry out an assessment of how the actual KILE amount can be expected to develop over time in relation to the estimated KILE amount. In 2001 Statnett chose to wait for further developments before recording the lower revenue. After 2002 the conclusion is that the actual accumulated KILE does not give too great an amount in relation to the expected development. Statnett has therefore chosen to record the lower revenue of NOK 5.8 million in 2002.

For socio-economic outage costs to be better reflected in the scheme, the opportunity is given to enter into individual KILE agreements with larger consumers where the actual outage costs are lower than standard KILE rates. In the case of an outage with such customers, an agreed amount is paid directly to the customer instead of entering it into the total KILE accounts. Statnett's costs under such agreements totalled NOK 2.6 million for 2002.

Power sales

Power sales for 2002 cannot be compared directly with 2001 as only revenues from spot power for the first half of 2002 are recorded in the financial statements. For the second half of 2002 Nord Pool Spot AS is classified as an affiliated company. See also note 5.

On 1 January 1996 Norway and Sweden established a joint power market and a joint power exchange based on Nord Pool ASA. From 1 January the company has been split into three different companies: Nord Pool ASA, Nordic Electricity Clearing House ASA (name changed to Nord Pool Clearing ASA from 7 January 2003) and Nord Pool Spot AS.

From summer 1998 Finland became its own reporting area. The western parts of Denmark (Funen and Jutland) were established as a separate pricing area in this market with effect from 1 July 1999. Eastern Denmark was established as its own pricing area with effect from 1 October 2000.

Continued on next page

Note 4 continued

Gross sales (Amounts in NOK million)	2002	2001	2000
Spot market*	26 741	21 304	11 071
Regulating power*	1 682	2 693	846
Total	28 423	23 997	11 917

Sales in TWh	2002	2001	2000
Spot market*	115.0	111.2	96.9
Futures market (trading)**	1 018.5	909.9	358.9
Regulating power*	8.0	8.9	8.4
Total trading in TWh	1 141.5	1 030.0	464.2

Clearing of bilateral contracts in TWh***	2 088.8	1 747.6	1 179.5
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* The spot market is cleared by Nord Pool ASA. Regulating power is cleared by Statnett SF.

** In 2002 sales in the financial market amounted to NOK 179.9 billion. For 2001 and 2000, it was NOK 157.1 billion and NOK 43.3 billion.

*** The contractual value of clearing OTC contracts amounted to NOK 254 billion. For 2001 and 2000, it was NOK 234 billion and NOK 122.5 billion.

Nord Pool ASA manages sales in the organised markets in accordance with its licence, which was granted on 2 December 1994. This was changed to a market place licence on 1 January 2002

On 2 January 2002 Nord Pool ASA was given the "concession for short-term power exchange with foreign countries".

On 5 March 2002 Nord Pool ASA was granted a licence as an exchange for trade derivatives with electricity as an underlying product. At the same time the company was granted a licence as a clearing house for trade derivatives with electricity as the underlying product.

External contracts

External contracts were carried out primarily by Statnett Entreprenør AS and Statnett Transport AS.

Geographic markets

The parent company's revenue comes primarily from Norway. Statnett Entreprenør AS received a share of its revenue from other Nordic countries.

NOTE 5 - POWER PURCHASES AND SYSTEM SERVICES

PARENT COMPANY			(Amounts in NOK million)	GROUP		
2002	2001	2000		2002	2001	2000
1 304	1 211	658	Purchases, electricity spot and regulating power	5 756	11 841	6 193
459	450	165	Purchases, coordination of operations	459	450	165
1 763	1 661	823	Total power purchases and system services	6 215	12 291	6 358

Power sales for 2002 cannot be compared directly with 2001 as only revenues from spot power for the first half of 2002 are recorded in the financial statements. For the second half of 2002 Nord Pool Spot AS is classified as an affiliated company. See also note 4.

NOTE 6 - PLANT UNDER CONSTRUCTION

PARENT COMPANY				GROUP		
2002	2001	2000	(Amounts in NOK million)	2002	2001	2000
504	396	394	Acquisition cost 1 January	612	481	443
-388	-362	-278	Transferred to Tangible fixed assets	-388	-362	-278
-	-	-	Disposals acquisition cost	-108	-	-
640	470	280	Change in stocks	640	493	316
756	504	396	Acquisition cost 31 December	756	612	481
-170	-144	-101	Accumulated write-downs	-170	-145	-102
586	360	295	Value in balance sheet 31 December	586	467	379
-26	-43	-20	Write downs for year	-26	-43	-21

Write-downs

Write-downs concerning cable projects to the Continent and associated grid reinforcements on land. Statnett has been involved in several such cable projects.

Changes to plans, progress, the design of facilities and the uncertainty concerning some projects has resulted in a write-down of facilities under construction in the amount of NOK 26 million in 2002 against NOK 43 million in 2001 and NOK 20 million in 2000.

The year's change in stocks can be broken down as follows:

PARENT COMPANY				GROUP		
2002	2001	2000	(Amounts in NOK million)	2002	2001	2000
384	215	123	Materials and subcontractors	348	181	103
120	91	69	Wages, social security costs	144	123	92
116	140	66	Other operating costs	128	165	100
620	446	258	Total operating costs	620	469	295
20	24	22	Construction loan interest	20	24	22
640	470	280	Total	640	493	317

The change in stocks has been recorded as a reduction of the relevant items in the profit and loss account.

NOTE 7 - WAGE COSTS, EMPLOYEES, REMUNERATION

PARENT COMPANY				GROUP		
2002	2001	2000	(Amounts in NOK million)	2002	2001	2000
228	209	185	Wages	361	334	295
36	34	34	National Insurance contributions	55	50	50
27	25	32	Pension costs	33	34	40
16	17	19	Other benefits	24	22	21
307	285	270	Total wage costs	473	440	406
-120	-91	-69	Of which own investment projects	-144	-123	-92
187	194	201	Net wage costs	329	317	314

The average number of full-time positions in the parent company and Group is 515 and 803 for 2002.

Benefits to senior persons	(Amounts in NOK)	President and CEO	The Board
Salaries/director's fees		1 279 446	1 200 000
Pension expenditure		*	-
Other remuneration		143 895	-
Total benefits		1 423 341	1 200 000

* The President and CEO is included in Statnett SF's ordinary pension scheme.

The pensions premium for President and CEO that concerns the guarantee scheme is NOK 213 269. In February 2000 an agreement was signed with the President and CEO concerning pension rights from the age of 60. The President and CEO's pensionable age is 65.

Auditor

Statnett SF and the Engineering and Construction companies in the Group changed auditor in 2002.

(Amounts in NOK)	PARENT COMPANY	GROUP
Fees for auditing of financial accounts	375 000	560 000
Fees for other financial audits	340 800	340 800
Total fees	715 800	900 800
Fees for other services	29 850	961 681

In addition the previous auditor invoiced Statnett SF NOK 396 090 for fees for financial advice in 2002.

NOTE 8 - PENSIONS AND PENSION LIABILITIES

PARENT COMPANY				GROUP		
2002	2001	2000	(Amounts in NOK million)	2002	2001	2000
Benefit plans						
23	20	29	Present value of year's pension contributions	30	27	35
22	21	17	Interest cost of pension liabilities	28	28	25
45	41	46	Gross pension costs	58	55	60
-21	-19	-15	Estimated yield on pension funds	-28	-24	-22
3	3	1	Recorded changes and deviations in estimate	3	3	2
27	25	32	Net pension costs	33	34	40
3	4	5	Employer's contributions	4	5	6
30	29	37	Net pension costs including employer's contributions	37	39	46
Benefit plans						
443	405	385	Calculated pension liabilities	566	519	498
-341	-301	-284	Pension funds at estimated market value	-434	-387	-359
-76	-45	-28	Changes in estimates not recorded in accounts	-72	-41	-36
26	59	73	Net pension liabilities excluding employer's contributions	60	91	103
14	15	14	Employer's contributions	18	17	18
40	74	87	Accrued net pension liabilities	78	108	121
Included in the balance sheet as:						
62	33	25	Pension funds	62	33	25
102	107	112	Pension liabilities	140	141	146

Specification of actual pension funds in the pension fund

(Amounts in NOK million)

	GROUP	PARENT COMPANY
Premium reserve	362	289
Premium fund	33	24
Securities fund	1	1
Added value financial investments	3	2
Total actual pension funds at 31 December 2002	399	316

Extent of pension fund at 31 December 2002

Members of pension fund	1 124	790
Of which pensioners	230	198
No. of persons with pension agreements	894	592

Financial/actuarial factors in parent company

	2002	2001	2000
Discount interest rate	6 %	6 %	6 %
Expected yield	7 %	7 %	7 %
Expected wage adjustments	3.0 %	3.0 %	2.5 %
Expected pension adjustments	3.0 %	3.0 %	2.5 %
Remaining earning period	15 years	15 years	15 years

Deviation between estimated pension funds and actual pension funds as at 31 December 2002 is due to differences between actual and estimated yield on pension funds in 2002.

NOTES

NOTE 9 - TANGIBLE FIXED ASSETS

GROUP (Amounts in NOK million)	Electrotechnical equipment	Telematics equipment	Buildings/ land	Other operating movables	Total
Acquisition cost 1 January	11 772	486	781	210	13 249
Additions acquisition cost	753	45	37	104	939
Disposals acquisition cost	-11	-8	-5	-9	-33
Acquisition cost 31 December	12 514	523	813	305	14 155
Ordinary depreciation 1 January	3 834	216	146	119	4 315
Ordinary depreciation for year	497	54	22	44	617
Disposals ordinary depreciation	-4	-7	0	-4	-15
Write downs for the year				2	2
Ordinary depreciation 31 December	4 327	263	168	161	4 919
Value in balance sheet 31 December	8 187	260	645	144	9 236
Depreciation rates (linear) in per cent	2.5 - 6.6	6.6 - 12.5	0 - 2	10 - 33	

GROUP (Amounts in NOK million)	2002	2001	2000	INVESTMENTS		2002	2001	2000	1999	SALES
				1999	1998					1998
Electrotechnical equipment	753	531	255	950	248	8	-	2	-	-
Telematics equipment	45	70	100	78	65	-	-	-	-	41
Buildings, land	37	29	13	24	33	11	8	26	36	15
Other operating movables	104	56	45	15	29	3	2	127	2	5
Total	939	686	413	1 067	375	22	10	155	38	61

PARENT COMPANY (Amounts in NOK million)	Electrotechnical equipment	Telematics equipment	Buildings/ land	Other operating movables	Total
Acquisition cost 1 January	11 772	486	750	135	13 143
Additions acquisition cost	753	45	37	93	928
Disposals acquisition cost	-11	-8	-3	-3	-25
Acquisition cost 31 December	12 514	523	784	225	14 046
Ordinary depreciation 1 January	3 834	216	143	75	4 268
Ordinary depreciation for year	497	54	21	29	601
Write downs for the year	-4	-7	0	-2	-13
Ordinary depreciation 31 December	4 327	263	164	102	4 856
Value in balance sheet 31 December	8 187	260	620	123	9 190
Depreciation rates (linear) in per cent	2.5 - 6.6	6.6 - 12.5	0 - 2	10 - 33	

PARENT COMPANY (Amounts in NOK million)	2002	2001	2000	INVESTMENTS		2002	2001	2000	1999	SALES
				1999	1998					1998
Electrotechnical equipment	753	531	255	950	248	8	-	2	-	-
Telematics equipment	45	70	100	78	65	-	-	-	-	41
Buildings, land	37	26	13	23	32	8	6	25	34	13
Other operating movables	93	30	30	7	19	-	1	1	-	1
Total	928	657	398	1 058	364	16	7	28	34	55

NOTE 10 - FINANCIAL ITEMS

PARENT COMPANY			(Amounts in NOK million)	GROUP		
2002	2001	2000		2002	2001	2000
Financial income						
14	-	4	Income from investment in subsidiaries	-	-	-
14	-	-	Income from investment in affiliated companies	36	-	-
5	5	8	Interest from subsidiaries and jointly-controlled companies	-	-	-
67	77	72	Other interest income	91	97	89
6	1	2	Other financial income	12	5	2
-21	-1	2	Change in value of market-based financial current assets	-21	-1	4
85	82	88	Total financial income	118	101	95
Financial costs						
10	-	-	Write downs of financial fixed assets	15	-	-
420	374	359	Other interest costs	423	375	359
-20	-24	-22	Capitalised construction loan interest	-20	-24	-22
6	5	4	Other financial costs	9	5	6
416	355	341	Total financial costs	427	356	343

Note 11 - SHARES AND OWNER INTERESTS

Company	Type	Year of acquisition	Registered office	Shareh.	Voting rights	(Amounts in NOK 1 000)	
						Acquisition cost	Book value
Statnett Entreprenør AS*	Subsidiary	1994	Oslo	100.0 %	100.0 %	53 370	60 602
Statnett Transport AS	Subsidiary	1996	Oslo	100.0 %	100.0 %	6 680	18 321
Statnett Forsikring AS	Subsidiary	1998	Oslo	100.0 %	100.0 %	30 200	30 200
Nord Pool ASA	Jointly-controlled	1992	Bærum	50.0 %	50.0 %	102 190	102 190
Nord Pool Consulting AS	Jointly-controlled	1998	Bærum	33.3 %	33.3 %	2 000	1 751
EuroKabel AS	Jointly-controlled	1995	Oslo	50.0 %	50.0 %	16 250	0
Nord Pool Spot AS	Jointly-controlled	2002	Bærum	20.0 %	20.0 %	320	320
Total subsidiaries, jointly-controlled companies and affiliated companies						211 010	213 384
Norwegian Pipelines AS	Deposits	1993	Stavanger	4.1 %	4.1 %	70	0
Energi Forlag AS	Deposits	2002	Oslo	16.4 %	16.4 %	400	0
Stri AB	Deposits	1998	Sweden	12.5 %	12.5 %	1 407	1 407 ¹⁾
Statnett SFs Konsernpensjonskasse	Deposits	1993	Oslo	100.0 %	100.0 %	15 000	15 000 ¹⁾
Total other shares etc.						16 877	16 407
Total shares and owner interests						227 887	229 791

* Sold to Eitel Networks AS, 9 April 2003.

Shares owned by subsidiaries and jointly-controlled companies

(Group's indirect shareholding)

Company	Year of acquisition	Registered office	Shareh.	Voting rights	(Amounts in NOK 1 000)	
					Acquisition cost	Book value
Elkom Entreprenør AS	2001	Oslo	51.5 %	51.5 %	5 945	3 081
Statnett Helimatic AS	2001/2002	Oslo	100.0 %	100.0 %	700	244
Statnett Skagerak AS	1998	Oslo	100.0 %	100.0 %	100	100
Nord Pool Consulting AS *	1998	Bærum	16.7 %	16.7 %	1 000	1 000
Nord Pool Clearing ASA	1998/2001	Bærum	50.0 %	50.0 %	150 025	150 025
Nord Pool Spot AS **	2002	Bærum	10.0 %	10.0 %	1 536	1 536
NOS ASA	2001	Oslo	10.0 %	10.0 %	29 627	20 733 ¹⁾
European Energy Exchange AG	2000/2001	Germany	8.7 %	8.7 %	18 449	18 449 ¹⁾

* Group's direct and indirect shareholding is 50%.

** Group's direct and indirect shareholding is 30%.

(Amounts in NOK 1 000)

Book value, shares in Nord Pool Spot AS

	GROUP
Book value 1 January	400
Share of years profit/loss	4 231
Change in cost price on sale	-80
Gains on issue	18 004
Book value 31 December	22 555¹⁾

1) The shares are included in Investments in other shares and holdings.

Continued on next page

NOTES

Note 11 continued

The Nord Pool Group

As from 1 January 2002 and from an accounting viewpoint, Nord Pool ASA has been dealt up into three different companies; Nord Pool ASA, Nordic Electricity Clearing House ASA (name changed to Nord Pool Clearing ASA from 7 January 2003) and Nord Pool Spot AS.

The changes to the company occurred by the demerger of the spot and clearing businesses from Nord Pool ASA with its respective operating companies. The changes were carried out with accounting and tax related continuity. As of 1 January 2002, Nord Pool ASA consists of the marketplace for trading in financial power contracts in the Nordic region and international investment in physical and financial power contracts. Nord Pool ASA is owned 50 per cent by Statnett SF and 50 per cent by Svenska Kraftnät.

Nord Pool Clearing ASA is the clearing house for the financial power market in the Nordic region and is wholly owned by Nord Pool ASA.

Nord Pool Spot AS is the marketplace for the organised trading of physical power contracts in the Nordic region. Until 30 June 2002 the company was jointly owned by Nord Pool ASA, Statnett SF and Svenska Kraftnät, each holding a 33 per cent share. As of 1 July 2002 Statnett SF and Nord Pool ASA each had a 20 per cent stake in the company. The other Nordic transmission system operators own the rest of the shares. Svenska Kraftnät and Fingrid Oy own 20 per cent each, while the two Danish transmission system operators, Eltra Amba and Elkraft System, own 10 per cent each.

Engineering and Construction

The heavy transport unit in Statnett Entreprenør AS was transferred to Statnett Transport AS via demerger/merger on 1 January 2002. The changes were carried out with accounting and tax related continuity. Both companies were wholly owned by Statnett SF.

On 1 January 2002, Statnett Entreprenør AS increased its shareholding in the then Statnett Optocomm AS from 50 per cent to 100 per cent. The company was sold out of the group on 31 July 2002. The profit from Statnett Optocomm AS is recorded in the group for the period of ownership.

On 1 September 2002, Statnett Entreprenør AS increased its shareholding in Statnett Helimatic AS from 51 per cent to 100 per cent.

Enitel ASA

The company went bankrupt in autumn 2001. Statnett's losses connected to its shares in Enitel ASA were recorded as NOK 163 million and NOK 197 million for the parent company and group respectively.

NOTE 12 - RECEIVABLES

Receivables due later than one year

PARENT COMPANY		2000		(Amounts in NOK million)	2002	2001	GROUP 2000
2002	2001						
-	14	14		Loans to subsidiaries	-	-	-
50	100	68		Loans to jointly-controlled companies	-	-	-
-	2	3		Other long-term receivables	-	2	3
-	24	-		Trade accounts receivable	-	24	-
50	140	85		Total	0	26	3

Trade accounts receivable due in later than one year comprise lower revenues in the Main Grid Commercial Agreement, a shared regional grid and the leasing of components in regional grids. In accordance with NVE's regulations, lower revenues can be recouped through tariffs/leasing rates in subsequent years.

Other

Accounts receivable include a disputed receivable of approx. NOK 15 million. If necessary, attempts will be made to solve this matter in the courts. No write-down of this receivable has been made.

NOTE 13 - MARKET VALUE OF CURRENT ASSETS

Certificates (Amounts in NOK million)	Acquisition cost	Value entered in balance sheet	Market value	Interest rate	Interest rate regulation
Lyse Kraft	20	20	20	7.30 %	Fixed
Olav Thon Eiendom	20	20	20	7.26 %	Fixed
Tafjord Kraft	20	20	20	7.50 %	Fixed
Total certificates	60	60	60		

Bonds (Amounts in NOK million)	Acquisition cost	Value entered in balance sheet	Market value *	Interest rate *	Interest rate regulation *
Agder Energi	10	10	10	7.62 %	Half-yearly
Bolig- og næringskreditt	197	197	200	6.20 %	Half-yearly **
Kommunalbanken	10	10	10	5.55 %	Fixed
Nordea Bank	150	150	150	6.20 %	Half-yearly
Christania Bank og Kredittkasse	10	10	10	7.00 %	Fixed
Norlandsbanken	10	10	10	6.56 %	Quarterly
Norsk Stat	30	30	30	5.75 %	Fixed
Norsk Stat	15	15	16	6.75 %	Fixed
Norsk Stat	5	5	5	5.50 %	Fixed
Orkla	50	50	50	6.46 %	Half-yearly ***
Oslo Kommune	10	10	10	7.05 %	Fixed
Sparebanken Rogaland	15	15	15	7.00 %	Fixed
Sparebanken Sør	50	50	50	6.31 %	Half-yearly ***
Sparebanken Vest	50	50	50	6.14 %	Half-yearly ***
Sparebankkreditt	25	25	25	5.85 %	Fixed
Statkraft	20	20	21	6.75 %	Fixed
Total bonds	657	657	662		

The face value of all bonds owned by Statnett are in NOK.

* The columns show value including swap interest rate.

** This bond has been swapped from a fixed rate of interest to a variable rate NIBOR 6 months.

*** The bond has been swapped from a variable rate 3 months to a variable rate NIBOR 6 months.

Shares (Amounts in NOK million)	Acquisition cost	Value entered in balance sheet	Market value
Floating portfolio shares	59	42	42
Total market-based securities	776	759	764

The company values securities according to the portfolio method, certificates and bonds individually.

NOTES

NOTE 14 - LOANS FROM GOVERNMENT AND OTHER FINANCIAL INSTITUTIONS

Borrowing and guarantee limit

In accordance with Statnett SF's Articles of Association the company's loan and guarantee liabilities shall not exceed NOK 10 billion. At the end of the year the remaining unutilised borrowing limit was approximately NOK 3.8 billion.

Loans taken up by Statnett before 31 december 2002 are covered by the government's guarantee and are guaranteed until the loan matures. Loans taken up on 1 January 2003 and later are not guaranteed by the government. Statnett SF pays a guarantee premium to the government in order for the loans to be guaranteed. The guarantee premium is 0.6 per cent for loans that run for upto seven years and 1.0 per cent for loans that run for over seven years.

Debts falling due more than five years following the end of the accounting year

(Amounts in NOK million)	2002	2001	2000
Bond issue	1 400	1 400	1 500
Loans from the Government	-	-	400
Loans from financial institutions	334	585	367
Total parent company	1 734	1 985	2 267
Debt to credit institutions	2	3	-
Total Group	1 736	1 988	2 267

Neither the parent company or other Group companies have convertible loans.

Information on bond issues, government loans and loans from financial institutions

Currency	(Amounts in NOK million)	Average interest rate ¹⁾	Loan amount in foreign currency	Loan amount in NOK
NOK		6.4 %	5 200	5 200
USD		6.8 %	91	717
JPY		6.8 %	3 700	271
Total parent company				6 188

1) All loans in foreign currencies are converted into NOK through currency and interest rate swaps. The average interest rate for the loans includes swaps.

Repayment schedule (Amounts in NOK million)	2003	2004	2005	2006	2007	Thereafter	Total
Parent company	1 752	314	1 063	1 263	62	1 734	6 188
Group	1 753	314	1 063	1 263	62	1 735	6 190

Own holding of bonds

As of 31 December 2002 Statnett SF has no own holding of bonds.

NOTE 15 - OTHER LONG-TERM LIABILITIES

PARENT COMPANY			(Amounts in NOK million)	GROUP		
2002	2001	2000		2002	2001	2000
35	37	39	Pre-paid revenues	35	37	39
-	-	-	Allocation periodic maintenance	2	1	2
35	37	39	Total other long-term liabilities	37	38	41

Pre-paid revenues relate to compensator stations for the Skagerrak cables. Revenues (including interest element) are spread over 25 years in line with the life of the assets. Last year, employer's national insurance contributions related to pension liabilities were classified as part of other long-term liabilities. This is now included in the accounting line for pension liabilities. The size of the amount is referred to at the end of note 1.

NOTE 16 - INTRA-GROUP BALANCES

(Amounts in NOK million)	Trade accounts receivable			Short-term lending		
	2002	2001	2000	2002	2001	2000
Subsidiaries	2	4	15	12	-	-
Jointly-controlled companies	3	1	3	-	-	-
Total	5	5	18	12	0	0

(Amounts in NOK million)	Long-term lending		
	2002	2001	2000
Subsidiaries	-	14	22
Jointly-controlled companies	50	100	68
Total	50	114	90

(Amounts in NOK million)	Trade accounts payable			Group bank accounts		
	2002	2001	2000	2002	2001	2000
Subsidiaries	19	23	23	57	43	91
Jointly-controlled companies	1	11	6	-	-	-
Total	20	34	29	57	43	91

NOTE 17 - TAXES

GROUP

Tax cost (Amounts in NOK million)	2002	2001	2000	
Tax payable		154	224	282
Change in deferred tax		15	-78	-52
Insufficient/excess provision previous years		-1	-2	4
Total tax cost		168	144	234

Summary of temporary differences (basis for deferred tax) (Amounts in NOK million)	Change			
	2001-2002	2002	2001	2000
Receivables	-4	2	-2	-1
Stock-in-trade	0	-1	-1	-1
Projects	-12	-1	-13	-
Shares and securities	16	-11	5	3
Operating assets	-40	-655	-695	-424
Provisions in accordance with good accounting practice	-10	-9	-19	-26
Pensions	-28	-43	-71	-82
Profit and loss account	2	29	31	44
Temporary differences in connection with acquisitions	-3			
Total	-79	-689	-765	-487
Loss carried forward		-26	-	-1
Base for deferred tax benefit in the balance sheet		-715	-765	-488
Deferred tax benefit in the balance sheet (28 % of the base for deferred tax benefit)		200	214	136

PARENT COMPANY

Calculation of deferred tax and change in deferred tax

Summary of temporary differences (basis for deferred tax) (Amounts in NOK million)	Change			
	2001-2002	2002	2001	2000
Receivables	-3	-	-3	-
Shares and securities	28	-23	5	3
Operating assets	-44	-647	-691	-421
Provisions in accordance with good accounting practice	-2	-5	-7	-11
Pensions	-33	-39	-72	-83
Profit and loss account	-10	13	3	9
Base for deferred tax benefit in the balance sheet	-64	-701	-765	-503
Deferred tax benefit in the balance sheet (28 % of the base for deferred tax benefit)	-18	196	214	141

TAX PAYABLE

Base for tax cost and tax payable (Amounts in NOK million)	2002	2001	2000	
Profit before tax cost		574	481	666
Permanent differences		2	3	-
Base for tax cost for the year		576	484	666
Change in temporary differences		-64	262	309
Base for tax payable (in the tax cost)		512	746	975

Tax payable (in the tax cost)

28 % of base for tax payable		143	208	273
Allowance for tax on dividends		-4	-	-1
Tax payable (in the tax cost)		139	208	272

Tax payable in the balance sheet

Tax payable in the tax cost		139	208	272
Tax effect of group contribution affecting tax payable		-1	-2	1
Tax payable (in the balance sheet)		138	206	273

TAX COST (SUMMARY)

Tax cost (Amounts in NOK million)				
28 % of base for tax payable		138	135	186
Allowance for tax on dividends		-	-	-1
Insufficient/excess provision previous years		0	-2	4
Total tax cost on the ordinary profit		138	133	189

Distribution of tax cost on the ordinary profit

Tax payable		138	208	272
Change in deferred tax		18	-73	-87
Insufficient/excess provision for last year		1	-2	4
Tax cost on ordinary result (tax cost for the year)		157	133	189

NOTE 18 - EQUITY

PARENT COMPANY (Amounts in NOK million)	Invested capital	Other equity	Total
Equity at 31 December 2001	2 700	1 696	4 396
Dividend paid in excess of allocation in accounts for 2001		-70	-70
Equity at 1 January 2002	2 700	1 626	4 326
Profit for year (after dividend allocated and Group contributions)		16	16
Equity at 31 December 2002	2 700	1 642	4 342

GROUP (Amounts in NOK million)	Invested capital	Other equity	Total
Equity at 31 December 2001	2 700	1 811	4 511
Dividend paid in excess of allocation in accounts for 2001		-70	-70
Equity at 1 January 2002	2 700	1 741	4 441
Profit for year (after dividend allocated)		45	45
Equity at 31 December 2002	2 700	1 786	4 486

NOTE 19 - MORTGAGES, GUARANTEES

Neither the parent company, subsidiaries nor jointly-controlled companies have furnished any substantial guarantees. The parent company has furnished guarantees vis-à-vis third parties for a total of SEK 10 million on behalf of STRI AB.

The parent company has furnished a guarantee of NOK 10 million in order to secure Statnett SF's Group Pension Fund's capital adequacy and solvency requirements in accordance with the Norwegian Banking, Insurance and Securities Commission's rules and regulations. This guarantee is valid until 31 December 2003. The pension fund's capital adequacy has not been so low that there has been a need to effectuate the guarantee.

The parent company has no opportunity to mortgage the company's assets.

NOTE 20 - INSURANCE

Statnett Forsikring AS was formed on 1 April 1998, with Statnett SF as the sole shareholder. From this date, Statnett Forsikring AS took over the obligations and assets of Statnett's captive insurance arrangement in Norsk Energiverk Forsikring AS. This licence is limited to covering risks relating to Statnett employees and units in the Statnett Group.

The company operates both as a direct underwriter, signing insurance policies, and in international reinsurance markets. In 2002, the company has operated in the following areas:

- Property insurance, including natural catastrophes
- Liability insurance
- Personal insurance (occupational injury, accident and group life)
- Special insurance

In 2002, liability development was less favourable for Statnett Forsikring AS than previous years, mainly resulting from the break in a submarine cable to Denmark. The damage weakened the insurance result. The weak financial market throughout the year contributed to the poor result.

Despite the poor result, Statnett Forsikring AS is financially solid. Provisions for insurance purposes exceed the minimum requirements stipulated by the authorities. Capital adequacy of 53 per cent satisfies the minimum requirements for the Norwegian Banking, Insurance and Securities Commission (Kredittilsynet), which is 8 per cent.

Key figures (Amounts in NOK million)	2002	2001	2000
Due premiums, gross	14.7	24.0	14.0
Profit/loss before insurance allocations	2.0	11.1	5.8
Equity	31.4	32.5	31.4
Total insurance allocations	105.3	106.3	96.8
Total assets	145.0	142.6	130.7

The accounts of Statnett Forsikring AS have not been incorporated in the consolidated figures, since the company's activities are not part of the Group's ordinary operations.

NOTE 21 – RELATED PARTIES

Ministry of Petroleum and Energy (OED)

As the owner of Statnett SF, the Norwegian Government represented by the Ministry of Petroleum and Energy (OED) is a closely related party. Statnett has the following relations with the OED:

Regulatory authority

The Norwegian Parliament (Storting) is the legislative authority that passes legislation based on proposals from the Government. Regulations are passed by the King in Council. OED administers its part of this and delegates (for example) the administration of the greater part of the Energy Act to NVE and others. Pursuant to the Norwegian Public Administration Act, any individual decision made by NVE can be appealed to the superior authority, i.e. the OED. See also note 22 - Disputes

Loans

OED furnishes loans to Statnett on ordinary commercial terms and conditions. See note 14.

Other related parties are:

Subsidiary companies:

The wholly-owned subsidiaries Statnett Entreprenør AS (sold to Eltel Networks AS, 9 April 2003) and Statnett Transport AS, and also Statnett Skagerak AS which is wholly owned by Statnett Transport AS.

The jointly-controlled companies:

- Nord Pool ASA of which Statnett and Svenska Kraftnät each own 50 per cent
- Nord Pool Consulting AS of which Statnett and Nord Pool ASA each own 33.3 per cent
- EuroKabel AS of which Statnett and EST EuroStrom Trading GmbH each own 50 per cent

Co-operating partners:

NEA and Statnett are constructing the NorNed cable and will each own their own section of this.

NOTE 22 - DISPUTES

Complaints regarding revenue ceilings

At 31 December, Statnett had the following unresolved matters regarding revenue ceilings:

Matter	Time of complaint	Status 31 Dec.	NOK million approx.
Efficiency requirements for Statnett SF	January 1999	With NVE	
Raised ceiling relating to Y2K supervisory function	January 1999	With NVE	5

Efficiency requirements for Statnett SF

In an individual decision, NVE set initial revenue ceilings for 1999 – 2000 in which efficiency requirements was one of the parameters. In Statnett's view, the efficiency requirement is set too high. One percentage point reduction in the efficiency requirement will increase Statnett's total income to almost NOK 200 million in the period 1999 – 2000. The matter was appealed to the OED in January 1999 via NVE but has not yet been passed on to the OED from NVE.

Raised revenue ceiling for supervisory function relating to the Y2K problem

Statnett was given a supervisory function by NVE over other companies relating to the year 2000 problem on the basis of its system-wide responsibility. The revenue ceiling for 1999 included a special addition to take into account increased costs relating to the year 2000 problem. In Statnett's view, this addition is intended to cover the power-grid companies' own costs. Costs relating to the supervisory function, estimated to be NOK 5 million, come in addition.

The matter was appealed to the OED in January 1999 via NVE but has not yet been passed on to the OED from NVE.

NOTE 23 – UNRESOLVED MATTERS

Higher amount of energy supplied

One of the parameters NVE employs when stipulating the annual revenue ceiling is expected increase in the supply of energy. According to Section 8-3, third paragraph of NVE's Regulations concerning technical and financial reporting, the revenue ceiling shall be adjusted upwards each year by half of the expected increase in supplied energy in the grid company's settlement area.

In the same regulation, Section 11-2, it is stated that at the end of the regulating period NVE shall implement a final settlement in which actual developments in the amount of energy supplied are to be taken into account. The result of the final settlement shall be recorded as a higher or lower revenue and be paid out, or be recouped in later year's tariffs.

At the end of 2002, it was calculated that Statnett had accumulated lower revenues of approximately NOK 700 million for 1998-2002, based on our understanding of regulations concerning the calculation of actual increase in supplied energy.

NVE has warned Statnett that accumulated lower revenues for 1998-2001 are NOK 112 million for its own grid and NOK 11 million for the Main Grid operator. The deferred settlement arrangement shall also include 2002. Based on NVE's interpretation on how the actual increase in supplied energy shall be calculated, the lower revenue for 2001 is expected to be balanced by a correspondingly higher revenue for 2002, such that the total result for the period is approximately zero. Statnett disagrees with the method NVE uses to calculate the actual increase in supplied energy. The case is expected to be appealed to OED via NVE.

The lower revenue has not been taken into account in the financial statements.



■ Statsautoriserte revisorer

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Medlemmer av Den norske Revisorforening

To the General Meeting of Statnett SF

Auditor's report for 2002

We have audited the annual financial statements of Statnett SF as of 31 December 2002, showing a profit of MNOK 417 for the parent company and a profit of MNOK 445 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and President and CEO. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2002, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its duty to properly register and document the accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with law and regulations.

Oslo, 20 March, 2003
ERNST & YOUNG AS

Jan Egil Haga (sign.)
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

■ Arendal, Bergen, Bø, Drammen, Fosnavåg, Fredrikstad, Hukkestredet, Høsten, Hønefoss, Kongsberg, Kragerø, Kristiansand, Larvik, Levanger, Lillehammer, Moss, Åløy, Nossdalen, Oslo, Otta, Porsgrunn/Skien, Sandefjord, Sørland, Stavanger, Steinkjer, Trondheim, Trondheim, Vikersund, Ålesund

BUSINESS AREAS ACCOUNTS

STATNETT GROUP	STATNETT'S BUSINESS OPERATION				OTHER TASKS			ELIMINATIONS		FINANCIAL ACCOUNTS		SUBSIDIARIES AND AFFILIATED COMPANIES		ELIMINATION		FINANCIAL ACCOUNTS	
	Notes	Grid owner/ TSO	Other operations	Total	Main Grid Commercial Agreement	Shared regional grids	Balance settlement	Total	Parent Company	Statnett SF	Engineering and construction	Power Ex-change (Nord Pool Group)	Group	Group	Statnett Group		
(Amounts in NOK million)																	
Tariff revenues - fixed element	5				1 936	118		2 054	-62	1 992							1 992
Tariff revenues - variable element	5				632	32		664	-9	655							630
Higher/lower revenues for year		6		6					-38	-32							-32
Revenue ceiling Statnett SF	2	2 348		2 348					-2 003	345							345
Revenue ceiling transmission losses	3	375		375					-341	34							34
Power sales		611		611			1 682	1 682	-746	1 547		4 478					5 957
Leasing revenues from cables to Continent		13	13	13				14	-7	13							13
Other operating revenues		56	7	63				14	-7	70	406	168					496
Total revenues		3 396	20	3 416	2 568	150	1 696	4 414	-3 206	4 624	406	4 646					9 435
Power purchases		-621		-621			-1 682	-1 682	688	-1 615		-4 478					-6 067
System services	4	-196		-196					48	-148							-148
Transmission losses	3	-454		-454	-313	-28		-341	341	-454							-386
Leasing costs, external in-stallation owners								-249		-249							-249
Leasing costs, Statnett facilities					-246	-3		-249	1 998	0							0
Reversals higher/lower earnings, infrastructure owners	6				-1 955	-43		-1 998									
Costs from overlying grid					-7	-83		-7		-7							-7
Materials and subcontractors		-133		-133				-83	78	-5							-5
Wages, social security costs		-183		-183			-4	-4		-133							-224
Depreciation		-601		-601						-187	-172						-329
Write-downs		-26		-26						-601	-13						-617
Other operating costs		-187	-18	-205			-16	-16	14	-26	-2						-28
Property tax		-87		-87						-207	-95	-107					-366
Total operating costs		-2 462	-44	-2 506	-2 521	-157	-1 702	-4 380	3 167	-3 719	-418	-4 620					-8 513
Operating profit/loss		934	-24	910	47	-7	-6	34	-39	905	-12	26	3	3	3	3	922
Financial revenues		85		85	3		1	4	-4	85	4	34					118
Financial costs		-410		-421					5	-416	-18	-16					-427
Total financial items		-325	-11	-336	3	3	1	4	1	-331	-14	18	18	18	18	18	-309
Profit before tax		609	-35	574	50	-7	-5	38	-38	574	-26	44	21	21	21	21	613
Tax		-157		-157						-157	5	-12					-168
Profit/loss*		452	-35	417	50	-7	-5	38	-38	417	-21	32	17	17	17	17	445
Higher/lower revenue in the balance sheet																	

* Higher/lower revenues related to other tasks are recorded in the balance sheet for Statnett SF.

BUSINESS AREAS NOTES

NOTE 1 - INVESTED CAPITAL

<i>(Amounts in NOK million)</i>	Grid owner/TSO	Other operations	Total business area
Plant under construction	130	230	360
Tangible fixed assets	8 873	2	8 875
Capital 1 January 2002	9 003	232	9 235
Plant under construction	329	257	586
Tangible fixed assets	9 187	3	9 190
Capital 31 December 2002	9 516	260	9 776
Average capital	9 260	246	9 506
Working capital 1%	93	2	95
Basis for calculation of return	9 353	248	9 601
Operating profit/loss excluding grid losses*	1 003	-24	981
Basis for calculation of capital grid operation return	9 353		
Return on grid operation	10.7 %		

* Net transmission loss equals revenue ceiling for transmission losses, adjusted for share, other owners.

Other operations comprise external activity in engineering (Engineering Division) and commercial tele and project administration for new cables to the Continent (Subsea Cable Division). These areas in the table above are not used in the calculation of return on capital.

NOTE 2 - REVENUE CEILINGS STATNETT SF

Recorded revenue ceilings increased from 2001 to 2002. Some of the reasons include:

- Acquisition of grid facilities, e.g. from Statkraft.
- Increase in regulating power options.
- Transit costs not included in previous years.
- Formal effects (price increases, increased energy transport and efficiency requirements) in NVE's calculations of the revenue ceiling.

There is a reduction in the revenue ceiling due to a reduction in the risk premium. In 2001 post payments related to CPI for 2000 and 2001 were also recorded in the 2001 accounts, something which does not appear for 2002.

NOTE 3 - REVENUE CEILING TRANSMISSION LOSSES

NVE has agreed revenue ceilings related to transmission losses that provide Statnett with a degree of coverage of loss costs in the grids. The ceiling is calculated in relation to the year's actual loss-weighted daily market price of NOK 221.03/MWh, as calculated by NVE.

If the transmission loss revenue ceiling does not cover the actual costs for transmission losses, the deficit shall be dealt between the infrastructure owners in relation to the revenue ceilings each of them represents in the respective grid. The deficit related to the Main Grid in 2002 was NOK 97 million. The share for other owners was NOK 11 million. There is no similar sharing for the shared regional grid.

Profit/loss for grid losses for 2002 is as follows:

<i>(Amounts in NOK million)</i>	Main Grid	Shared regional grids	Leasing regional grids	Total
Revenue ceilings transmission losses	313	28	34	375
Actual transmission losses	-410	-21	-34	-465
Result for distribution among owners	-97	7	-	-90
Other owners' share	-11	-	-	-11
Statnett's share	-86	7	-	-79

NOTE 4 - SYSTEM SERVICES COSTS

<i>(Amounts in NOK million)</i>	2002	2001	2000
Regulating power options	-85	-66	-28
Special regulations	-44	-61	-20
Transit costs	-28	-	-
Other system services	-39	-44	-33
Total system operating costs*	-196	-171	-81

*Excluding net power sales/power purchases

Statnett has systemwide responsibility for Norwegian power supply. System operating costs are costs incurred for the coordination of generation and the consumption of electricity. Increased utilisation of the grid has resulted in higher system operating costs. In order to ensure sufficient power reserves to safeguard system security, Statnett has entered into agreements with generators and users to withhold power capacity from the market.

Costs for regulating power options and transit costs are included as an addition in the revenue ceiling. Special regulations are partly compensated for with additions for the introduction of price areas.

NOTE 5 - TARIFF REVENUES POWER TRANSMISSION

<i>(Amounts in NOK million)</i>	Main Grid			Distribution grids/shared regional grids		
	2002	2001	2000	2002	2001	2000
Connection element	564	587	626	39	39	19
Power element	1 293	1 469	1 265	72	89	44
Reactive power output	-45	-46	6	-	1	-
Minimum supplement	119	104	104	7	7	10
Disconnectable consumption	5	5	4	-	-	-
Corrections previous years	-	5	4	-	-	-
Total tariff revenues fixed element	1 936	2 124	2 009	118	136	73
Energy element	485	401	226	32	31	5
Congestion revenues	147	44	-	-	-	-
Total tariff revenues variable element	632	445	226	32	31	5
Total tariff revenues	2 568	2 569	2 235	150	167	78

<i>Domestic tariff revenues (NOK 1000 per MW)</i>	2002 In/Out	2001 In/Out	2000 In/Out
Connection element	13.0/13.0	14.0/14.0	11.0/14.0
Power element	28.0/100.0	44.0/80.0	45.0/63.0

Congestion revenues are generated as a result of internal transmission restrictions in the electricity exchange area. Statnett, Svenska Kraftnät, Eltra and Fingrid have entered into an agreement that regulates the apportionment of congestion revenues for 2002.

NOTE 6 – REVERSAL OF HIGHER/LOWER REVENUES FROM INSTALLATION OWNERS

Charged lower revenue from Main Grid owners can be broken down as follows:

<i>(Amounts in NOK million)</i>	2002	2001	2000
From Statnett	-	83	-
From other Main Grid owners	7	9	1
Total reversed lower revenue	7	92	1

NOTE 7 – FINANCIAL ITEMS MAIN GRID COMMERCIAL AGREEMENT

Pursuant to guidelines issued by NVE, interest of 6.48% pa is to be charged on the average balance of higher/lower revenues. This leads to an interest revenue of close to NOK 3 million. The interest cost relating to lower revenues is approximately zero.

NOTE 8 – ACCUMULATED HIGHER/LOWER REVENUES MAIN GRID COMMERCIAL AGREEMENT

<i>(Amounts in NOK million)</i>	2002	2001	2000
Accumulated higher/lower revenues 1 January	-4	-60	-291
Higher/lower revenue for the year	50	56	231
Accumulated higher/lower revenues 31 December	46	-4	-60

NOTE 9 - THE BALANCE SETTLEMENT

The fee revenue shall cover administration costs over time. Accumulated higher revenues at 31 December 2002 of NOK 13 million have been recorded under current liabilities on the balance sheet in the parent company's accounts. The period has a lower revenue of NOK 5 million.

Statnett is to attach equal importance in our activities to nature and the environment as to technical and financial considerations. Knowledge of the effects of our operations on the environment is important if we are to achieve this goal. We will actively pursue and distribute this information, which will be readily available to the general public and we will implement measures to reduce any detrimental effects on the environment.

OIL SPILLS PROHIBITED!

Statnett is in the process of wrapping up a project for oil spill contingency planning that has run for several years. Since 1999, the company has invested nearly NOK 50 million in oil containing facilities. When the last oil traps are in place, Statnett's transformer stations will be well fitted with containing equipment. In this way, Statnett hopes eliminate the risk of transformer oil spills polluting the waterways in the event of fire.

Statnett has an environmental profile that includes preventative measures of this type. In line with this profile,



the programme was started in 1998 - with a pilot project at Frogner transformer station in Sørum. Each year thereafter, facilities have been upgraded one by one on a priority basis. In 2002, measures were implemented in a total of 19 sub-stations.

Above photo:
An oil collection tank being prepared for installation at Frogner transformer station.

Increased utilisation of the grid

Statnett owns roughly 10 000 km of power lines and these occupy a total area of around 360 000 decares (approx. 90 000 acres). As energy consumption increases, the upgrading of transmission capacity will be a key environmental issue, as this reduces the need for new power line corridors.

Removing PCB

Measuring transformers containing PCB are to be banned from 2010. Statnett has already replaced 60 measuring transformers, of which 27 were replaced in 2002. The remaining 15 measuring transformers will be replaced in 2004. These environmental measures are also to be implemented at facilities acquired by Statnett in recent years.

Electromagnetic fields and public health

Many people are worried about the health implications of living close to power lines. Recent research does not clarify whether electromagnetic fields constitute a health hazard. The authorities' recommendations regarding the avoidance of unnecessary exposure and construction of new lines near buildings or of new buildings near power lines, still apply. International recommendations specify that public exposure should be kept below 100 microtesla for magnetic fields and 5 kV/metre for electric fields. In practice, the fields created by Statnett's power lines are well below the limit set for magnetic fields and only under exceptional circumstances may exceed the limit set for electric fields. Statnett supports research on the possible health effects of electromagnetic fields and keeps up-to-date with research in this area.

Noise

Maximum noise restrictions are incorporated in project planning and technical specifications for new transformers. In Bardufoss, a noise protection cover for the transformer was integrated into a new, improved design for the shaft. In 2002, Statnett acquired transformers that were delivered with external attachable covers in order to improve noise reduction. In Mosjøen, transformers with particularly low noise levels have been installed as the stations lie in close proximity to built-up areas.

Forest clearance in power line corridors

Operational safety requirements for power lines and increasingly stringent efficiency requirements have resulted in a trend towards the complete clearance of corridors. One of our challenges is to develop environmentally friendly forest management/clearance. Statnett is currently developing the use of laser measurements of power line corridors from planes and has gathered laser data from several corridors in Central Norway. The laser data can be used for more selective clearance of corridors, which is optimal in terms of the environment, finances and operational safety. Statnett will further develop the use of laser data in 2003.

Reindeer and power lines

The reindeer project finished in spring 2002 and an extensive research report was submitted. The key results showed that noise from power lines is audible to reindeer and power lines may therefore restrict their movements as they seek to avoid the lines.

Follow-up of environmental requirements

Practical environmental requirements have been issued for contractors working on Statnett's power line project to develop the 132 kV power line from Fardal – Mel. A separate environment plan was included in the background information for contractors wishing to submit a tender for the construction of the 420 kV line between Klæbu – Viklandet. Based on Statnett's environmental policy and goals, the plan sets out the environmental requirements that apply to suppliers and contractors in connection with the construction of the line.

**President and CEO,
Odd Håkon Hoelsæter**

The objective of Statnett's operations is to create conditions conducive to the most efficient power market possible.

Odd Håkon Hoelsæter is a board member in Nord Pool ASA. As President and CEO of Statnett, he is also a board member in Nordel, a member of ETSO's Steering Committee and a board member in Gassco.



**Executive Vice President,
Grid Operation,
Ivar Glende**

The Grid Operations Division manages the running of the Norwegian power system and joint operations with other Nordic countries. Management of the systemwide responsibility shall ensure the efficient utilisation of the grid and satisfactory, reliable delivery. Statnett's National Control Centre coordinates all important participants in the transmission grid in Norway, whereas the three regional control centres – in Oslo, Sunndalsøra and Alta – monitor and manage Statnett's transmission facilities. Operations Planning coordinates the maintenance programme, sets transmission limits and plans measures to increase the utilisation of the system based on the market's short-term needs. The planning of protective measures for transmission facilities and analyses of any faults that occur are important in terms of delivery quality. Last, but not least, Statnett strives to develop market mechanisms that facilitate the execution of its systemwide responsibility.



**Senior Vice President,
Kåre Schjetne**

Corporate staff includes all key staff functions: The Human Resources and Organisation Department, the Communications Department, the Legal Department, Resource Optimisation in Statnett (ROS), Research and Development, cooperation with Nordel and ETSO, Quality Management and Property Management.



**Executive Vice President,
Finance,
Eva Granly Fredriksen**

Statnett attaches considerable importance to efficient financial management and control. Departments include: the Finance Department, the Financial Analyses Department, the Financial Control Department, the Accounts Department, the Procurements Department and the wholly-owned subsidiary, Statnett Forsikring AS. Eva Granly Fredriksen is also Chairman of the Board for Nord Pool Spot AS and Statnett SF's Group Pension Fund and a board member in Nord Pool ASA.



**Executive Vice President,
Grid Development,
Øivind Rue**

The Development and Investment Division work towards the optimal development and utilisation of the Norwegian Main Grid, by means of technological solutions that are financially viable. When choosing solutions, Statnett balances increased utilisation of the existing grid against new constructions, taking all elements and the whole picture into consideration. Capacity must correspond to the needs of the market.



**Executive Vice President,
Commercial,
Bente Hagem**

The Market Division of Statnett handles measuring, pricing and contracts in the Main Grid and some regional grids. In addition, the Division is also responsible for the regulating settlement system, which compares figures for actual production and consumption with planned production and consumption in the Norwegian wholesale market. The Market Division has particular responsibility for maintaining contact with Statnett's customers.



**Executive Vice President,
Maintenance,
Audun Hustoft**

Statnett owns and operates nearly 10 000 kilometres of high voltage power lines and subsea cables and around 100 transformer, switching and compensator stations. The power lines have an operational voltage of 132, 220, 300 and 420 kV (1 kV = 1000 volt). The Maintenance Division is responsible for the maintenance of Statnett's facilities and thereby for ensuring that the Main Grid is operational. Statnett's own facilities comprise around 87 per cent of the Norwegian Main Grid.



Concerning the reorganisation of administrative enterprise, Statkraft, to public enterprises, Statnett SF and Statkraft SF on 1 January 1992

- Proposition no. 32 to the Odelsting (1990–1991)
- Proposition no. 100 to the Storting (1990–1991)
- Recommendation no. 28 to the Storting (1991–1992)
- Minutes of debate in the Storting of 8 November 1991

Review of Statnett SF's organisation and responsibilities

- Proposition no.1 to the Storting, Part IV (2001-2002)
- Recommendation no. 83 to the Storting (2001-2002)
- Minutes of debated in the Storting of 19 February 2002

Act no. 71 of 30 August 1991 relating to Public Enterprises (Public Enterprises Act)

- NOU 1991:8
- Proposition no. 32 to the Odelsting (1990–1991)
- Recommendation no. 67 to the Odelsting (1990–1991)
- Proposition no. 13 to the Odelsting (2002-2003)
- Recommendation no. 45 to the Odelsting (2002-2003)

Act no. 50 of 29 June 1990 relation to Energy (Energy Act)

- NOU 1985:9 Energy legislation
- Proposition no. 43 to the Odelsting (1989–1990)
- Proposition no. 60 to the Odelsting (1992–1993) On contingency
- Proposition no. 35 to the Odelsting (2000–2001) Amendments to the Energy Act
- Regulations no. 959 of 7 December 1990 under the Energy Act

Systemwide responsibility

- Guidelines for systemwide responsibility in the power system (NVE, in force from 17 May 2002)

Rationing

- Regulations relating to planning, etc., power rationing (NVE, in force from 1 January 2002)

Contingency planning

- Regulations relating to contingency planning for the power supply (NVE, in force from 1 January 2003)

Energy reports

- Regulations relating to energy reports (NVE, in force from 1 January 2003)

Measurement and settlement

- Regulation concerning the measurement, settlement and coordinated action in power trading and the invoicing of grid services (NVE, in force from 11 March 1999)

Income regulation

- Regulation concerning financial and technical reporting, the revenue ceiling for grid operations and transmission tariffs (OED, in force from 11 March 1999)

The organisation of foreign trade in electricity

- Proposition no. 81 to the Storting (1991–1992)
- Recommendation no. 178 to the Storting (1991–1992)
- Report no. 46 to the Storting (1992–1993)
- Report no. 11 to the Storting (1995–1996) Organisation of power trade with Sweden
- Recommendation no. 97 (1995–1996) Power trade with Sweden
- Report no. 9 to the Storting (2000–2001) Power trading between Norway and Denmark
- Report no. 93 to the Storting (2000–2001) Power trade with Denmark

The taxation of power companies

- Regulation concerning supplementation and implementation, etc., of Act no. 14 of 2 March 1999 regarding taxation (Section 18–8)
- Interest rate provision for taxation of power companies (with statutory basis in Section 18-2, fourth paragraph, section 18–3, third paragraph, litra b and sixth paragraph, litra a, section 18–4, second paragraph and section 18–5, sixth paragraph)
- Proposition no. 23 to the Odelsting (1995–1996)
- Proposition no. 47 to the Odelsting (1999–2000)

Electromagnetic fields and health hazards

- Proposal for a management strategy NOU 1995:20

Energy and power balance towards the year 2020

- NOU 1998:11

Concerning energy policies

- Report no. 29 to the Storting (1998–1999).

BRIEF HISTORY

1919-21

The Norwegian Water Resources and Energy Directorate (NVE) is founded.

1932

The coordination of Norway's power stations is established.

1986

The state-owned power stations, Statskraftverkene, are separated from the Norwegian Water Resources and Energy Directorate.

1991

The current Energy Act enters into force.

1992

The state-owned administration company Statskraftverkene is divided into two independent state-owned enterprises, Statkraft SF and Statnett SF, the first of which is responsible for the competition-based generation of power (power stations), whilst the latter runs the more monopoly-based transmission of power and has national system-wide responsibility.

1993

The co-ordination of Norway's power stations is integrated in Statnett. Statnett Marked AS is formed as a wholly-owned subsidiary of Statnett and is put in charge of the Norwegian power exchange.

1996

Norway and Sweden set up a common market for power. Statnett Marked AS expands its area of operations and becomes Nord Pool ASA. Svenska Kraftnät becomes co-owner of Nord Pool ASA, which means that Statnett and Svenska Kraftnät each own 50 per cent of the Nordic power exchange, and operate a common power exchange for the Nordic region.

Statnett's two vessels, C/S Skagerrak and M/S Elektron, are hived off into the wholly-owned subsidiary Statnett Rederi AS.

Together with 29 other energy companies, Statnett sets up the telecommunications transmission company Enitel ASA.

1997

Statnett's Construction and Maintenance Division is hived off from Statnett SF to become the wholly-owned subsidiary Statnett Entreprenør AS.

1998

Finland becomes part of the Nordic power market.

1999

The first phase of Statnett's internal program of rationalisation "Statnett 2000" is started.

Western Denmark becomes part of the Nordic power market.

2000

The cable-laying vessel C/S Skagerrak is sold.

Report no. 9 to the Storting (Parliament) (2000-2001) results in free access to the Skagerrak cables for power market players from January 2001.

Eastern Denmark becomes part of the Nordic power market.

2001

Due to cold weather conditions, a consumption peak of 23 054 MW was recorded between 9-10 am on 5 February.

Enitel ASA was declared bankrupt in August 2001.

E.ON Energie AG and Statkraft decided to terminate their agreement on the exchange of power via the planned Viking Cable between Norway and Germany.

2002

2 January: The company Nord Pool Spot AS was established.

Statnett Rederi AS changed its name to Statnett Transport AS in January 2002.

19 February: The parliament adopted provisions governing Statnett's responsibilities as the transmission system operator (TSO).

16 December: The Storting (Parliament) decided to remove the provision concerning state guarantees for state-owned enterprises from 1 January 2003.

Winter 2002-2003: The most critical energy situation to date arose, following a sharp fall in water levels in hydropower reservoirs and unusually high electricity prices.

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